PROSPECTUS
Dated: October 24, 2020
Please read Section 32 of the Companies Act, 2013
100% Book Built Offer

EQUITAS SMALL FINANCE BANK LIMITED

Our Bank was originally incorporated as V.A.P. Finance Private Limited on June 21, 1993 at Madras, Tamil Nadu as a private limited company under the Companies Act, 1956, and was granted the certificate of incorporation by the Registrar of Companies, Tamil Nadu at Chennai ("**RoC**"). Our Bank became a deemed public limited company under section 43A of Companies Act, 1956 on March 5, 1994 and the name of our Bank was changed to V.A.P. Finance Limited and the certificate of incorporation of our Bank was endorsed by the RoC to that effect. Our Bank thereafter became a private limited company under section 31(1) of the Companies Act, 1956 and a fresh certificate of incorporation dated March 30, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Limited to V.A.P. Finance Private Limited. A fresh certificate of incorporation dated August 12, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Private Limited to Equitas Finance Private Limited. A fresh certificate of incorporation was granted by the RoC on September 29, 2015 consequent upon change of name from Equitas Finance Private Limited to Equitas Finance Limited pursuant to conversion of our Bank into a public limited company. Our Promoter, EHL was granted the RBI In-Principle and RBI Final Approval on October 7, 2015 and June 30, 2016 respectively; to establish a small finance bank ("**SFB**"). Subsequently, our Bank was converted into an SFB. A fresh certificate of incorporation dated September 2, 2016 was granted by the RoC consequent upon change of name of our Bank from Equitas Finance Limited to Equitas Small Finance Bank Limited. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated December 23, 2016 issued by the RBI and published in the Gazette of India dated February 4 – February 10, 2017. For further details of change in name and registered office of the Bank, see "*History and Certain Corporate Matters*" on page 159.

Registered and Corporate Office: 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India **Tel**: +91 44 4299 5000
Website: www.equitasbank.com; **Contact Person**: Sampathkumar K. Raghunathan, Company Secretary and Compliance Officer; **E-mail**: secretarial@equitas.in
Corporate Identity Number: U65191TN1993PLC025280

OUR PROMOTER: EQUITAS HOLDINGS LIMITED

INITIAL PUBLIC OFFER OF 156,848,484^ EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF EQUITAS SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER") FOR CASH AT A PRICE OF ₹33 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹23 PER EQUITY SHARE) AGGREGATING TO ₹5,176 MILLION (THE "OFFER") COMPRISING OF A FRESH ISSUE OF 84,848,484^ EQUITY SHARES AGGREGATING TO ₹2,800 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 72,000,000^ EQUITY SHARES BY EQUITAS HOLDINGS LIMITED (THE "PROMOTER SELLING SHAREHOLDER, AND SUCH EQUITY SHARES THE "OFFERED SHARES") AGGREGATING TO ₹2,376 MILLION (THE "OFFER FOR SALE"). THE OFFER INCLUDED A RESERVATION OF 15,454,545^ EQUITY SHARES, AGGREGATING TO ₹510 MILLION (CONSTITUTING 1.36% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EHL SHAREHOLDERS ("EHL SHAREHOLDER RESERVATION PORTION") AND A RESERVATION OF 303,030^ EQUITY SHARES, AGGREGATING TO ₹10 MILLION (CONSTITUTING 0.03% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EHL SHAREHOLDER RESERVATION PORTION AND THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER CONSTITUTED 13.78% AND 12.40%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

THE FACE VALUE OF EQUITY SHARES IS ₹10 EACH. THE OFFER PRICE IS ₹33 PER EQUITY SHARE AND IS 3.3 TIMES THE FACE VALUE OF THE EQUITY SHARES. THE ANCHOR INVESTOR OFFER PRICE IS ₹33 PER EQUITY SHARE.

^Subject to finalisation of the Basis of Allotment

The Offer was made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("**SCRR**") read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Offer was available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") (the "**QIB Portion**"). Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("**Anchor Investor Portion**"), of which one-third was reserved for domestic Mutual Funds, subject to valid Bids received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. Further 5% of the Net QIB Portion was made available for allocation on a proportionate basis to Mutual Funds only and the remainder of the Net QIB Portion was made available for allocation on a proportionate basis to all QIB Bidders including Mutual Funds, subject to valid Bids having been received at or above the Offer Price. Further, not less than 15% of the Net Offer was made available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer was made available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received from them at or above the Offer Price. All potential Bidders (except Anchor Investors) were required to mandatorily utilise the Application Supported by Blocked Amount ("**ASBA**") process providing details of their respective ASBA accounts, and UPI ID (in case of RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion) if applicable, in which the corresponding Bid Amounts were blocked by the SCSBs or under the UPI Mechanism, as applicable. Anchor Investors were not permitted to participate in the Offer through the ASBA process. For details, see "*Offer Procedure*" on page 374.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Offer Price should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding active and/or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Bank and the Offer, including the risks involved. The Equity Shares in the Offer have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 24.

ISSUER'S AND PROMOTER SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to our Bank and the Offer, which is material in the context of the Offer, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Promoter Selling Shareholder accepts responsibility for and confirms that the statements specifically made or confirmed by the Promoter Selling Shareholder in this Prospectus to the extent of information specifically pertaining to itself and its Offered Shares and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect.

LISTING

The Equity Shares to be Allotted through the Red Herring Prospecuts and this Prospectus are proposed to be listed on the Stock Exchanges. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 31, 2019 and January 7, 2020, respectively. For the purposes of the Offer, the Designated Stock Exchange shall be NSE. A signed copy of the Red Herring Prospectus has been, and a copy of this Prospectus shall be delivered to the RoC in accordance with Section 26(4) of the Companies Act 2013. For details of the material contracts and documents that were made available for inspection from the date of the Red Herring Prospectus up to the Bid/ Offer Closing Date, see "*Material Contracts and Documents for Inspection*" on page 396.

BOOK RUNNING LEAD MANAGERS TO THE OFFER			REGISTRAR TO THE OFFER
JM Financial Limited 7th Floor Cnergy Appasaheb Marathe Marg Prabhadevi Mumbai 400 025 Maharashtra, India Tel: +91 22 6630 3030 E-mail: esfb.ipo@jmfl.com Investor grievance e-mail: grievance.ibd@jmfl.com Website: www.jmfl.com Contact Person: Prachee Dhuri SEBI Registration No.: INM000010361	**Edelweiss Financial Services Limited** 14th Floor, Edelweiss House Off C.S.T. Road, Kalina Mumbai 400 098 Maharashtra, India Tel: + 91 22 4009 4400 E-mail: equitassfb.ipo@edelweissfin.com Investor grievance e-mail: customerservice.mb@edelweissfin.com Website: www.edelweissfin.com Contact Person: Nishita John SEBI Registration No.: INM0000010650	**IIFL Securities Limited** 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel.: +91 22 4646 4600 E-mail: equitas.ipo@iiflcap.com Investor grievance e-mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Ujjaval Kumar/ Vishal Bangard SEBI Registration No.: INM000010940	**KFin Technologies Private Limited** Selenium, Tower B, Plot No. 31 & 32 Financial District, Nanakramguda Serilingampally Hyderabad 500 032, Rangareddi Telangana, India Tel: +91 40 6716 2222 E-mail: equitassmallfinance.ipo@kfintech.com Investor grievance e-mail: einward.ris@kfintech.com Website: www.kfintech.com Contact Person: M. Murali Krishna SEBI Registration No.: INR000000221

BID/ OFFER SCHEDULE			
BID/ OFFER OPENED ON	October 20, 2020(1)	**BID/ OFFER CLOSED ON**	October 22, 2020

(1) The Anchor Investor Bid/Offer Period was one Working Day prior to the Bid/ Offer Opening date i.e.October 19, 2020.

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented or re-enacted from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder. Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Special Tax Benefits", "Financial Statements", "Basis for Offer Price", "History and Certain Corporate Matters", "Selected Statistical Information", "Financial Indebtedness", "Other Regulatory and Statutory Disclosures", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of Articles of Association" on pages 96, 146, 91, 229, 88, 159, 192, 341, 353, 342 and 391 respectively shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Equitas Small Finance Bank Limited, a company incorporated under the Companies Act, 1956 and a small finance bank registered with the RBI, having its Registered and Corporate Office at 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India
"we", "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Bank Related Terms

Term	Description
ALCO	The asset liability committee of our Bank
"Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	The audit committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, guidelines issued by the RBI from time to time, and as described in "*Our Management*" on page 172
"Auditors" or "Statutory Auditors"	T.R. Chadha & Co. LLP, Chartered Accountants, current statutory auditors of our Bank
"Board" or "Board of Directors"	Board of directors of our Bank
Business Committee	The business committee of our Bank
Amalgamation Scheme	Scheme of amalgamation of EMFL and EHFL with our Bank and their respective shareholders, approved by the High Court of Judicature at Madras on June 6, 2016 pursuant to which EMFL and EHFL were amalgamated with and into our Bank with effect from the working day immediately preceding the date of commencement of business as an SFB by our Bank.
Corporate Social Responsibility Committee	The corporate social responsibility committee of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 176
CRISIL Report	Report titled '*Analysis of small finance banks and various loan products'* dated November 2019, issued by CRISIL Limited
Credit Committee	The credit committee of our Bank
Customer Service Committee	The customer service committee of our Bank
Director(s)	The directors on the Board of our Bank
EDK	Equitas Dhanyakosha India
EHFL	Equitas Housing Finance Limited
EMFL	Equitas Micro Finance Limited
Equity Shares	Equity shares of our Bank of face value of ₹10 each
ESFB ESOP Plan 2019	ESFB Employees Stock Option Scheme, 2019
ETPL	Equitas Technologies Private Limited
Fraud Monitoring Committee	Special committee for monitoring high value frauds of our Bank
Group Companies	Our group companies, namely ETPL and EDK, as disclosed in *"Our Group Companies"* on page 188
Independent Directors	Independent directors on the Board, as disclosed in "*Our Management*" on page 165
IAD	The internal audit department of our Bank
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as disclosed in "*Our Management*" on page 181
Listing Committee	The listing committee of our Bank as described in "*Our Management*" on page 177
MD and CEO	Managing Director and Chief Executive Officer of our Bank, namely Vasudevan Pathangi Narasimhan
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended

Term	Description
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations and guidelines issued by the RBI from time to time and as described in "*Our Management*" on page 174
Policy Formulation Committee	The policy formulation committee of our Bank
"Promoter" or "EHL"	Our Promoter, namely, Equitas Holdings Limited
Promoter Group	Entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in "*Our Promoter and Promoter Group*" on page 187
Promoter Selling Shareholder	EHL
RBI Final Approval	RBI letter dated June 30, 2016 bearing no. DBR.NBD.(SFB Equitas) No. 16467/16.13.216/2015-16, pursuant to which RBI granted license no. MUM: 119 to our Promoter for our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act
RBI In-Principle Approval	RBI letter dated October 7, 2015, bearing no. DBR.PSBD.NBC (SFB-Equitas). No. 4915/16.13.216/2015-16 pursuant to which our Promoter was granted an in-principle approval, to establish an SFB under Section 22 of the Banking Regulation Act
Registered and Corporate Office	Registered and corporate office of our Bank located at 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India
"Registrar of Companies" or "RoC"	Registrar of Companies, Tamil Nadu at Chennai
"Restated Financial Information"	The restated summary statement of assets and liabilities of the Bank as at June 30, 2020 and 2019 and March 31, 2020, 2019 and 2018, and the related restated summary profit and loss account and restated statement of cash flows for the three month period ended June 30, 2020 and 2019 and for the years ended March 31, 2020, 2019 and 2018 and the summary statement of significant accounting policies, and other explanatory information of the Bank are collectively referred to as the "Restated Financial Information", prepared by the Bank in accordance with the relevant provisions of the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by ICAI.
Shareholders	Shareholders of our Bank
Risk Management Committee	The risk management committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in "*Our Management*" on page 176
Stakeholders' Relationship Committee	The stakeholders' relationship committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in "*Our Management*" on page 175

Offer Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by a Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
Addendum	The addendum to the Draft Red Herring Prospectus dated September 24, 2020 filed with the SEBI
"Allot" or "Allotment" or "Allotted"	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Fresh Issue and transfer of Offered Shares pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer who applied under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus and who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	₹33 per Equity Share, being the price at which Equity Shares were allocated to Anchor Investors in terms of the Red Herring Prospectus and this Prospectus, which was decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs during the Anchor Investor Bid/Offer Period
Anchor Investor Application Form	Application form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which was considered as an application for Allotment in terms of the Red Herring Prospectus and this Prospectus
Anchor Investor Bid/Offer Period	October 19, 2020, being one Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors were submitted and allocation to Anchor Investors was completed
Anchor Investor Offer Price	₹33 per Equity Share. The Anchor Investor Offer Price was decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs
Anchor Investor Portion	60% of the QIB Portion, consisting of 42,327,271^ Equity Shares, which were allocated by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations ^*Subject to finalisation of the Basis of Allotment*

Term	Description
"Application Supported by Blocked Amount" or "ASBA"	Application, whether physical or electronic, used by ASBA Bidders to make a Bid and authorizing an SCSB to block the Bid Amount in the ASBA Account and which included applications made by RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism where the Bid Amount was blocked upon acceptance of UPI Mandate Request by RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism
ASBA Account	Bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of a RIB and Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion, which were blocked upon acceptance of a UPI Mandate Request made by the RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which was considered as the application for Allotment in terms of the Red Herring Prospectus and this Prospectus
Banker to the Offer	Collectively, Escrow Collection Bank, Public Offer Account Bank, Sponsor Bank and Refund Bank, as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in "*Offer Structure*" beginning on page 370
Bid	Indication to make an offer during the Bid/ Offer Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Offer Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto as permitted under the SEBI ICDR Regulations and in terms of the Red Herring Prospectus and the Bid cum Application Form. The term "Bidding" shall be construed accordingly
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of RIBs Bidding at the Cut-off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid. Eligible EHL Shareholders who applied in the EHL Shareholder Reservation Portion could apply at the Cut-Off Price (subject to Bid Amount being up to ₹200,000) and the Bid Amount was Cap Price, multiplied by the number of Equity Shares Bid for by such Eligible EHL Shareholders and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Eligible EHL Shareholder Reservation Portion was ₹200,000. Eligible Employees who applied in the Employee Reservation Portion could apply at the Cut-off Price and the Bid amount was Cap Price, multiplied by the number of Equity Shares Bid for by such Eligible Employee and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee was ₹500,000. However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. Only in the event of an under subscription in the Employee Reservation Portion, such unsubscribed portion were Allotted on a proportionate basis to the Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000.
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	450 Equity Shares and in multiples of 450 Equity Shares thereafter
Bid/ Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, October 22, 2020
Bid/ Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, October 20, 2020
Bid/ Offer Period	Except in relation to Anchor Investors, the period between October 20, 2020 and October 22, 2020, inclusive of both days
Bidder	Any investor who made a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries accepted the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Offer, namely, JM Financial, Edelweiss and IIFL
Broker Centres	Centres notified by the Stock Exchanges where Bidders could have submitted the ASBA Forms to a Registered Broker. The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
"CAN" or "Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bid/ Offer Period
Cap Price	₹33 per Equity Share

Term	Description
Cash Escrow and Sponsor Bank Agreement	Agreement dated October 9, 2020 entered amongst our Bank, the Promoter Selling Shareholder, the BRLMs, Syndicate Members, the Banker to the Offer and Registrar to the Offer, *inter alia*, for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Offer Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
"Collecting Depository Participant" or "CDP"	A depository participant as defined under the Depositories Act, 1996 registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the respective websites of the Stock Exchanges, as updated from time to time.
Cut-off Price	Offer Price, being ₹33 per Equity Share, finalised by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs. Only Retail Individual Bidders Bidding in the Retail Portion, Eligible Employees Bidding in the Employee Reservation Portion and Eligible EHL Shareholders Bidding in the EHL Shareholders Reservation Portion (subject to the Bid Amount being upto ₹200,000) were entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders were not entitled to Bid at the Cut-off Price
Demographic Details	Details of the Bidders including the Bidders' address, name of the Bidders' father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which collected the ASBA Forms, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where Bidders submitted the ASBA Forms. The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Bank(s) transfer funds from the Escrow Account to the Public Offer Account or the Refund Account, as the case may be, and/or the instructions are issued to the SCSBs (in case of RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Offer Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus and this Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs, Eligible Employees Bidding in the Employee Reservation Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs. In relation to ASBA Forms submitted by RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion where the Bid Amount was blocked upon acceptance of UPI Mandate Request by such RIBs or Eligible EHL Shareholders (as the case maybe) using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs, SCSBs and RTAs. In relation to ASBA Forms submitted by QIBs and Non-Institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders submitted the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	NSE
"Draft Red Herring Prospectus" or "DRHP"	The draft red herring prospectus dated December 16, 2019 issued in accordance with the SEBI ICDR Regulations, which did not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer. Further, the Bank had also filed with SEBI the Addendum to the Draft Red Herring Prospectus dated September 24, 2020
Edelweiss	Edelweiss Financial Services Limited
EHL Shareholder Reservation Portion	The portion of the Offer being 15,454,545^ Equity Shares aggregating up to ₹510 million, which was made available for allocation to Eligible EHL Shareholders, on a proportionate basis ^*Subject to finalisation of the Basis of Allotment*
Eligible EHL Shareholders	Individuals and HUFs who are the public equity shareholders of EHL, our Promoter, (excluding such persons who are not eligible to invest in the Offer under applicable laws) as on the date of the Red Herring Prospectus. The maximum Bid Amount under the EHL Shareholder Reservation Portion by an Eligible EHL Shareholder did not exceed ₹200,000.
Eligible Employees	Permanent employees (excluding such employees who are not eligible to invest in the Offer under applicable laws), working in India or outside India, of our Bank or our Promoter or a Director of our Bank, whether whole-time or not, as on the date of the filing of the Red Herring Prospectus with the RoC, but not including (i) Promoter; (ii) persons belonging to the Promoter Group; or (iii) Directors

Term	Description
	who either themselves or through their relatives or through any body corporate, directly or indirectly, hold more than 10% of the outstanding equity shares of our Bank. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee did not exceed ₹500,000 on a net basis. However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion did not exceed ₹200,000. Only in the event of an under subscription in the Employee Reservation Portion, such unsubscribed portion will be Allotted on a proportionate basis to the Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000.
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an Offer or invitation under the Offer and in relation to whom the ASBA Form and the Red Herring Prospectus constituted an invitation to subscribe to or to purchase the Equity Shares
Employee Reservation Portion	The portion of the Offer being 303,030^ Equity Shares aggregating up to ₹10 million, which was made available for allocation to Eligible Employees, on a proportionate basis *^Subject to finalisation of the Basis of Allotment*
Escrow Account	Accounts opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors transferred money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank	Bank which is a clearing member and registered with SEBI as a banker to an issue under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and with whom the Escrow Account has been opened, in this case being ICICI Bank Limited
First or sole Bidder	Bidder whose name is mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name also appeared as the first holder of the beneficiary account held in joint names
Floor Price	₹32 per Equity Share
Fresh Issue	Fresh issue of 84,848,484^ Equity Shares aggregating to ₹2,800 million by our Bank *^Subject to finalisation of the Basis of Allotment*
General Information Document	The General Information Document for investing in public issues prepared and issued in accordance with the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the BRLMs
IIFL	IIFL Securities Limited
JM Financial	JM Financial Limited
Maximum RIB Allottees	Maximum number of RIBs who can be allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot, subject to valid Bids having been received at or above the Offer Price
Mutual Fund Portion	5% of the Net QIB Portion, or 1,410,909^ Equity Shares which was made available for allocation to Mutual Funds only, subject to valid Bids having been received at or above the Offer Price *^Subject to finalisation of the Basis of Allotment*
Net Proceeds	Proceeds of the Fresh Issue less our Bank's share of the Offer expenses. For further details regarding the use of the Net Proceeds and the Offer expenses, see "*Objects of the Offer*" on page 85
Net Offer	The Offer, less the EHL Shareholder Reservation Portion and the Employee Reservation Portion
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders or Eligible Employees or Eligible EHL Shareholders and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	Portion of the Offer being not less than 15% of the Net Offer consisting of 21,163,637^ Equity Shares which was made available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids having been received at or above the Offer Price *^Subject to finalisation of the Basis of Allotment*
Non-Resident	Person resident outside India, as defined under FEMA
Offer	The initial public offer of Equity Shares comprising of the Net Offer, the Employee Reservation Portion and EHL Shareholder Reservation Portion.
Offer Agreement	Agreement dated December 16, 2019 entered amongst our Bank, the Promoter Selling Shareholder and the BRLMs, pursuant to which certain arrangements have been agreed to in relation to the Offer
Offer for Sale	The offer for sale of 72,000,000^ Equity Shares by the Promoter Selling Shareholder at the Offer Price aggregating to ₹2,376 million in the Offer *^Subject to finalisation of the Basis of Allotment*
Offer Price	₹33 per Equity Share, being the final price at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and this Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price which was decided by our Bank and Promoter Selling Shareholder, in consultation with the BRLMs in terms of the Red Herring Prospectus and this Prospectus.

Term	Description
	The Offer Price was decided by our Bank and Promoter Selling Shareholder, in consultation with the BRLMs on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus.
Offer Proceeds	The proceeds of the Fresh Issue which shall be available to our Bank and the proceeds of the Offer for Sale which shall be available to the Promoter Selling Shareholder. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" beginning on page 85
Offered Shares	72,000,000 Equity Shares being offered for sale by the Promoter Selling Shareholder in the Offer for Sale
Price Band	Price band of a minimum price of ₹32 per Equity Share (Floor Price) and the maximum price of ₹33 per Equity Share (Cap Price) The Price Band and the minimum Bid Lot size for the Offer were decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and were advertised, at least two Working Days prior to the Bid/ Offer Opening Date, in all editions of Financial Express, an English national daily newspaper and all editions of Jansatta, a Hindi national daily newspaper and Chennai edition of Makkal Kural, a Tamil daily newspaper, (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation and were made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	October 23, 2020, being the date on which our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, finalized the Offer Price
Prospectus	This prospectus dated October 24, 2020, to be filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, *inter alia*, the Offer Price, the size of the Offer and certain other information, including any addenda or corrigenda thereto
Public Offer Account	Bank account opened with the Public Offer Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and ASBA Accounts on the Designated Date
Public Offer Account Bank	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Offer Account has been opened, in this case being ICICI Bank Limited
QIB Portion	The portion of the Offer (including the Anchor Investor Portion) being not more than 50% of the Net Offer consisting of 70,545,453^ Equity Shares which shall be available for allocation to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Offer Price or Anchor Investor Offer Price (for Anchor Investors) ^*Subject to finalisation of the Basis of Allotment*
Qualified Institutional Buyers or QIBs or QIB Bidders	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	The red herring prospectus dated October 11, 2020 issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which did not have complete particulars of the Offer Price and the size of the Offer
Refund Account(s)	Account opened with the Refund Bank, from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank	Banker to the Offer and with whom the Refund Account has been opened, in this case being ICICI Bank Limited
Registered Brokers	Stock brokers registered under SEBI (Stock Brokers) Regulations, 1992, as amended with the Stock Exchanges having nationwide terminals, other than the BRLMs and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated December 12, 2019 entered amongst our Bank, the Promoter Selling Shareholder and the Registrar to the Offer
"Registrar and Share Transfer Agents" or "RTAs"	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
"Registrar to the Offer" or "Registrar"	KFin Technologies Private Limited
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Offer (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Offer being not less than 35% of the Net Offer consisting of 49,381,819^ Equity Shares which was made available for allocation to Retail Individual Bidders (subject to valid Bids having been received at or above the Offer Price) ^*Subject to finalisation of the Basis of Allotment*
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA Form(s) or any previous Revision Form(s), as applicable. QIB Bidders and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders, Eligible Employees Bidding in the Employee Reservation Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion could revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/Offer Closing Date
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the

Term	Description
	website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism, a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as may be prescribed by SEBI and updated from time to time. Applications through UPI in the Offer could be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on SEBI website
Share Escrow Agent	Share escrow agent appointed pursuant to the Share Escrow Agreement, namely, KFin Technologies Private Limited
Share Escrow Agreement	Agreement dated March 9, 2020 entered amongst our Bank, the Promoter Selling Shareholder and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Promoter Selling Shareholder and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate accepted ASBA Forms from Bidders
Sponsor Bank	ICICI Bank Limited, being a Banker to the Offer, appointed by our Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion, using the UPI and carry out other responsibilities, in terms of the UPI Circulars
"Syndicate" or "Members of the Syndicate"	Together, the BRLMs and the Syndicate Members
Syndicate Agreement	Agreement dated October 9, 2020 entered amongst our Bank, the Promoter Selling Shareholder, the BRLMs and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, JM Financial Services Limited and Edelweiss Securities Limited
Systemically Important Non-Banking Financial Company	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	Agreement dated October 23, 2020 entered amongst our Bank and the Underwriters
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI Circulars	The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, SEBI circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the RIBs or Eligible EHL Shareholders to such UPI linked mobile application) to the RIBs or Eligible EHL Shareholders initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that was used by RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion in accordance with the UPI Circulars to make an ASBA Bid in the Offer
Working Day	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Offer Period, Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. In respect of the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Technical/Industry Related Terms/Abbreviations

Term	Description
ABOEP	Annual Banking Outlet Expansion Plan
ALM	Asset Liability Management
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
Banking Outlet	Asset financing branches and deposit accepting branches
Banking Regulation Act	Banking Regulation Act, 1949, as amended

Term	Description
Bulk term deposits	Deposits with an outstanding amount of ₹ 20 million and above.
CAGR	Compounded Annual Growth Rate (as a %): (End Year Value/ Base Year Value) ^ (1/No. of years between Base year and End year) –1 [^ denotes 'raised to']
CAR	Capital Adequacy Ratio
CASA	Current Account Savings Account, total of demand deposits and savings bank deposits. CASA is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of CASA, see "*Selected Statistical Information*" on page 223.
CASA ratio	CASA ratio is the ratio of total of demand deposits and savings bank deposits to total deposits. CASA ratio is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of CASA ratio, see "*Selected Statistical Information*" on page 224.
CBLO	Collateralized Borrowing and Lending Obligations
Cost of Funds	Cost of funds is interest expense divided by average interest-bearing liabilities calculated on the basis of quarterly balances.
Cost to income ratio	Cost to Income ratio is calculated as a ratio of operating expenses divided by net operating income (net operating income is sum of net interest income and other income). Cost to Income ratio is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Cost to Income ratio, see "*Selected Statistical Information*" on page 224.
CRAR	Capital-to-risk weighted asset ratio
CET 1	Common Equity Tier 1
Credit Cost Ratio	Credit cost ratio is credit cost divided by average balance of advances. Credit cost ratio is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Credit Cost Ratio, see "*Selected Statistical Information*" on page 222.
CRR	Cash Reserve Ratio
Gross Advances (including IBPC issued)	Total loan book outstanding of our Bank including portfolio under IBPC issued
Gross NPA	Gross Non-Performing Assets
IBPC	Inter-Bank Participation Certificate
IMPS	Immediate Payment Service
LAP	Loan Against Property
MCLR	Marginal Cost of Funds based Lending Rate
MSE	Micro and Small Enterprises
NAV	Net asset value, calculated by dividing Net Worth by number of equity shares outstanding as on the respective date
NBFC – MFI	Non-banking financial company – microfinance institutions
Net Interest Income	Net Interest Income is difference of interest earned and interest expended. Net Interest Income is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Net Interest Income, see "*Selected Statistical Information*" on page 222.
Net Interest Margin	Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average. Net Interest Margin is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Net Interest Margin, see "*Selected Statistical Information*" on page 223.
Net NPA	Net Non-Performing Assets
Net Worth	Sum of capital and reserve excluding capital reserve. Net Worth is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Net Worth, see "*Selected Statistical Information*" on page 225.
NPA	Non-Performing Assets
PFRDA	Pension Fund Regulatory and Development Authority
POS	Point of Sale
Retail term deposit	Deposits with an outstanding amount of below ₹ 20 million
Return on Net Worth	Ratio of restated profit after tax, attributable to equity shareholders to Net Worth for the year/ period. Return on Net Worth is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Return on Net Worth, see "*Selected Statistical Information*" on page 225.

Term	Description
Return on Total Average Assets	Ratio of the Net profit for the year/ period to the Total Average Assets
SFB Licensing Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector issued by the RBI on November 27, 2014 read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks and Payments Banks in the Private Sector dated January 1, 2015, issued by the RBI, and such other applicable rules, guidelines, instructions and regulations governing SFBs in India
SFB Operating Guidelines	Operating Guidelines for Small Finance Banks dated October 6, 2016 issued by the RBI
SIDBI	Small Industries Development Bank of India
Spread	Spread is difference between Yield on Advances and Cost of Funds. Spread is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Spread, see "*Selected Statistical Information*" on page 223.
TASC	Trust, association, society and club
Total Average Assets	Sum of quarterly Average of Interest Earning Assets and Non-Interest Earning Assets
Total Average Interest Earning Assets	Sum of quarterly average of Advance, Investments and Others (which include Balances with RBI in other accounts, Balances with Banks in other deposit accounts, money at call and short notice)
Total Average Non-Interest Earning Assets	Sum of quarterly average of Fixed Assets and Other Assets
Total Debt	Sum of Deposits and Borrowings.
Total Equity	Sum of Capital & Reserves and Surplus
Unbanked Rural Centre (URC)	As defined under RBI's Statement on Developmental and Regulatory Policies released on April 6, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions
Yield	Yield is interest earned divided by average interest-earning assets
Yield on Advances	Yield on Advances is interest on advances divided by average balance of advance. Yield on Advances is a non-GAAP measure (see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation*" on page 19.) For a reconciliation of Yield on Advances, see "*Selected Statistical Information*" on page 221.

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
BSE	BSE Limited
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II Alternative Investment Funds" under the SEBI AIF Regulations
Category II FPIs	FPIs who are registered as "Category II Foreign Portfolio Investors" under the SEBI FPI Regulations
Category III AIF	AIFs who are registered as "Category III Alternative Investment Funds" under the SEBI AIF Regulations
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CFO	Chief Financial Officer
CIN	Corporate Identity Number
Civil Code	The Code of Civil Procedure, 1908
Companies Act	Companies Act, 1956 and Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as the Department of Industrial Policy and Promotion*)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	Earnings before taxes, depreciation and amortisation which has been arrived at by adding depreciation and amortisation, provision for taxes (net) and deferred taxes (net) to the net profit for the period/ year. Interest income and interest expense are not considered in arriving at EBITDA having regard to the nature of the Bank's business.
EGM	Extraordinary General Meeting
EPS	Earnings Per Share

Term	Description
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated August 28, 2017 effective from August 28, 2017
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Non-debt Instruments Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
FEMA Regulations 2017	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017
FIMMDA	Fixed Income Money Market and Derivatives Association of India
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First information report
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAR	General Anti Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended
India	Republic of India
Indian GAAP/ IGAAP	Generally Accepted Accounting Principles in India, being the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund (s)	Mutual Fund(s) means mutual funds registered under the SEBI (Mutual Funds) Regulations, 1996
N/A	Not applicable
NACH	National Automated Clearing House
NEFT	National Electronic Funds Transfer
NPCI	National Payments Corporation of India
NRI	Individual resident outside India, who is a citizen of India
NRE Account	Non-resident external rupee account
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	An entity de-recognised through Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. OCBs are not allowed to invest in the Offer.
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992

Term	Description
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
SFB	Small Finance Bank within the meaning of the SFB Licensing Guidelines
State Government	The government of a state in India
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
TAN	Tax deduction account number
UIDAI	Unique Identification Authority of India
U.S. Securities Act	U.S. Securities Act of 1933
U.S. QIBs	"Qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in the Red Herring Prospectus as "QIBs"
U.S./USA/United States	United States of America
URCs	Unbanked rural centres
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations

OFFER DOCUMENT SUMMARY

The following is a general summary of the terms of the Offer and is neither exhaustive, nor purports to contain a summary of all the disclosures in the Draft Red Herring Prospectus or the Red Herring Prospectus or this Prospectus when filed, or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus, including "Risk Factors", "Objects of the Offer", "Our Business", "Industry Overview", "Capital Structure", "The Offer", "Financial Statements", "Outstanding Litigation and Material Developments" ,"Offer Procedure" and "Description of Equity Shares and Terms of Articles of Association" on pages 24, 85, 120, 96, 73, 61, 229, 342, 374 and 391 respectively.

Primary business of our Bank and the industry in which it operates

We were the largest SFB in India in terms of number of banking outlets, and the second largest SFB in India in terms of assets under management and total deposits in Fiscal 2019. (*Source: CRISIL Report*). We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business as compared to other microfinance companies that have converted to SFBs (*Source: CRISIL Report*). We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India.

Name of Promoter

EHL

Offer size

Offer of 156,848,484^ Equity Shares for cash at price of ₹33 per Equity Share (including a premium of ₹23 per Equity Share) aggregating to ₹5,176 million comprising of a Fresh Issue of up to 84,848,484^ Equity Shares aggregating to ₹2,800 million by our Bank and an Offer for Sale of 72,000,000^ Equity Shares aggregating to ₹2,376 million by the Promoter Selling Shareholder. The Offer constituted 13.78% of the post-Offer paid-up Equity Share capital of our Bank.

The Offer included a reservation of 15,454,545^ Equity Shares, aggregating to ₹510 million (constituting 1.36% of the post-Offer paid-up Equity Share capital), for subscription by Eligible EHL Shareholders and a reservation of 303,030^ Equity Shares, aggregating to ₹10 million (constituting 0.03% of the post-Offer paid-up Equity Share capital), for subscription by Eligible Employees.

The Offer less the EHL Shareholder Reservation Portion and the Employee Reservation Portion is the Net Offer. The Net Offer constituted 12.40% of the post-Offer paid up Equity Share capital of our Bank.

^*Subject to finalisation of the Basis of Allotment*

Objects of the Offer

The objects for which the Net Proceeds from the Offer shall be utilized are as follows:

(₹ in million)

Particulars	Amount to be funded from the Net Proceeds
For augmentation of Bank's Tier I capital base	2661.77

Aggregate pre-Offer shareholding of our Promoter and Promoter Group, and Promoter Selling Shareholder as a percentage of our paid up Equity Share capital

The aggregate pre-Offer shareholding of our Promoter (also the Promoter Selling Shareholder) and Promoter Group as a percentage of the pre-Offer paid-up Equity Share capital of the Bank is set out below:

Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)
EHL	1,005,943,363*	95.49
Total	**1,005,943,363***	**95.49**

**1,005,943,349 Equity Shares are held by EHL. 10 Equity shares are held by Bhaskar Srinivasan and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

Summary of Selected Financial Information

The details of our share capital, net worth, the net asset value per Equity Share and total borrowings as at June 30, 2020 and 2019 and March 31, 2020, 2019 and 2018, derived from the Restated Financial Information are as follows:

(₹ in million, except per share data)

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31,		
			2020	2019	2018
(A) Capital	10,534.02	10,059.43	10,534.02	10,059.43	10,059.43
(B) Reserves and Surplus	17,484.18	13,054.36	16,907.47	12,483.75	10,378.09
(C) Capital Reserve	132.80	132.80	132.80	132.80	132.80
(D) Net Worth (A+B-C)	27,885.40	22,980.99	27,308.69	22,410.38	20,304.72
(E) Net asset value per Share	26.47	22.85	25.92	22.28	20.18
(F) Borrowings	55,255.34	46,448.43	51,348.74	39,730.26	51,772.08

Note: Net Worth represents sum of capital and reserves and surplus excluding capital reserve. Net Worth is a non-GAAP measure (see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation" on page 19). For a reconciliation of Net Worth, see "Selected Statistical Information" on page 225.

The details of our total income, profit after tax and earnings per Equity Share (basic and diluted) for the three month period ended June 30, 2020 and 2019 and for Fiscals 2020, 2019 and 2018, derived from Restated Financial Information are as follows:

(₹ in million, except per share data)

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the period ended March 31, 2020	2019	2018
Total income	7509.68	6,625.50	29,277.95	23,948.32	17,729.03
Net Profit for the period/year	576.71	570.60	2,436.35	2,105.66	318.31
Earnings per Equity Share					
- Basic	0.55*	0.57*	2.39	2.09	0.32
- Diluted	0.55*	0.57*	2.39	2.09	0.32

**unannualized*

Auditor's qualifications which have not been given effect to in the Restated Financial Information

Our Restated Financial Information do not contain any qualifications which have not been given effect to.

Summary table of outstanding litigations

A summary of outstanding litigation proceedings involving our Bank, Promoter, Directors and Group Companies (having a material impact on our Bank) as of the date of this Prospectus is provided below:

	No. of cases outstanding	Amount involved (₹million)
Proceedings against our Bank		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	1	18.75
Criminal proceedings	1	Nil
Tax matters	2	19.12*
Proceedings by our Bank		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	4,692**	2,585.64
Tax matters	Nil	Nil
Litigation involving our Promoter		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	Nil	Nil
Tax matters	Nil	Nil
Litigation involving our Directors		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	1	4.95
Tax matters	Nil	Nil
Total	**4,697**	**2,628.46**

**Our Bank has paid ₹0.65 million as tax in accordance with Section 35F of the Central Excise Act, 1944 read with Section 83 of the Finance Act, 1994.*
*** There were 129 instances of fraud detected in Fiscal 2018, 2019, 2020 and 2021 which, inter alia, pertain to instances of theft, phishing, skimming, forgery, identity theft, cash embezzlement, cheating, criminal misappropriation and criminal breach of trust and 27 instances of robbery and theft reported in Fiscal 2018, 2019, 2020 and 2021.*

For further details, see "*Outstanding Litigation and Material Developments*" on page 342.

Risk Factors

For details of the risks applicable to us, see "*Risk Factors*" on page 24.

Summary table of contingent liabilities

The following is a summary table of our contingent liabilities as at March 31, 2020 and June 30, 2020 as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets:

(₹ in million)

Contingent Liabilities	As at March 31, 2020	As at June 30, 2020
Claims against the Bank not acknowledged as debts		
• Service Tax	12.55	12.55
• Provident Fund*	-	-
• Income Tax	-	-
• Others	17.15	17.15

	Guarantees given on behalf of constituents in India	240.09	162.44
	Total	**269.79**	**192.14**

Notes:
**There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. We have made a provision on a retrospective basis from the date of inception of the Bank. Accordingly, during the year ended March 31, 2019, based on internal computation, we have provided ₹55.0 million towards provident fund and interest thereon at simple rate of interest in terms of the provisions of section 7Q of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. We will update this provision, on receiving further clarity on the subject.*

For further details of our contingent liabilities as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets, see "*Financial Statements – Restated Statement of Contingent Liabilities*" on page 243.

Summary of related party transactions

The details of related party transactions of our Bank for three month period ended June 30, 2020 and the fiscal years March 31, 2020, 2019 and 2018, as per AS 18 – Related Party Disclosures read with SEBI ICDR Regulations are set forth in the table below:

(₹ in million)

Transaction	Name of the Related Party	For the three month period ended June 30, 2020	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenses					
CSR Contribution	Equitas Development Initiatives Trust	-	109.00	86.50	23.91
	Equitas Healthcare Foundation	-	23.70	3.00	-
Deposits					
Term deposits received	Equitas Holdings Limited	383.66	603.37	2,075.90	275.60
	Equitas Development Initiatives Trust	0.74	107.55	0.36	0.36
	Equitas Technologies Private Limited	-	-	-	93.50
	Key Managerial Personnel	0.82	6.69	2.02	0.05
Term deposits closed	Equitas Holdings Limited	356.50	552.01	765.80	171.10
	Equitas Development Initiatives Trust	-	67.00	-	-
	Equitas Technologies Private Limited	-	-	35.26	58.50
	Key Managerial Personnel	-	3.14	-	5.86
Interest on Term Deposits	Equitas Holdings Limited	37.06	148.30	110.52	34.58
	Equitas Development Initiatives Trust	0.83	2.96	0.02	0.02
	Key Managerial Personnel	0.14	0.34	0.09	0.20
	Equitas Technologies Private Limited	-	-	0.48	0.72
Savings Deposits	Equitas Development Initiatives Trust	18.51	396.14	231.91	156.82
	Equitas Healthcare Foundation	19.50	27.47	0.00	-
	Key Managerial	2.91	24.04	14.13	16.16

		Personnel				
	Interest on Savings Deposit	Equitas Development Initiatives Trust	0.72	3.10	1.10	0.48
		Equitas Healthcare Foundation	0.62	0.68	0.00	-
		Key Managerial Personnel	0.11	0.60	0.31	0.22
	Demand Deposits	Equitas Technologies Private Limited	34.20	92.59	57.62	176.51
		Equitas Holdings Limited	391.67	737.93	2,241.22	707.31
		Equitas Dhanyakosha India	-	0.02	0.03	5.19
	Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	44.54	383.81	197.82	155.15
		Key Managerial Personnel	3.00	22.75	13.79	13.48
		Equitas Healthcare Foundation	3.47	0.09	-	-
	Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	406.57	728.77	2,260.20	681.58
		Equitas Dhanyakosha India	-	0.21	0.46	5.18
		Equitas Technologies Private Limited	30.16	96.19	58.62	171.94
	Borrowings					
	Borrowings Availed	Equitas Holdings Limited	-	-	-	-
	Borrowings Repaid	Equitas Holdings Limited	-	-	1,217.00	-
	Interest on Borrowings	Equitas Holdings Limited	-	-	26.47	97.36
	Other Transactions					
	Reimbursement of Expenses	Equitas Development Initiatives Trust	-	-	2.21	-
		Equitas Technologies Private Limited	-	-	0.24	-
		Equitas Holdings Limited	-	-	0.03	-
	Staff Loan transferred in	Equitas Technologies Private Limited	-	-	-	0.02
		Equitas Dhanyakosha India	-	-	-	0.08
	Staff Loan transferred out	Equitas Technologies Private Limited	-	-	-	0.03
		Equitas Development Initiatives Trust	-	-	-	0.03
	Guarantees released during the period/year	Equitas Holdings Limited	-	-	1,500.00	2,230.00
	Remuneration paid to Key	Vasudevan PN,	2.55	16.50	11.06	4.95

<table>
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<table>
<tr><td rowspan="3">Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)*</td><td>MD & CEO</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Sridharan Nanuiyer, Chief Financial Officer</td><td>2.11</td><td>9.38</td><td>7.91</td><td>7.14</td></tr>
<tr><td>Sampathkumar KR, Company Secretary</td><td>0.54</td><td>2.40</td><td>1.79</td><td>1.51</td></tr>
</table>
* 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 company as a whole.

Under the Employee Stock Option Scheme 2015 of our Promoter, the Key Managerial Personnel were allotted the following shares:

<table>
<tr><th>Name of the Key Management Personnel</th><th>For the three month period ended June 30, 2020</th><th>For the three month period ended June 30, 2019</th><th>For the year ended March 31, 2020</th><th>For the year ended March 31, 2019</th><th>For the year ended March 31, 2018</th></tr>
<tr><td>Sridharan Nanuiyer</td><td>-</td><td>-</td><td>-</td><td>5,400</td><td>10,800</td></tr>
<tr><td>Sampathkumar K R</td><td>-</td><td>-</td><td>-</td><td>1,194</td><td>774</td></tr>
<tr><td>Total</td><td></td><td></td><td></td><td>6,594</td><td>11,574</td></tr>
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For details of the related party transactions, see “Other Financial Information- Related Party Transactions” on page 305.
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</tr>
<tr>
<td>Details of all financing arrangements whereby the Promoter, members of the Promoter Group, the directors of our Promoter, our Directors and their relatives have financed the purchase by any other person of securities of the Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus</td>
<td>Our Promoter, members of our Promoter Group, the directors of our Promoter, our Directors and their relatives have not financed the purchase by any person of securities of our Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of the Draft Red Herring Prospectus,the Red Herring Prospectus and this Prospectus.</td>
</tr>
<tr>
<td>Weighted average price at which the Equity Shares were acquired by our Promoter or Promoter Selling Shareholder, in the last one year</td>
<td>Not applicable as our Promoter has not acquired Equity Shares in the last one year.</td>
</tr>
<tr>
<td>Average cost of acquisition of Equity Shares of our Promoter (also the</td>
<td>The average cost of acquisition of Equity Shares of our Promoter is as follows:
<table>
<tr><th>Name of the Promoter</th><th>Number of Equity Shares</th><th>Average cost of acquisition per Equity Share* (in ₹)</th></tr>
<tr><td>EHL</td><td>1,005,943,363*</td><td>14.38**</td></tr>
</table>
</td>
</tr>
</table>

Promoter Selling Shareholder)	**1,005,943,349 Equity Shares are held by EHL. 10 Equity Shares are held by Bhaskar S and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares* *** As on September 2, 2016, EMFL and EHFL were amalgamated with EFL (which was then renamed as Equitas Small Finance Bank Limited). The swap ratio for the aforesaid amalgamation was approved in the Board Meeting held on September 21, 2016 as 1.4037 shares of our Bank for every share of EMFL and 0.7657 shares of our Bank for every share of EHFL. Accordingly, the said swap ratio has been applied to each of the investment made by EHL in EMFL and EHFL in the past, to arrive at the effective cost of acquisition for the Equity Shares of our Bank.* *As certified by C.K. Prusty & Associates Chartered Accountants, pursuant to the certificate dated October 11, 2020.*
Size of the pre-IPO placement and allottees, upon completion of the placement	Not applicable.
Any issuance of Equity Shares in the last one year for consideration other than cash	Our Bank has not issued any Equity Share in the last one year from the date of this Prospectus, for consideration other than cash.
Any split/consolidation of Equity Shares in the last one year	Our Bank has not split or consolidated the face value of the Equity Shares in the last one year.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Prospectus to "India" are to the Republic of India and all references to the "US", "U.S." "USA" or "United States" are to the United States of America and its territories and possessions.

Unless stated otherwise, all references to page numbers in this Prospectus are to the page numbers of this Prospectus.

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Prospectus is derived from the restated summary statement of assets and liabilities of the Bank as at June 30, 2020 and 2019 and March 31, 2020, 2019 and 2018, and the related restated summary profit and loss account and restated statement of cash flows for the three month period ended June 30, 2020 and 2019 and for the years ended March 31, 2020, 2019 and 2018 prepared by the Bank, in accordance with the relevant provisions of the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by ICAI. Such financial data is derived from the audited financial statements for the three month period ended June 30, 2020 and 2019 prepared by the Bank in accordance with the Accounting Standard (AS) 25, Interim Financial Reporting, ("**AS 25**") specified under Section 133 of the Companies Act, 2013 (the "**Act**") read with Rule 7 of the Companies (Accounts) Rules, 2014 other accounting principles generally accepted in India in so far as they apply to the Bank, and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time, and the audited financial statements for the years ended March 31, 2020, 2019 and 2018, prepared by the Bank in accordance with and to the extent applicable, Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Companies (Accounting Standard) Rules 2006 (as amended) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time. Certain other financial information in relation to our Promoter and Group Companies are derived from their respective audited financial statements, as may be available. For further information on the Bank's financial information, see "*Financial Statements*" on page 229.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the next year. Accordingly, all references to a particular Fiscal, unless stated otherwise, are to the 12 month period ended on March 31 of that particular calendar year.

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Information included in this Prospectus are derived from our audited financial statements for Fiscals 2018, 2019 and 2020 and for the three month period ended June 30, 2020 and 2019, prepared by the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Companies (Accounting Standard) Rules 2006 (as amended) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time. As a subsidiary of EHL, a company listed on the Stock Exchanges which prepares its financial statements in accordance with Ind AS with effect from April 1, 2018, limited financial information of the Bank is also prepared in accordance with accounting policies applicable to EHL for the limited purpose of preparation of the consolidated financial statements of EHL. Ind AS differs in many respects from Indian GAAP, and our select financial information prepared in accordance with the accounting policies applicable to EHL (for the limited purpose of inclusion in EHL's consolidated financial statements) is therefore not comparable to our financial statements prepared under Indian GAAP for such respective periods. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials.

Our Bank has not attempted to explain the differences between Indian GAAP and Ind AS or quantify its impact on the financial data included in this Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank's financial data. For risks in this regard, see "*Risk Factors - Banking companies in India, including us, are currently required to prepare financial statements as per Indian GAAP. However, our Promoter, EHL, currently prepares its financial statements under Ind AS and as a result, we are required to prepare limited financial information in accordance with the accounting policies of EHL for the limited purposes of consolidation by EHL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition. The Ind AS financial information that we may be required to prepare in the future will not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials*" on page 31. Accordingly, the degree to which the financial information included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act, the SEBI ICDR Regulations, The Banking Regulation Act, the RBI Act and any guidelines issued thereunder. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP. For risks in this regard, see "*Risk Factors - We have a limited operating history as an SFB and our future financial and operational performance cannot be evaluated on account of our evolving and growing scale of operations. Accordingly, our* *future results may not be reflective of our past performance."* on page 30.

Unless the context otherwise indicates, any percentage amounts (excluding certain operational metrics), as set forth in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 24, 120 and 306 respectively, and elsewhere in this Prospectus have been calculated on the basis of the amounts based on or derived from Restated Financial Information.

In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal and all the percentage figures have been rounded off to two decimal places

Currency and Units of Presentation

All references to:

- "Rupees" or "`" or "INR" or "Rs." are to Indian Rupee, the official currency of the Republic of India; and
- "USD" or "US$" or "$" are to United States Dollar, the official currency of the United States of America.

Our Bank has presented certain numerical information in this Prospectus in "lakh", "million" and "crores" units or in whole numbers where the numbers have been too small to represent in such units. One million represents 1,000,000, one billion represents 1,000,000,000 and one trillion represents 1,000,000,000,000. One lakh represents 100,000 and one crore represents 10,000,000.

Figures sourced from third-party industry sources may be expressed in denominations other than millions or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

Exchange Rates

This Prospectus contains conversion of certain other currency amounts into Indian Rupees that have been presented solely to comply with the SEBI ICDR Regulations. These conversions should not be construed as a representation that these currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and USD (in Rupees per USD):

Currency	As at				
	June 30, 2020	March 31, 2020	June 30, 2019	March 31, 2019	March 31, 2018
1 USD	75.53	75.39	68.92(1)	69.17(2)	65.04(3)

Source: RBI / Financial Benchmark India Private Limited

(1) Exchange rate as on June 28, 2019, as RBI reference rate is not available for June 30, 2019 and June 29, 2019 being a Sunday and a Saturday, respectively.

(2) Exchange rate as on March 29, 2019, as RBI reference rate is not available for March 31, 2019 and March 30, 2019 being a Sunday and a Saturday, respectively.

(3) Exchange rate as on March 30, 2018, as RBI reference rate is not available for March 31, 2018 being a Saturday.

Industry and Market Data

Unless otherwise indicated, industry and market data used throughout this Prospectus has been obtained or derived from the report titled 'Analysis of small finance banks and various loan products' dated November 2019 by CRISIL Limited which has been commissioned by our Bank, and which is subject to the following disclaimer:

"CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). CRISIL does not guarantee the accuracy, adequacy or completeness of any material contained in or referred to in the Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. ***Equitas Small Finance Bank Limited*** *will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval.*"

For risks in this regard, see "*Risk Factors - Industry information included in this Prospectus has been derived from an industry report commissioned by our Bank for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate."* on page 52.

The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Bank is conducted, and methodologies and assumptions may vary widely among different industry sources. Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe the industry and market data used in this Prospectus is reliable, it has not been independently verified by us, the Promoter Selling Shareholder, the BRLMs or any of their affiliates or advisors. The data used in these sources may have been reclassified by us for the purposes of presentation. Further, the calculation of certain statistical and/ or financial information/ ratios specified in the section titled "*Selected Statistical Information*" and otherwise in this Prospectus may vary from the manner such information is calculated by CRISIL Limited for purposes of, and as specified in, the CRISIL Report. Data from these sources may also not be comparable.

Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" on page 24.

In accordance with the SEBI ICDR Regulations, "*Basis for Offer Price*" on page 88 includes information relating to our listed peer group companies. Such information has been derived from publicly available sources, and neither we, nor the BRLMs or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

NOTICE TO PROSPECTIVE INVESTORS

Notice to Prospective Investors in the United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Offer, including the merits and risks involved. The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

Notice to Prospective Investors in the European Economic Area

This Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council EC (and amendments thereto, including the 2010 PD Amending Directive and Prospectus Regulations (EU) 2017/1129, to the extent applicable and to the extent implemented in the Relevant Member State (as defined below)) and includes any relevant implementing measure in each Member State that has implemented the Prospectus Directive (each a "Relevant Member State"). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for our Bank or any of the BRLMs to produce a prospectus for such offer. None of our Bank or the BRLMs have authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the BRLMs which constitute the final placement of Equity Shares contemplated in this Prospectus.

Information to Distributors (as defined below)

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Equity Shares have been subject to a product approval process, which has determined that such Equity Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) ("Distributors") should note that: the price of the Equity Shares may decline and investors could lose all or part of their investment; the Equity Shares offer no guaranteed income and no capital protection; and an investment in the Equity Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Equity Shares. Each Distributor is responsible for undertaking its own target market assessment in respect of the Equity Shares and determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". All statements contained in this Prospectus that are not statements of historical fact constitute "forward-looking statements". All statements regarding our expected financial condition and results of operations, business, plans and prospects are "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "likely to", "seek to", "shall", "objective", "plan", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements whether made by us or any third parties in this Prospectus are based on our current plans, estimates, presumptions and expectations and are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including but not limited to, regulatory changes pertaining to the banking industry and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in the banking industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- continuing and unpredictable impact of the COVID-19 pandemic;
- our inability to comply with the stringent regulatory requirements and prudential norms;
- vulnerability to interest rate risk, and any volatility in interest rates or our inability to manage interest rate;
- our limited operating history as a SFB;
- any adverse developments in the segments we operate in, including small business loans, microfinance and vehicle finance;
- our inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds; and
- customer concentration in the state of Tamil Nadu.

Certain information in "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations* on pages 96, 120 and 306, respectively, of this Prospectus have been obtained from the report titled "Analysis of small finance banks and various loan products*"* dated November 2019 issued by CRISIL Limited.

For further discussion of factors that could cause the actual results to differ from the expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 24, 120 and 306, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated and are not a guarantee of future performance.

Forward-looking statements reflect current views as of the date of this Prospectus and are not a guarantee of future performance. There can be no assurance to investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements to be a guarantee of our future performance.

These statements are based on our management's belief and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward looking statements are based on are reasonable, any of these assumptions could prove to be inaccurate and the forward looking statements based on these assumptions could be incorrect. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance. Neither our Bank, our Promoter, our Directors, the BRLMs nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with the requirements of SEBI, our Bank and the Promoter Selling Shareholder shall ensure that investors in India are informed of material developments from the date of the Red Herring Prospectus in relation to the statements and undertakings made by them in the Red Herring Prospectus and this Prospectus until the date of Allotment.

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information disclosed in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only risks relevant to us or the Equity Shares or the industry in which we currently operate. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business prospects, results of operations, financial condition and cash flows. In order to obtain a complete understanding about us, prospective investors should read this section in conjunction with the sections "Our Business", "Selected Statistical Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Summary of Financial Information" and "Financial Statements" on pages 120, 192, 306, 63 and 229, respectively, as well as the other financial and statistical information included in this Prospectus. If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in this Offer.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Prospectus. Please see "Forward-Looking Statements" on page 23.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Information included in this Prospectus.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Equitas Small Finance Bank Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of Small Finance Banks and Various Loan Products" dated November 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, nor any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 20.*

RISKS RELATING TO OUR BUSINESS

1. The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance.

In late 2019, the outbreak of COVID-19 spread globally and on March 11, 2020 it was declared as a global pandemic by The World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment and market volatility.

The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. Further, since the onset of COVID-19, few of our employees have been tested positive for the virus resulting in temporary closure of certain Banking Outlets to carry out sanitation and fumigation works. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

- We have experienced and may continue to experience a significant decline in collection efficiencies as a significant portion of our collections are cash-based and involve physical presence of our employees and collection agents, which has not been possible due to the nation-wide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period.

- There has been and there may continue to be a decline in disbursements due to reduced economic activity. As a result, related revenue generation from processing fees and documentation charges, has and may continue to decline.

- There may be a significant increase in our NPA levels due to possible deterioration in the credit quality of our customers, as our target borrower segment primarily comprises unserved and underserved customers, who are most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. While most of these borrowers have opted for the moratoriums available, there can be no assurance that our customers will be able to make timely repayments once the moratorium is lifted. In the event our borrowers' enterprises have been unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments. However, the full impact of the pandemic on our asset quality may be realized only once the moratorium periods have lifted and the relevant asset classification periods have subsequently lapsed. Our NPA levels may therefore continue to increase even once the lockdown and associated restrictions have been lifted.

  As a result, we may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

- We may witness adverse impacts to our interest income, EPS and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation, employee benefit expenses and other costs associated with operating and maintaining our Banking Outlets. While we are in the process of implementing certain cost control measures such as re-negotiation of rental arrangements, we may not be able to decrease such expenses significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- The rapid shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. For example, governmental lockdowns, restrictions or new regulations could significantly impact the ability of our employees and service providers to work productively. The restrictions placed by the Government have been changing based on the dynamic situation and it is not clear when a return to worksite locations or travel will be permitted or what restrictions will be in place in those environments. The extent and/ or duration of ongoing workforce restrictions and limitations could impact our ability to successfully introduce and grow our new products and services, comply with various reporting requirements to the regulators in a timely manner, among others. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

- Reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

In addition, the RBI has issued guidelines on March 27, 2020 and April 17, 2020 in an effort to contain the impact of the COVID-19 pandemic on the financial services sector. Under these guidelines, all term loans are eligible for availing a moratorium on instalments falling due during a period of three months, i.e. from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, i.e. until August 31, 2020. Accordingly, banks and other financial institutions are permitted to provide a moratorium between the above period for term loan instalments which are due for payment by borrowers who have availed such moratorium. In line with these guidelines, we provided a moratorium of three months on the payment of all principal amounts and/or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to most of our eligible borrowers, resulting in a decline in our collections during such period. The moratorium for the period from June 1, 2020 to August 31, 2020 was extended to a significant proportion of our eligible borrowers on a much more selective basis.

The RBI guidelines also require us to make general provisions in respect of accounts in default but standard, of not less than 10% of the total outstanding of such accounts as of March 1, 2020, where the moratorium has been granted. This provisioning is to be phased over two quarters, with not less than 5% in each of the quarters ending March 31, 2020 and June 30, 2020. In Fiscal 2020 and in the three months ended June 30, 2020, we made COVID-19 related provisions amounting to ₹996.30 million and ₹450.00 million, respectively. For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268. These and any other measures taken by the RBI and other authorities that regulate our operations may impact our operations. For instance, the Supreme Court pursuant to an interim order passed on various petitions filed by borrowers, has extended the moratorium period introduced by the RBI until appropriate decisions have been taken. The matter is currently pending. Further, the methodology of computation of interest during the moratorium period is subject to decision of the Supreme Court, when passed. In the event the moratorium is extended further or if there are adverse directions on the levy of interest on the borrowings during the moratorium period, it may adversely impact our business and operations and financial performance. Further, pursuant to the RBI notification titled '*Resolution Framework for COVID-19-related Stress*' dated August 6, 2020, we may extend viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. Further, in terms the RBI circular titled '*Micro, Small and Medium Enterprises sector – Restructuring of Advances*', dated August 6, 2020, our MSE loans may be restructured without a downgrade in the asset classification. In the event such measures are extended, or RBI issues further concessions to borrowers, it may adversely impact our business and operations and financial performance. Any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

Any resulting long-term financial impact cannot be reasonably estimated at this time. The extent to which the COVID-19 impacts our business and results will depend on future developments, which are highly uncertain and cannot be predicted, such as new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others. There is currently substantial medical uncertainty regarding COVID-19 and no government-certified treatment or vaccine is available. As a result of these uncertainties, the impact may vary significantly from that estimated by our management from time to time, and any action to contain or mitigate such impact, whether government-mandated or opted by us may not have the anticipated effect or may fail to achieve its intended purpose altogether. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. Additionally, if any of our employees are identified as a possible source of spreading COVID-19, or any other similar epidemic, we may be required to quarantine employees that are suspected of being infected, as well as others that have come into contact with those employees which could have an adverse effect on our business operations.

As of the date of this Prospectus, there is significant uncertainty relating to the severity of long-term adverse impact of the COVID-19 pandemic on the global economy, global financial markets and the Indian economy, and we are unable to accurately predict the long-term impact of the COVID-19 pandemic on our business. To the extent that the COVID-19 pandemic adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this section.

2. ***We are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows.***

The RBI In-Principle Approval, RBI Final Approval, SFB Licensing Guidelines and SFB Operating Guidelines require us to comply with certain conditions in order to operate our business, including but not limited to the following:

- we are required to be controlled by Indian residents in accordance with FEMA, and at least 26.00% of our paid up capital is required to be held by Indian residents in accordance with FEMA at all times from the date of commencement of our operations;
- our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital within a period of five years from the date of commencement of our business operations as an SFB, which was September 5, 2016, and thereafter required to reduce its shareholding in our Bank to 30% and 26% of our paid-up Equity Share capital within a period of 10 years and 12 years, respectively, from the date of commencement of our business operations. Also see "- *Our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. Except for the Offer for Sale, as of the date of this Prospectus, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable the Promoter to reduce its shareholding as required.*" on page 33.
- our Promoter is required to be owned and controlled by Indian residents from the date of making the application for the RBI Final Approval, i.e. April 27, 2016 and at all times thereafter;
- a strategic non-promoter investor should not hold more than 20% or more of the share capital of our Promoter at any time from the date of commencement of our business operations;
- we are required to maintain a minimum paid-up Equity Share capital and a minimum net worth of ₹1,000 million at all times from the date of making the application for the RBI Final Approval;
- any change of our shareholding by way of fresh issue or transfer of shares to the extent of 5% or more of our paid-up share capital requires prior RBI approval;
- at least 25% of our total banking outlets have to be located in unbanked rural areas at all times from the date of commencement as an SFB;
- any change in the shareholding by way of fresh issue or transfer of Equity Shares, from the date of RBI In-Principle Approval, to the extent of 5% or more in the Promoter requires prior RBI approval;
- the maximum loan size and investment limit exposure to a single and group obligor is to be restricted to 10% and 15% of our capital funds, respectively;
- at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹2.50 million;
- we are required to extend 75% of our ANBC to sectors eligible for PSL;

- we are prohibited from exposure in terms of loans and advances to our Directors, companies in which our Directors are interested, our Promoter, major shareholders (holding 10% or more of our paid-up Equity Share capital), and entities in which our Promoter, major shareholders have significant influence or control (as defined under applicable accounting standards); and
- we are required to maintain a minimum capital adequacy ratio ("**CAR**") of 15% of the credit risk weighted assets ("**CRWAs**") on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital maintained at at least 7.5% of the CRWAs and Tier II capital maintained at not more than 100% of the Tier I capital.

Currently, the RBI does not require SFBs to provide any capital charge for operational risk or market risk weighted assets, however, there can be no assurance that RBI will not require SFBs, including us, to provide capital charge for such risk in the future and to migrate to Basel III approach for credit risk.

We are also regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI that apply to scheduled commercial banks. For instance, pursuant to Section 12(1)(i) of the Banking Regulation Act, the subscribed share capital of a banking company is required to be not less than one-half of its authorised share capital, and the paid-up share capital is required to be not less than one-half of the subscribed share capital. Further, pursuant to Section 49C and Section 12(1)(i) of the Banking Regulation Act, a banking company is not permitted to alter its memorandum of association unless the RBI provides a no objection to such alteration. On January 31, 2019, our Bank increased its authorised share capital from ₹11,550 million to ₹25,000 million and amended the Memorandum of Association, pursuant to a Shareholders' resolution dated January 31, 2019 without complying with the provisions of Section 49C of the Banking Regulation Act. Subsequently, the RBI intimated our Bank raising serious concerns on non-adherence of the provisions of Sections 12(1)(i) of the Banking Regulation Act. We have subsequently complied with the RBI intimation by reducing our authorised share capital from ₹25,000 million to ₹17,000 million. The RBI has pursuant to its letter dated November 18, 2019 took on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank. For further information, see "*History and Certain Corporate Matters – Amendments to the Memorandum of Association*" and "*Outstanding Litigation and Material Developments – Past actions by RBI against our Bank*" on pages 160 and 346, respectively.

We are also required to comply with prudential norms specified in respect of market discipline, classification, valuation and operation of our investment portfolio, income recognition, asset classification and provisioning pertaining to advances (including restructuring of credit facilities), RBI directives on permissible loans and advances, maintenance of regulatory ratios (such as CRR, SLR, and LCR), authorization of Banking Outlets, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, periodic disclosure requirements (including in presentation of financial information and financial statements), and cyber security compliance. In the past, we have had one instance in which CRR was erroneously computed, resulting in a shortfall in the maintenance of CRR during July 2019 to October 2019. Further, the Banking Regulation Act limits the flexibility of shareholders and management of an SFB in many ways, including by way of specifying certain matters that require RBI approval. In addition, we are subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. For further information, see " *-Non-compliance with RBI inspection/ observations or other regulatory requirements may have a material adverse effect on our business, financial condition or results of operation. Any adverse observations from such regulators could have a material adverse effect on our business, financial condition, results of operation and cash flows"* on page 37.

Certain requirements that are applicable to SFBs in terms of the SFB Operating Guidelines and other banking laws and regulations are more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to impact our business and operations. For instance, the PSL requirements applicable to SFBs are significantly higher than the PSL limits applicable to scheduled commercial banks, and any shortfall in meeting the PSL targets at the end of a financial year based on the average of priority sector target / sub-target achievement as at the end of each quarter, would statutorily require us to place the shortfall amount in Rural Infrastructure Development Fund which would typically generate a lower rate of interest compared to PSL advances. Similarly, the CAR thresholds for SFBs are higher than the limits applicable to scheduled commercial banks.

The following is a summary of past actions (including regulatory actions and warnings) received as of the date of this Prospectus, and the actions taken by the Bank to address such regulatory actions and warnings:

Calendar Year	Particulars	Corrective Actions
2018	The committee of executive directors of the RBI by an order dated March 1, 2018 levied a penalty of ₹1.00 million on our Bank for distributing mutual fund units, pension products, insurance products and other such financial products/services on non-risk sharing	Our Bank deposited the penalty of ₹1.00 million, which has been acknowledged as received by the RBI, and has subsequently obtained the approval of the RBI for distribution of such products.

Calendar Year	Particulars	Corrective Actions
	basis without taking prior approval of the RBI, as required under the SFB Licensing Guidelines.	
2019	On January 31, 2019, our Bank increased its authorised share capital from ₹11,550 million to ₹25,000 million and amended the MoA, pursuant to a Shareholders' resolution dated January 31, 2019 without complying with the provisions of Section 49C of the Banking Regulation Act. The RBI intimated our Bank raising serious concerns on non-adherence of the provisions of Sections 12(1)(i) of the Banking Regulation Act.	Our Bank complied with the RBI intimation by reducing our authorised share capital from ₹25,000 million to ₹17,000 million. The RBI has pursuant to its letter dated November 18, 2019 taken on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank. Our Bank has subsequently filed the requisite e-forms with the MCA and the reduction of the authorised share capital of our Bank is completed.
2019	Under the provisions of the SFB Licensing Guidelines and the RBI Final Approval, our Equity Shares were required to be mandatorily listed on or prior to September 4, 2019. Due to our inability to meet the aforementioned timeline, the RBI, pursuant to its letter dated September 6, 2019, took the following regulatory actions against us: (i) we are not permitted to open new branches till further advice; and (ii) the remuneration of our Managing Director and Chief Executive Officer stands frozen at the existing level, till further advice. The RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further stated that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI. Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares. The Bank also requested the RBI to remove the two penalties (i.e., (i) restriction on opening new branches till further advice; and (ii) freezing of remuneration of our Managing Director and Chief Executive offer till	Our Bank is undertaking the present Offer.

Calendar Year	Particulars	Corrective Actions
	further advice) levied pursuant to the RBI letter dated September 6, 2019. The RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. However, the RBI did not accede to the request for waiver of penalties imposed by way of the RBI letter dated September 6, 2019.	

For details, see "*Outstanding Litigation and Material Developments – Past actions by RBI against our Bank*" on page 346.

In addition, the SFB model is relatively new to India, and such operations pose various business and financial challenges, including sourcing deposits from customers and public at large at competitive prices to support the loan portfolio build up, operationalization of Banking Outlets, diversifying our loan portfolio aimed at setting up business enterprises, setting up of and operating a treasury and adopting a robust asset liability management system, migration to a new or upgraded technology platform, digitalizing banking delivery and other operations to source and deliver cost effective financial services to customers, and designing and developing a comprehensive enterprise wide risk management framework. These challenges have and will continue to entail substantial senior level management time and financial resources and place significant demands on our management team and other resources. Further, uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. To ensure compliance with the regulatory framework applicable to SFBs, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

In case of any failure to comply with the applicable directives and reporting requirements or to meet the prescribed prudential norms, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals in respect of any proposed actions for which we may seek approval in the future, or even cancel our banking license.

3. ***We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted.***

Under paragraph 6 of the SFB Licensing Guidelines and paragraph 5 of the RBI Final Approval, our Equity Shares were required to be mandatorily listed on the stock exchanges within three years from the date of reaching a net worth of ₹5,000 million, (which in our case was three years from the date of commencement of operations as an SFB), i.e., on or prior to September 4, 2019, as the combined net worth of the Erstwhile NBFC, EMFL and EHFL pursuant to the Amalgamation Scheme was in excess of ₹5,000 million. As a result of our inability to meet the aforementioned timeline, the RBI has, pursuant to its letter dated September 6, 2019, taken the following regulatory actions against us: (i) we are not permitted to open new branches till further advice; and (ii) the remuneration of our Managing Director and Chief Executive Officer stands frozen at the existing level, till further advice. Subsequently, the RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further states that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI. Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares. The Bank also requested the RBI to remove the two penalties (i.e., (i) restriction on opening new branches till further advice; and (ii) freezing of remuneration of our Managing Director and Chief Executive offer till further advice) levied pursuant to the RBI letter dated September 6, 2019. The RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. However, the RBI did not accede to the request for waiver of penalties imposed by way of the RBI letter dated September 6, 2019. For further information, see "*Outstanding Litigation and Material Developments – Past actions by RBI against our Bank*" on page 346. In the event we fail to make satisfactory progress towards the listing of Equity Shares or do not comply with the provisions of the SFB Licensing Guidelines, the RBI may place further restrictions or take further action. Any such actions by the RBI could adversely impact our business, financial condition, results of operation and cash flows.

4. Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest rate risk depends on the nature and extent of gaps in rate sensitive assets and rate sensitive liabilities. Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets including investments, and therefore affect our Net Interest Income and Net Interest Margins. Any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase interest rates on loans disbursed to customers in the future to maintain our Net Interest Margins. In addition, a portion of the loans we advance is linked to external benchmark rates and the yield on such loans may vary depending on market factors. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us, we may experience reduced Net Interest Margins. In Fiscal 2018, 2019 and 2020 and in the three months ended June 30, 2020, interest expended represented 38.55%, 43.96%, 42.85% and 45.73%, respectively, of our total expenditure. In Fiscal 2018, 2019 and 2020 and in the three months ended June 30, 2020, our Net Interest Margins were 9.02%, 8.55%, 9.11% and 8.63% (annualized)/ 2.16% (unannualized), respectively. For further information, see "*Selected Statistical Information*" on page 192.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, various directives issued by the RBI in response to implications of macroeconomic events such as the COVID-19, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. In the event rates for interest payable by us increase, we seek to pass the increased cost of funds to our customers, however, we cannot assure you that such increased costs can be fully passed-on owing to various factors including mismatch in timing of asset and liability repricing and competition. Our inability to effectively manage interest rate risk may cause our Net Interest Income and Net Interest Margins to decline, which may affect our business, results of operations, financial condition and cash flows.

The requirement that we maintain a portion of our assets in fixed income government securities could also negatively impact us, if interest on this portion of our investments is lower than the cost of funds. Any increase in this portion will lower our Net Interest Income and Net Interest Margin as the interest is less favorable than those typically received on our other interest-earning assets. We are also exposed to interest rate risk through our treasury operations and any rise in interest rates or any greater interest rate volatility could adversely affect our income from treasury operations.

5. We have a limited operating history as an SFB and our future financial and operational performance cannot be evaluated on account of our evolving and growing scale of operations. Accordingly, our future results may not be reflective of our past performance.

We commenced operations as an SFB on September 5, 2016. Prior to commencement of operations as an SFB, we operated as an NBFC – AFC carrying out, *inter-alia*, vehicle finance and MSE finance business as a wholly owned subsidiary of EHL. As an SFB, our operations additionally include the businesses of the other two erstwhile wholly-owned subsidiaries of EHL. As a result of our limited operating history as an SFB, there is limited historical financial and operational information available to help prospective investors evaluate our past performance as a commercial banking entity. Accordingly, investors should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by banks that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully could materially affect our business and operating results, and consequently result in a decline in the trading price of our Equity Shares.

6. Any adverse developments in the segments we operate in, including small business loans, microfinance and vehicle finance could adversely affect our business and results of operations.

We are primarily engaged in providing small business loans, microfinance, and vehicle finance to unserved and underserved customer segments. As of June 30, 2020, small business loans, microfinance, and vehicle finance, represented 41.64%, 23.23%, 24.25%, respectively, of our Gross Advances (including IBPC issued) as of such date, and within our credit portfolio, our small business loans (including housing loan) and vehicle finance segments recorded significant growth with a CAGR of 53.34% and 29.62%, respectively, from March 31, 2018 to March 31, 2020.

The success of our business therefore depends on various factors that affect demand for these loan products. Our small business loans and microfinance business in particular, depend on various factors, including the ability of our first-time borrowers to repay their loan, housing market in India, changes in regulations and policies, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to these loan products, and religious beliefs relating to loans and interest payments. As a substantial portion of the loans offered are for first-time borrowers who are likely to be impacted by these conditions, occurrence of these events may adversely affect our ability to recover loans advanced and consequently affect our results of operations, financial condition and cash flows. Our vehicle finance segment is similarly dependent on the industry for commercial vehicles, and is therefore additionally affected by the demand for transportation services in India, changes in Indian regulations and policies affecting utility vehicles, tractors, commercial vehicles and cars, fuel prices and other macroeconomic conditions in India and globally. In particular, our target borrower segment for microfinance loans may be most impacted due to the economic downturn caused by COVID-19 related measures such as closure of non-essential services. While most of these borrowers have opted for the moratoriums available, there can be no assurance that our customers will be able to make timely repayments once the moratorium is lifted; the full impact of the pandemic on our asset quality may be realized only once the moratorium periods have lifted and the relevant asset classification periods have subsequently lapsed. In the event our borrowers' enterprises are unable to withstand the economic pressures caused by the COVID-19 pandemic, we may experience higher NPAs than anticipated in this segment driven by deterioration in asset quality due to our borrower's reduced ability to make timely repayments. We may therefore be required to recognize higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

Further, the unserved and underserved customers that we target are also particularly susceptible to event-based risks, such as, demonetization and natural calamities like cyclone Gaja that affected parts of Tamil Nadu in 2018 which hampered borrowers' repayment ability. See " – *A significant portion of our advances are towards customers located in the State of Tamil Nadu and any adverse changes in the conditions affecting the region can adversely impact our business, financial condition, results of operations and cash flows*" on page 34. The occurrence of any of these events and other factors could lead to an increase in impairment losses and adversely affect our business, results of operations and cash flows.

7. ***Banking companies in India, including us, are currently required to prepare financial statements as per Indian GAAP. However, our Promoter, EHL, currently prepares its financial statements under Ind AS and as a result, we are required to prepare limited financial information in accordance with the accounting policies of EHL for the limited purposes of consolidation by EHL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition. The Ind AS financial information that we may be required to prepare in the future will not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials.***

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter, and also required such entities to be in preparedness to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. In compliance with such regulatory requirements, we have submitted proforma Ind AS financial statements for the quarter ended June 30, 2017 and have continued to submit such proforma Ind AS financial statements every quarter to the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

However, being a subsidiary of EHL, our Promoter, which prepares its financial statements in accordance with Ind AS with effect from April 1, 2018, limited financial information of the Bank are also prepared in accordance with accounting policies applicable to EHL for the limited purpose of preparation of the consolidated financial statements of EHL. Our Bank's business forms a significant majority of the consolidated operations of EHL. EHL is publicly listed and in compliance with its listing obligations and other applicable laws it makes its standalone and consolidated unaudited quarterly financial results and annual financial statements, respectively. Further, as part of EHL's investor presentations, it has also made public excerpts of the Bank's Indian GAAP quarterly financial results based on management records.

Ind AS differs in many respects from Indian GAAP, and our limited financial information prepared in accordance with the accounting policies applicable to EHL (for the limited purpose of inclusion in EHL's consolidated financial statements) is therefore not comparable to our financial statements prepared under Indian GAAP for such respective periods. The key areas of difference between Indian GAAP and Ind AS as it applies to our Bank (in accordance with accounting policies applicable to EHL) include recognition/ derecognition of financial instruments, classification and measurement of financial instruments, fair valuation of financial instruments, impairment by applying expected credit loss, accounting of fee income by effective interest rate, fair value of ESOP calculation, and accounting for leases. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations, Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials. Investors should rely solely on our Restated Financial Information for an assessment of our current financial position. For further information, see "*Management's Discussion and Analysis of Financial Condition* *and Results of Operations – Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements"* on page 312.

The Restated Financial Information included in this Prospectus are derived from our Indian GAAP audited financial statements for Fiscal 2018, 2019 and 2020 and the three months ended June 30, 2019 and 2020. To the extent that financial information relating to our Bank can be indirectly derived from the consolidated financial statements of EHL prepared in accordance with accounting policies under Ind AS, as well as related investor presentations and investor interaction information made available publicly in the ordinary course by EHL as a publicly listed entity, on a quarterly or annual basis, or from financial information of EHL included in this Prospectus, investors are cautioned against placing reliance on any such financial information relating to our Bank for making any investment decision. Such information is not a part of this Prospectus and our Bank, the BRLMs or any other person connected with the Offer do not take responsibility for such information. Any investment decision must be taken only on the basis of the Restated Financial Information included in this Prospectus.

8. We have a continuous requirement of funds and our inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds would adversely impact our results of operations, financial condition and cash flows.

Prior to operating as an SFB, we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements and securitization/ assignment of receivables. However, upon transitioning into an SFB, our primary sources of funding have been deposits and refinancing. As of March 31, 2020 and June 30, 2020, majority of our funding consists of retail deposits accounting for 44.42% and 46.40%, respectively, of our total term deposits, with a CASA ratio of 20.47% and 19.97%, respectively. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhancing our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits and refinancing on suitable interest rates and terms, and in a timely manner. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/ or lenders' perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows. Our cost of borrowings are partly determined by the credit ratings we have obtained from various agencies in the past, and there can be no assurance that we will continue to be granted strong credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

We are subject to inter-bank borrowing limits for borrowings made by us after commencing operations as an SFB, at par with scheduled commercial banks. Further, the funds provided by commercial banks and financial institutions to us are not eligible for classification as 'priority sector' advances, as such loans extended are required to be qualified as 'inter-bank lending' and accordingly, our access to loans from banks and financial institutions is currently limited. In addition, while banks in India are precluded from creating floating charges on their assets, any existing floating charge created on our assets pursuant to conversion of the Erstwhile NBFC into the Bank have to be grandfathered till their maturity subject to imposition of an additional capital charge, in accordance with guidelines issued by the RBI. Accordingly, we may be required to avail of unsecured loans at higher interest rates as compared to secured loans. We may also be unable to attract sufficient deposits from customers, due to various factors beyond our control, such as the market acceptance of the '*Equitas*' brand and its associated reputation. We have to also compete with other banks by offering attractive interest rates, and may be unable to raise sufficient funds, including funds through deposits at existing or higher interest cost. We also face certain restrictions on our ability to incur debt from international markets, which may further constrain our ability to raise funds at attractive rates. Consequently, our inability to raise sufficient funds in a timely manner, or at all, may have an adverse effect on our business, results of operations, financial condition and cash flows.

9. We, our Promoter, and our Directors, are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows.

There are outstanding legal proceedings against our Bank, our Promoter and our Directors, in relation to the business and operations of each entity. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. We cannot assure you that these proceedings will be decided in our favour. Brief details of material outstanding litigation that have been initiated by and against our Bank, our Promoter and our Directors (as applicable) are set forth below.

	No. of cases outstanding	**Amount involved (₹million)**
Proceedings against our Bank		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	1	18.75

	No. of cases outstanding	Amount involved (₹million)
Criminal proceedings	1	Nil
Tax matters	2	19.12*
Proceedings by our Bank		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	4,692**	2,585.64
Tax matters	Nil	Nil
Litigation involving our Promoter		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	Nil	Nil
Tax matters	Nil	Nil
Litigation involving our Directors		
Other pending material litigation proceedings	Nil	Nil
Regulatory proceedings	Nil	Nil
Criminal proceedings	1	4.95
Tax matters	Nil	Nil
Total	**4,697**	**2,628.46**

**Our Bank has paid ₹0.65 million as tax in accordance with Section 35F of the Central Excise Act, 1944 read with Section 83 of the Finance Act, 1994.*
*** There were 129 instances of fraud detected in Fiscal 2018, 2019, 2020 and 2021 which, inter alia, pertain to instances of theft, phishing, skimming, forgery, identity theft, cash embezzlement, cheating, criminal misappropriation and criminal breach of trust and 27 instances of robbery and theft reported in Fiscal 2018, 2019, 2020 and 2021.*

The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally. If any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations, financial condition and cash flows.

For further information, see "*Outstanding Litigation and Material Developments*" on page 342.

10. ***Our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. Except for the Offer for Sale, as of the date of this Prospectus, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.***

Our Promoter will hold 82.05% of the Equity Share capital of our Bank upon the completion of the Offer. In order to comply with the RBI Final Approval and the SFB Licensing Guidelines ("**Licensing Conditions**"), our Promoter needs to reduce its shareholding in our Bank to 40% on or prior to September 4, 2021 ("**RBI Dilution Requirement**"). Thereafter, its shareholding needs to reduce to 30% and 26% on or prior to September 4, 2026 and September 4, 2028, respectively.

Except for the Offer for Sale, as of the date of this Prospectus, our Promoter has not approved any specific method to achieve such compliance.

Under the SEBI ICDR Regulations, upon Allotment in the Offer, our Promoter will be subject to (i) a one year lock-in for all of its pre-Offer shareholding in our Bank; and (ii) a three year lock-in on 20% of the post-Offer Equity Share capital towards the Promoter's minimum contribution. Therefore, our Promoter's ability to sell any of its Equity Shares in our Bank will be restricted on account of the limited period available post the completion of the one year lock-in period minimum period after the Offer is completed. This may adversely impact the ability of our Promoter to comply with the shareholding requirements under the Licensing Conditions. Further, in order to be in compliance with the applicable regulations within prescribed timelines, we may be compelled to pursue alternatives on terms that may be onerous to us, which may adversely impact our business and prospects.

In the past, our Promoter and our Bank have approached regulatory authorities to seek clarity and/ or exemptions from the RBI Dilution Requirement. For example, our Bank requested the RBI to exempt this requirement if there is a potential merger of our Promoter with our Bank. However, pursuant to a letter dated June 6, 2019, the RBI stated that any proposal for the merger of our Promoter with our Bank will only be examined after expiry of the lock-in period on September 4, 2021. For further details, see "*History and Certain Corporate Matters*" on page 163.

There can be no assurance that our Promoter or our Bank will be able to obtain, in a timely manner or at all, consents, approvals, waivers or clarifications, if required, from regulatory authorities, tribunals, shareholders, lenders or third parties and achieve compliance with the Licensing Conditions. Our Bank and our Promoter may be subject to penalties for non-compliance which may have a material adverse effect on our business and operations and the trading price of our Equity Shares.

To achieve compliance with the shareholding requirement, if our Promoter is required to sell its Equity Shares or our Bank has to issue fresh Equity Shares, or our Promoter and our Bank consider other options such as a merger or an acquisition, such actions, or the perception that such actions may occur, may materially and adversely affect our business and operations and the trading price of our Equity Shares.

11. ***Our non-convertible debentures are listed on BSE, and we are subject to strict regulatory requirements with respect to such listed non-convertible debentures. Our inability to comply with or any delay in compliance with such laws and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows.***

Our non-convertible debentures are listed on the debt segment of BSE. We are required to comply with various applicable rules and regulations including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Listing Regulations in terms of our listed non-convertible debentures. In the event of non-compliance with such rules and regulations, we may be subject to certain penal actions, inter alia, including restrictions on further issuance of securities and freezing of transfer of securities. Our inability to comply with or any delay in compliance with such rules and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows.

12. ***A significant portion of our advances are towards customers located in the State of Tamil Nadu and any adverse changes in the conditions affecting the region can adversely impact our business, financial condition, results of operations and cash flows.***

A large number of our Banking Outlets are located in the State of Tamil Nadu. Consequently, a majority of our advances are towards customers in Tamil Nadu. As of March 31, 2020 and June 30, 2020, advances towards customers in Tamil Nadu represented 54.26% and 54.31%, respectively, of our Gross Advances (including IBPC issued) as of such dates. For further information in relation to our geographical presence, see "*Our Business*" and "*Selected Statistical Information*" on pages 120 and 192, respectively.

In the event of a regional slowdown in the economic activity in Tamil Nadu, or any other developments including change in regulatory framework, political unrest, disruption or sustained economic downturn or natural calamities in the region affecting the ability of our borrowers to repay our loans, or that make our products in the region less beneficial, we may experience an adverse impact on our financial condition, results of operations and cash flows, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economy of the state. For instance, during the occurrence of cyclone Gaja in Tamil Nadu in 2018, we experienced defaults on repayments and reduced collection efficiencies for microfinance loans. In addition, the market for our products in Tamil Nadu may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other states of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in the region.

13. ***Our deposits depend on a limited number of customers and a loss of such customers could materially and adversely affect our deposit portfolio, funding sources, financial condition, results of operations and cash flows.***

We are dependent on a limited number of customers for a substantial portion of our deposits. Deposits from our 20 largest depositors (excluding certificates of deposit issued) represented 31.95% and 32.25% of our total deposits as of March 31, 2020 and June 30, 2020, respectively. Further, deposits from our 10 largest depositors, primarily comprising wholesale depositors, represented 23.94% and 24.94% of our total deposits as of March 31, 2020 and June 30, 2020, respectively. Reduction or loss of such deposits expose us to an increasing funding risk, which could in turn adversely affect our financial performance and results of operations. A reduction in the services we perform for such customers or the loss of such major customers could result in a significant reduction of our deposits portfolio. Factors that may result in a loss of a customer include our service performance, reduction in budgets due to macroeconomic factors or otherwise and shift in policies and political or economic factors. There is significant competition for the services we provide and we are typically not an exclusive service provider to our large customers. These factors may not be under our control or predicted with any degree of certainty. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition, results of operations and cash flows. Our customers may reduce or remove their deposits from our Bank, with or without cause or notice, at any time. If any of our customers reduce or remove their deposit accounts from our Bank, our deposits portfolio, funding sources, financial condition, results of operations, and cash flows could be materially and adversely affected.

14. ***The value of our collateral may decrease or we may experience delays in enforcing collateral when borrowers default on their obligations, which may result in failure to recover the expected value of collateral security exposing us to potential loss.***

We disburse certain loans that are secured by assets and follow certain procedures to evaluate the credit profiles of our customers. However, the value of the collateral obtained by us may fluctuate or decline due to factors beyond our control, including deterioration in regional economic conditions or of asset values or as a result of adverse changes in the credit quality of our borrowers and counterparties or delays in foreclosure proceedings or defects or deficiencies in the perfection of collateral. In the event of a decline in any of these, some of our loans may exceed the value of their underlying collateral. Our secured advances have grown from ₹52,649.54 million as of March 31, 2018 to ₹ 82,759.08 million as of March 31, 2019, to ₹115,849.63 million as of March 31, 2020 and were ₹117,968.54 million as of June 30, 2020. Our secured advances represented 66.33%, 70.72%, 75.39% and 75.75% of our Gross Advances (including IBPC issued) as of March 31, 2018, 2019 and 2020 and as of June 30, 2020, respectively.

While we factor in a reduction in value to an extent, it may not be sufficient if the value of the collateral reduces substantially. This is particularly applicable in situations where the advances are secured by highly depreciating fixed assets such as vehicles, and particularly used commercial vehicles. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant loan, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. For instance, we have in the past incurred losses on repossession and sale of such collaterals, due to the depreciating nature of used commercial vehicles and other external factors including government policies imposing restrictions on use of commercial vehicles. See " – *Changes in environmental, tax or other laws may lead to a decline in the sale of vehicles or value of vehicles as a collateral, which could adversely affect our business, results of operations and prospects*" on page 46.

Collateral for our small business loans and secured MSE loans primarily includes mortgage over our customers' residential or commercial property and we are therefore exposed to adverse movements in the price of such immoveable property and the real estate market in general. We are also exposed to the risk arising out of forged title deeds and property documents given as collateral for our secured loans, particularly as there is no centralized land title registry in India to verify the land title of first-time borrowers.

We cannot assure you that we will be able to successfully seize the collateral in the event of customer default and may face delays and incur legal and administrative costs in the repossession and sale of the collateral. Legal proceedings for such purposes in India are often time consuming and if we are unable to seize and recover the full value of collateral in a timely manner, or at all, our business, results of operations, financial condition and cash flows may be adversely affected. In the event our borrowers default on the repayment of loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of damaged items as security, prolonged legal proceedings and fraudulent actions by borrowers, or we may not be able to foreclose on collateral at all. Further, we may be required to increase our provision for loan losses in case of any decline in the value of the security, which could impair our ability to realize the secured assets upon any foreclosure.

15. ***Our microfinance loan portfolio and unsecured business loans portfolio are not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.***

Our microfinance loans and unsecured business loans portfolio are at higher credit risk than secured loan portfolios because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Our microfinance loans are offered to individuals and families to assist in micro-entrepreneurial enterprises and to invest in income-generating activities. Such customers are part of the unorganized sector and may not have traditional credit history such as credit scores. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can been no assurance that such loans will not become non-performing. Our customers may default on their obligations as a result of various factors including bankruptcy, lack of liquidity and/ or failure of the business or commercial venture in relation to which such borrowings were sanctioned. As of March 31, 2020, such unsecured loans represented 24.61% of our Gross Advances (including IBPC issued), while as of June 30, 2020, unsecured loans represented 24.25% of our Gross Advances (including IBPC issued). We may be unable to collect our outstanding advances in part or at all in the event of non-payment by a borrower.

Further, for our microfinance business, we rely primarily on non-traditional guarantee mechanisms including the peer-guarantee loan model, wherein borrowers form a 'joint liability group' ("**JLG**") and provide guarantees for loans obtained by each member of such group without such members having to provide collateral or security on an individual basis. There can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of a JLG in the event of default by any one of them. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group; if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans; or as a result of adverse external factors such as natural calamities or forced migration. Any increase in delinquency in our loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings. For further information on the JLG model, see "*Our Business*" on page 120.

Further, state governments have recently waived loans to certain customer segments such as farm loan waivers, which may have an adverse impact on the overall loan recovery climate. If such loan waivers become more widespread in the future, this could result in a loss of short-term liquidity for affected banks, including the Bank, while such banks wait for the reimbursement of such waived loans from the relevant state government. In addition to a loss of short-term liquidity for affected banks, such loan waivers may also have a negative impact on borrower behavior such as resistance by borrowers' to make repayments in anticipation of further loan waivers. The loan waiver programs may have an adverse impact on the banking sector as a whole as well as the Bank's business, future financial performance and the trading price of the Equity Shares.

16. ***We have significant exposure to loans against property. We may not be able to realize the expected value of the collateral on loans due to fluctuating real estate prices and/ or enforce the security in a timely manner or at all in the event of default and this may have a material adverse effect on our business, results of operations, financial condition and cash flows.***

The primary security for housing loans and other micro-loans disbursed by us under our small business loans segment is the underlying property. As of June 30, 2020, exposure to loans against property represented 37.12% of our Gross Advances (including IBPC issued). The value of this security is largely dependent on housing and property market conditions prevalent at that time, and may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. Failure to recover the expected value of collateral could expose us to significant losses and, in turn, result in a material adverse effect on our business, results of operations, financial condition and cash flows.

17. ***An inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may adversely impact our business, financial condition, results of operation and cash flows.***

We are required to obtain various statutory and regulatory permits and approvals to operate our business which requires us to comply with certain terms and conditions to continue our banking operations. These include approvals from the RBI for various aspects of our banking operations (including for services such as NEFT, RTGS and foreign exchange dealing), approvals for providing internet and mobile banking services and licenses from other regulatory authorities, such as the IRDAI and PFRDA, for distribution of third-party insurance products and pension services. Failure to obtain these permits and approvals may result in imposition of fines and penalties by the relevant regulator. For instance, the RBI has previously imposed a penalty of ₹1 million on us for distributing mutual funds, insurance products and commencing referral of PMS products, in the absence of prior approval from the RBI. We have subsequently obtained the approval of the RBI for distribution of such products. The RBI In-Principle Approval and RBI Final Approval also require us to comply with certain terms and conditions. Further in relation to 305 Banking Outlets, the RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further states that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI. For further information, see " – *We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted.*" on page 29. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. There have been such instances of non-compliance in the past, for which the RBI has imposed penalties, issued directions, show cause notices and/ or taken other actions, see " – *We are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows*", "*Key Regulations and Policies*", "*Outstanding Litigation and Material Developments – Past actions by RBI against our Bank*" and "*Government and Other Approvals*" on pages 26, 146, 346, and 349 respectively. This may result in the interruption of all or some of our operations and may have a material adverse effect on our business, financial condition, results and cash flow. Further, we may need to apply for new licenses and approvals, including for conversion of our Bank into a universal bank subject to compliance with applicable regulations, and renew our existing ones, which expire from time to time. In the event that we are unable to obtain, renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

In addition, we are required to obtain certain approvals, including shops and establishment licenses, trade licenses, contract labour registration, employee provident fund and tax registrations. See "*Government and Other Approvals"* on page 349. Further, our approvals and licenses are subject to numerous conditions, some of which are onerous and may require us to incur substantial expenditure in order to comply with such conditions. We cannot assure you that the approvals, licenses, registrations or permits issued to us will not be suspended or revoked, or that applicable penalties will not be imposed on us in the event of non-compliance with any terms and conditions. We may also incur substantial costs related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

18. ***If we are not able to control the level of non-performing assets in our portfolio or if there is an increase in RBI mandated provisioning requirements, it could adversely affect our business, financial conditions, results of operations and cash flows.***

As of March 31, 2020 and June 30, 2020, our Gross NPAs were ₹4,173.21 million and ₹4,166.65 million, respectively, representing 2.72% and 2.68%, respectively, of our Gross Advances (including IBPC issued), while our Net NPAs were ₹2,286.26 million and ₹2,133.71 million, respectively, representing 1.66% and 1.48%, respectively, of our net Advances as of such dates. Our NPAs may increase in the future, due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, central and state government decisions (including agricultural loan waivers that may affect our agricultural portfolio in the short term) and changes in regulations. Further, our credit monitoring and risk management policies and procedures may not be properly designed, compliant with applicable directives, or effective or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are effective and properly implemented, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have a material adverse effect on our financial condition, results of operations and cash flows.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of a suitable level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risk may result in our provisions not being adequate to cover expected losses on NPAs. Our provision coverage ratio was 45.22% and 48.79% in Fiscal 2020 and in the three months ended June 30, 2020, respectively, and there can be no assurance that our provision coverage ratio will continue to increase or that it will not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security, or down-grading of the account, or if recoveries with respect to such NPAs do not materialize in time or at all. Any increase in provisions may adversely impact our financial performance. Further, there can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. Accordingly, any significant increase in our NPAs may have a material adverse effect on our financial condition, results of operations and cash flows, and as a result, our return ratios may not be consistent with our previous performance. Also see " – *The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance*" on page 24**.**

19. Non-compliance with RBI inspection/ observations or other regulatory requirements may have a material adverse effect on our business, financial condition or results of operation. Any adverse observations from such regulators could have a material adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. The non-compliances previously highlighted include transfer of borrower accounts from another bank without taking a credit opinion, incorrect calculation of liquidity coverage ratio, opening of savings account in the name of another bank, non-disclosure of direct assignment transactions in notes to financial statements of the Bank, and failing to report frauds to the RBI within three weeks of detection. In addition, during the inspection conducted in January 2019, for Fiscal 2018, pursuant to Section 35 of the Banking Regulation Act, RBI has made certain observations regarding our business and operations including, amongst others, (i) misclassification of PSL advances, and inadequate measures to monitor end-use of funds for PSL advances; (ii) absence of a credit rating and scoring model to assess microfinance loans; (iii) evergreening of loans in the form of disbursements of additional/ top-up loans to regular/ overdue/ NPA accounts in order to pre-close existing loans; (iv) absence of an automated collateral management system, and failure to carry out re-valuations of collateral in NPA accounts; (v) credit appraisal and credit monitoring deficiencies; (vi) deficiencies in ICAAP assessments; (viii) incorrect computation of MCLR by including cost of providing loan products which were separately recovered by way of service charges in operating costs; (ix) delay in detection and reporting of frauds; (x) weak customer grievances redressal mechanism, weak MIS and deficiencies in AML and KYC framework and outsourcing arrangements; and (xi) gaps in oversight of board level and management level committees and audit mechanism; (xii) absence of a system to issue sanction letters to JLG borrowers; (xiii) absence of unified automated MIS integrating all critical systems; (xiv) deficiencies in IT systems and controls (such as cyber security, non-conduct of malware analysis of ATMs and other deficiencies); (xv) non-formulation of IT strategy plan in alignment with business objectives; (xvi) failure to system based identification of NPAs; (xvii) shortfall of provisioning in five NPA accounts for more than three years on account of valuation of collaterals; and (xviii) charging of interest in loan accounts from the date prior to disbursement of funds. In addition, the RBI indicated that the Bank's asset quality and systems and controls functions are at high and increasing risk.

During the annual supervision for Fiscal 2017, the RBI observed that the Bank had sold PSL certificates aggregating to ₹36,500 million from the date of commencement of business on September 5, 2016 to the date of computation of ANBC based on the audited balance sheet as at March 31, 2017, resulting in the reduction of ANBC as on March 31, 2017 by approximately 65%, and a consequent proportionate reduction in PSL targets for Fiscal 2018. Subsequently, the RBI permitted our Bank to purchase PSL certificates aggregating up to a maximum of ₹54,750 million to meet the quarterly PSL target under the SFB Operating Guidelines as a one-time measure, and directed our Bank to maintain strict compliance with the guidelines/ regulations issued by RBI and as applicable to SFBs in both letter and spirit.

While we have responded to such observations, directions, monitorable action plans and regulatory non-compliances and complied with some of them, we cannot assure you that the RBI will not make similar or other observations in the future. In the event we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, or are otherwise in non-compliance with the RBI's directions, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals, or even cancel our banking license. Imposition of any penalty or adverse findings by the RBI during ongoing or any future inspections may therefore have an adverse effect on our business, results of operations, financial condition and reputation.

Further, our Bank has in the past, filed incorrect forms with the RoC such as form DIR-12 for appointment of an independent director instead of for appointment of an additional director. Our Bank has subsequently filed the correct form in this regard with the RoC. There can be no assurance that such non-compliances will not recur in future. In case of any such future non-compliance, we may be subject to penalties that may have an adverse effect on our business and reputation.

20. ***Our Part-time Chairman and Non-Executive Independent Director, Arun Ramanathan's name previously appeared as one of the Directors of JCT Electronics Limited ("JCT") in the wilful defaulter database maintained by TransUnion CIBIL Limited ("CIBIL")***

The name of Arun Ramanathan, our Part-time Chairman and Non-Executive Independent Director was previously appearing as one of the directors of JCT in the wilful defaulter database maintained by CIBIL. Upon receipt of clarifications that (i) Arun Ramanathan was appointed by Board for Industrial and Financial Reconstruction on the board of directors of JCT as a special director between June 30, 2010 and February 8, 2013; and (ii) his appointment was under sections 16(4) of the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985 for safeguarding the financial and other interests of JCT, his name was removed from the wilful defaulter database maintained by CIBIL.

21. ***We have recently introduced new products and services and we cannot assure you that such products and services will be profitable in the future. Further, we may not be able to successfully diversify our product portfolio or enter into new lines of business, which may materially and adversely affect our business prospects and impact our future financial performance.***

We have introduced new products and services, such as loans for new commercial vehicles, and different types of savings accounts for mass and mass-affluent customer segments. For further information, see "*Our Business – Description of our Business – Product Portfolio*" on page 130. We have incurred substantial costs to expand our range of products and services and we cannot assure you that such products and services will be successful, whether due to factors within or outside of our control, such as general economic conditions, a failure to understand customer demand and market requirements or management focus on these new products. We have limited experience in offering such products. Further, these operations may be accompanied by operating and marketing challenges that may be different from those we currently encounter. In addition, if we fail to successfully offer our new products and services in an increasingly competitive market, we may not be able to capture the growth opportunities associated with them or recover the development and marketing costs, and our future results of operations and growth strategies could be adversely affected. Further, we may require approval from regulatory authorities before we commence offering certain services. If we fail to obtain such approvals, or to develop and launch such products and services successfully, we may lose a part or all of the costs incurred in the development of such offerings, or discontinue these offerings, which could in turn adversely affect our business and results of operations.

While diversifying our product portfolio and services, we may encounter certain additional risks including management and market-related risks. We cannot assure you that such diversification or expansion of operations will yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with other scheduled commercial banks and other NBFCs and SFBs that are already well established in these market segments. Further, new businesses will require significant capital investment and commitment of time from our senior management. There can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Our inability to effectively manage any of these issues could materially and adversely affect our business and impact our future financial performance and/ or cash flows.

22. ***Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.***

While we seek to increasingly transform our operations to a cashless model, a significant portion of our business, particularly with respect to collections, continues to be cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, assault and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers, borrowers and employees. During Fiscal 2018, 26 cases of fraud involving ₹20.43 million, during Fiscal 2019, 22 cases of fraud involving ₹24.32 million and during Fiscal 2020, 47 cases of fraud involving ₹21.91 million were reported to the RBI. Our Bank was exposed to major instances of fraud in the past above ₹10 million. For example, on account of furnishing by borrowers of fabricated documents, including replicated title deeds for creation of mortgage, charge and obtaining of loans in the LAP segment, our Bank was exposed to one instance of fraud involving 11 different borrowers, aggregating to ₹19.24 million during Fiscal 2017, and one instance of fraud involving 12 different borrowers, aggregating to ₹15.85 million during Fiscal 2018, in the LAP segment. Such acts could also bind us to transactions that exceed authorized limits or present unacceptable risks or hide unauthorized or unlawful activities from us. In particular, in the past, we have faced several instances of employee negligence, manipulation, misrepresentation, corruption and fraud, such as embezzlement of cash, cheating and forgery including through phishing/ skimming of ATM/ debit cards, clandestine selling-off of hypothecated/ mortgaged security, fraudulent encashment of checks. The frauds detected were mainly due to embezzlement of cash and fabricated title deeds. For further information, see "*Outstanding Litigation and Material Developments – Litigation by our Bank*" on page 343.

While we have been able to identify fraud relating to misappropriation of funds in the past, there could be instances of fraud and misconduct by our employees which may go unnoticed for certain periods of time before corrective action is taken. In addition, we may be subject to regulatory or other proceedings in connection with any such unauthorized transaction, fraud or misappropriation by our employees, which could adversely affect our goodwill, business prospects and future financial performance. Even when we identify instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, we cannot assure you that we will recover any amounts lost through such fraud or other misconduct. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

23. We rely extensively on and upgrade our information technology systems and any disruptions in such systems, or breach of data, could adversely affect our operations and reputation. Further, our success depends on our ability to respond to new technological advances.

Our information technology systems enable us to manage various back-end operations supported by a core banking system, customer relationship management system, collection management system and document management system. See "*Our Business – Information Technology"* on page 143. Our business is therefore dependent on timely upgradation of our information technology systems and any disruption, breach or failure in our technology infrastructure may have significant consequences on our business operations, including:

- disabling or malfunctioning of financial, accounting or data processing systems;
- inability to service our customers on a timely basis or at all;
- non-availability of certain information for our management in order to enable them to plan for or respond to contingencies and changes in market conditions in a timely manner or at all; and
- loss of confidential or material data in relation to our financial products.

Our hardware and software systems are subject to potential internal and external disruptions such as damage or incapacitation by human error, natural disasters, power loss, nation/ region-wide interruptions in the infrastructure, sabotage, computer viruses and similar events or the loss of support services from third-parties such as internet backbone providers. Our systems are also potentially vulnerable to data security breaches, whether by employees, who may lack experience with our newer information technology systems, or others, that may expose sensitive data to unauthorized persons. We undertake a high volume of transactions, including through internet and mobile banking, and cannot assure you that we will be able to prevent occurrence of any disruption or successfully contain the consequences of such failures. Data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees. We have previously received certain observations on our cyber security compliance including failure to submit certain reports within prescribed timelines to the Cyber Security and Information Technology Examination as specified by the RBI, failure to perform anti-phishing exercises or conduct periodic reviews for network and security devices, and inability to provide adequate information in certain instances to monitor compliance. Further, the RBI pursuant to its letter dated March 23, 2020, observed that compliance with the RBI guidelines in relation to information technology/ cyber security was not satisfactory, and has directed our Bank to preserve data integrity in end-to-end flow of transactions both within and outside the banks environment, conduct phishing exercises for all employees at regular intervals and log activity and push to a centralized logging systems for strict monitoring. While we have responded to such observations, we cannot assure you that the RBI will not make similar or other observations in the future. Further, although we intend to continue to implement security measures and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. Failed security measures could have a material adverse effect on our business, our future financial performance and the trading price of the Equity Shares. We have experienced instances of application down-time and service degeneration in the past. While we have rectified these issues, any such security breaches or compromises of technology systems in the future could result in institution of legal proceedings against us and potential imposition of penalties, which may have an adverse effect on our business and reputation.

Further, we have also entered into agreements with several IT vendors to set up IT infrastructure. If our IT vendors are unable to fulfil their contractual obligations or if we encounter any failure in the timely implementation, performance or integration of such systems, we may experience interruptions in our operations, loss of customers, damaged reputation and weakening of our competitive position. Also see " – *Any non-compliance with law or unsatisfactory service by the third-party service providers engaged by us for certain services could have an adverse impact on our business and results of operations*" on page 51. In addition, our success will depend, in part, on our ability to respond to new technological advances and emerging banking and other financial services industry standards and practices in a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards. In addition, the Supreme Court, in its judgment of September 2018, held that private entities will be barred from using Aadhaar numbers for e-KYC authentication purposes. Pursuant to a recent amendment to the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, which was effected after the Supreme Court judgment, entities will be able to carry out e-KYC subject to meeting certain specific conditions, including compliance with such standards of privacy and security as may be prescribed. Further, entities are allowed to carry out e-KYC only if they are permitted to offer authentication services under any other law, or if such authentication is for certain specified purposes, as the central government may prescribe. These developments are expected to severely impact banking and fintech companies, requiring them to rely on alternate means for authentication which may not be as streamlined or cost efficient.

24. The Erstwhile NBFC (now, the Bank) was incorporated in 1993 and we are unable to trace some of its historical records. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to the missing filings and corporate records, which may impact our financial condition and reputation.

We have been unable to trace a number of secretarial documents in relation to allotments made by the Erstwhile NBFC from the date of incorporation of the Erstwhile NBFC to March 30, 2007, including the RoC form filings, list of allottees specifically in relation to equity share allotments made by the Erstwhile NBFC on June 25, 1993, November 26, 1993, December 8, 1993, January 15, 1994, August 8, 1994, August 19, 1995, February 3, 1996, August 31, 1996, February 7, 1997, March 25, 1998, October 10, 1998 and March 28, 2001. Further, we are unable to trace the letter of offer authorising the rights issue dated March 31, 2007.

We have been unable to trace these documents despite conducting a search at the relevant RoC through a practising company secretary and may be unable to obtain copies of these documents in the future to ascertain details of the relevant transactions.

Accordingly, for the period between the date of incorporation of the Erstwhile NBFC and March 30, 2007, we are unable to confirm details of allotment of equity shares. While no legal proceedings or regulatory action has been initiated against our Bank in relation to the unavailable filings and statutory lapses as of the date of this Prospectus, we cannot assure you that such proceedings or regulatory actions will not be initiated against our Bank in the future in relation to the missing filings and corporate records. The actual amount of the penalty which may be imposed or loss which may be suffered by our Bank cannot be ascertained at this stage and depends on the circumstances of any potential action which may be brought against our Bank. We cannot assure you that any such proceedings will not have a material adverse effect on our financial condition or reputation.

25. We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.

We believe that any damage to the brand "*Equitas*" or to our reputation could substantially impair our ability to maintain or grow our business, or could have a material adverse effect on our overall business, financial condition, results of operations and cash flows. We are currently using the brand name, "*Equitas*", pursuant to a no-objection letter dated November 8, 2019 provided by our Promoter, EHL, the owner of the trademark, to us. We have no other written contract with our Promoter for the right to the use of the brand name "*Equitas*" and there can be no assurance that our Promoter will not withdraw such no-objection or direct us to cease using the brand name, with or without any prior notice. For further information, see "*Our Promoter and Promoter Group*" on page 185.

Accordingly, any negative publicity on EHL could adversely affect us as well. If we fail to maintain this brand recognition with our existing and target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also distribute third-party products via partnerships with external organizations over whom we have limited control. Any negative publicity/ press affecting such external organizations might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business, and dilute or harm our reputation and brand recognition. We have also obtained trademark registrations for "*Equitas*

Small Finance Bank" (under class 36). The logo, , is registered in our name with the trademark registry under class 36, which is valid up to October 3, 2026. We have also registered our corporate logo in our name with the trademark registry under class 36, which is valid up to November 18, 2029. For further information, see "*Our Business – Intellectual Property"* on page 143. The registrations provided to our trademarks are for a limited duration of 10 years, and are required to be renewed from time to time. There can be no assurance that we will be able to successfully renew our registrations in a timely manner or at all. We may apply for the registration of other wordmarks or trademarks in the future and there can be no assurance that such applications will be granted. We may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection until such time that registration is granted. We may also be harmed by the actions of or negative press relating to entities which have similar names.

Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise. Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. Further, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition, results of operations and cash flows. We may also be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using taglines, names, designs, software or other such subjects, which are of a similar nature to the intellectual property these third parties may have registered. Any legal proceedings that result in a finding that we have breached third party intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or make changes to our marketing strategies or to the brand names of our products, which may have a materially adverse effect on our brand, business, prospects, financial condition, results of operations and cash flows.

26. All our Banking Outlets along with our Registered Office and Corporate Office are on leased premises and we may enter into new lease arrangements for additional Banking Outlets. Any inability on our part to identify suitable premises or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

As of June 30, 2020, all our Banking Outlets are located on leased premises. Further, our Registered Office and Corporate Office is also located on leased premises. In addition, we intend to strategically open additional Banking Outlets on leased premises in the future. Consequently, any inability on our part to identify suitable premises for our Banking Outlets, or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

Further, certain of our lease agreements have expired and a number of our lease agreements are due to expire in the next two years, and in case of non-renewal of our leases or if such agreements are renewed on unfavorable terms and conditions, we may be forced to procure alternative space for our existing Banking Outlets, Registered Office and Corporate Office and incur additional costs for such relocation. In addition, certain of our Banking Outlets are located on premises that have been mortgaged by landlords to secure credit facilities obtained from lenders. If the lenders enforce the mortgage on account of any default by the landlords and subsequently, cancel our leasehold arrangements, or refuse to renew them on terms that are commercially acceptable to us, we may be compelled to relocate from such premises. This may cause a temporary disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition, results of operations and cash flows, in respect of such defaulting premises. Further, some of our lease agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law for admission, which could adversely affect the continuance of our operations and business. We cannot assure you that we will be able to identify space that satisfies the operational, safety and other criteria for our Banking Outlets at terms that are commercially viable or at all.

27. We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.

We may face asset and liability mismatches, which represents situations when the financial terms of an institution's assets and liabilities do not match. We cannot assure you that we will be able to maintain a positive asset-liability gap. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. For further information, see "*Selected Statistical Information – Asset Liability Management*" on page 202. Any mismatch in our assets and liabilities may lead to a liquidity risk and have a material adverse effect on our operations and profitability.

28. Our inability to expand our network of Banking Outlets or manage our infrastructure or to attract new customers may adversely affect our business, results of operations, financial condition and cash flows.

As of June 30, 2020, we operated 856 Banking Outlets spread across 17 States and union territories in India. We intend to strategically grow our network of Banking Outlets in new markets in India in order to attract new customers. Any new Banking Outlets that we establish may not be profitable immediately upon their opening or may take time to break even, and failure to do so within a reasonable period may adversely affect our profitability. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business.

Further, as a result of our inability to meet a condition in the SFB Licensing Guidelines within prescribed timelines, we are presently not permitted to open certain new branches till further communication from the RBI. For further information, see "*Outstanding Litigation and Material Developments*" and "– *We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted."* on pages 346 and 29, respectively. We cannot assure you that we will succeed in doing so, as it is subject to many factors beyond our control. In addition, we are likely to compete with other banks and financial institutions, and local unorganized or semi-organized private financiers, who are more familiar with local business practices and customs, and have stronger relationships with the target customers. Factors such as competition and customer requirements in these new markets may differ from those in our existing markets.

As we plan to expand our geographic footprint in India, our business may be exposed to additional challenges, including obtaining additional governmental or regulatory approvals, identifying and collaborating with local business partners with whom we may have no existing relationship, successfully marketing our products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, maintaining standardized systems and procedures, adapting our marketing strategy and operations to new markets in India in which different languages are spoken, higher technology costs, upgrading, expanding and securing our technology platform in such Banking Outlets, operational risks including integration of internal controls and procedures, compliance with KYC, AML and other regulatory norms, ensuring customer satisfaction, recruiting, training and retaining skilled personnel, failure to manage third-party service providers in relation to any outsourced services and difficulties in the integration of new Banking Outlets with our existing Banking Outlets network. Further, as we are required to establish at least 25.00% of our total Banking Outlets in unbanked rural areas, we may be compelled to enter into markets that may not be profitable or strategically aligned with our business operations. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. If we are unable to implement such growth strategies, our business, results of operations, financial condition and cash flows will be adversely affected.

29. We have in this Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.

Certain non-GAAP financial measures and certain other statistical information, such as Yield, Spread and Net Interest Margin, relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. For further information, see "*Selected Statistical Information*" on page 192. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies.

30. Certain AIFs and their schemes, wherein the associate entities of IIFL Securities Limited (one of the BRLMs) act as sponsor or investment manager, hold Equity Shares in the Bank.

Certain AIFs and their schemes (wherein the associate entities of IIFL Securities Limited ("**IIFL**"), one of the BRLMs, act as sponsor or investment manager to the funds) collectively hold 47,458,239 Equity Shares representing 4.51% of the pre-Offer paid-up Equity Share capital of the Bank as of the date of this Prospectus. IIFL is not an associate of the Bank in terms of the SEBI Merchant Bankers Regulations. Such investments by the aforementioned AIFs and their schemes is not perceived as a current or potential conflict of interest with respect to IIFL's role as Book Running Lead Manager in the Offer. For further details, see "*Capital Structure – Notes to the Capital Structure*" on page 73.

31. Negative cash flows from operating activities in the future could adversely affect our cash flow requirements, our ability to operate our business and implement our growth plans, thereby affecting our financial performance.

We have in the past, and may in future, experience negative cash flows from operating activities. The following table sets forth certain information relating to our cash flows from operating activities for the periods indicated:

Particulars	**Fiscal**			**Three months ended June 30,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹million)				
Net cash (used in)/ generated from operating activities	2,105.14	18,033.66	4,396.14	(334.27)	(8,963.75)

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our cash flows, business, prospects, results of operations and financial condition may be materially and adversely affected. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 306.

32. Our risk management measures may not be fully effective in mitigating our risks in all market environments or against all types of risks, which may adversely affect our business and financial performance.

Our risk management functions are divided on the basis of key risks typically faced by banks i.e., credit risk, market risk and asset liability mismatches, operational risk, cyber security and technology risk. Our risk management governance framework comprises a Risk Management Committee of our Board and management sub committees for management of credit risk, cyber security, technology risks, asset liability management and operational risk, however, we may not be able to effectively mitigate all our risk exposures. While we have risk management policies and procedures, our policies and procedures to identify, assess, monitor and manage risks may not be fully effective. Some of our methods of assessing and managing risks are based on the use of observed historical market behavior. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than those indicated by the historical measures. Management of operations, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective. As we seek to expand the scope of our operations, we also face the risk that we may not be able to develop risk management policies and procedures that are properly designed for new business areas or to manage the risks associated with the growth of our existing businesses effectively. Implementation and monitoring may prove particularly challenging with respect to businesses that we plan on developing. An inability to develop and implement effective risk management policies may materially and adversely affect our business, financial condition, results of operations and cash flows.

We are exposed to operational risks arising from inadequacy or failure of internal processes or systems, and our actions may not be sufficient to result in an effective internal control environment. Given our high volume of transactions and changing technology and payments landscape, errors may be repeated or compounded before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not be able to identify non-compliance or suspicious transactions in a timely manner, or at all. Where internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weaknesses. In addition, certain processes are carried out manually, which may increase the risk that human error, tampering, frauds or manipulation will result in losses that may be difficult to detect. As a result, we may suffer monetary losses, which may not be covered by our insurance policies. Any failure or material weakness in our risk management architecture could adversely affect our business, results of operations, financial condition and cash flows.

33. We may not be able to detect money-laundering and other illegal or improper activities in a comprehensive manner or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable know-your-customer, anti-money laundering and anti-terrorism laws and other regulations in India. These laws and regulations require us to adopt certain measures, including, to adopt and enforce "know-your-customer/ anti-money laundering/ combating financing of terrorism" (**"KYC/AML/CFT"**) policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. We are also required to undertake constant review and assessment of existing control processes and programs to meet the increased regulatory expectation. We face significant challenges with system upgradation to meet the requirements of such regulatory developments. While we have adopted policies and procedures for KYC/ AML/ CFT, such policies and procedures may not eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities. In addition, there may be inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each of the Banking Outlets and other customer interface levels. Our business and reputation could suffer if any such parties use our banking channels for money-laundering or illegal or improper purposes.

While we intend to continue to strengthen our KYC/AML/CFT policies and procedures, to the extent we fail to fully comply with applicable laws and regulations, the relevant governmental and regulatory agencies may impose fines and other penalties. In addition, any adverse action taken by such agencies could adversely affect our reputation, thereby affecting our business and future financial performance.

34. We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. These covenants vary depending on the requirements of the financial institution extending such loan and the conditions negotiated under each financing agreement. Some of the corporate actions that require prior consents from certain lenders include, amongst others, changes to the capital structure of the Bank, reduction in the authorised share capital of the Bank and changes in the MoA and AoA of the Bank. Further, under certain financing agreements, we are required to maintain specific credit ratings, certain financial ratios and ensure compliance with regulatory requirements such as maintenance of capital adequacy ratios, creation of reserve fund as required under Section 45 – IC of the RBI Act. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. Some of our lenders are also entitled to appoint directors on the Board of our Bank.

In addition, we also have unsecured loans which may be recalled at any time at the option of such lenders. Certain of our secured loans may also permit the lenders to recall the loan on demand. Such recalls on borrowed amounts may be contingent upon happening of an event beyond our control and there can be no assurance that we will be able to persuade our lenders to give us extensions or to refrain from exercising such recalls which may adversely affect our operations and cash flows.

A failure to observe the covenants under our financing arrangements or to obtain necessary waivers may lead to the termination of our credit facilities, acceleration of amounts due under such facilities and suspension of further access/ withdrawals, either in whole or in part, for the use of the facility. Pursuant to clauses in certain financing agreements, any defaults under such facilities may also trigger cross default or cross acceleration provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to dedicate a portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. In addition, during any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing. For further information on our financing arrangements, see "*Financial Indebtedness*" on page 340.

35. The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other SFBs, NBFCs, microfinance institutions and cooperative banks which have significant presence in rural areas, public sector banks, private sector banks, housing finance companies and other financial services companies in India. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at higher interest rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, wider network of branches and better access to, and lower costs of funding than we do. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition for us. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See "*Our Business – Competition*" on page 144.

36. Our inability to grow our CASA deposits and CASA ratio may result in higher cost of deposits and impact our financial condition and cash flows.

As of March 31, 2020 and June 30, 2020, our CASA ratio was at 20.47% and 19.97%, respectively. We may not be able to grow our CASA deposits and CASA ratio owing to the increased competition from other banks and lending institutions. In order to attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through marketing campaigns. The interest rates that we must pay to attract customer deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation.

However, there is no assurance that we will be successful in growing our CASA base. If we fail to grow our CASA ratio, our financial condition and cash flows may be materially and adversely affected.

37. ***You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 26% of the total voting rights of our Bank.***

The Banking Regulation Act, read with the SFB Licensing Guidelines, requires any person to obtain prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5% or more of the paid-up share capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, as per the Banking Regulation Act read with gazette notification no. DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a bank can exercise voting rights on poll in excess of 26% of total voting rights of all the shareholders of the bank.

An approval may be granted by the RBI if it is satisfied that the applicant meets the fit and proper criteria laid down by the RBI. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. For details, see "*Key Regulations and Policies*" on page 146.

38. ***Our operations depend on the accuracy and completeness of information about customers and counterparties which if inaccurate or materially misleading could adversely affect our business and results of operations. Further, high levels of customer defaults could adversely affect our business, results of operations, financial condition and cash flows.***

Our business involves lending money to smaller, relatively low income entrepreneurs and individuals who may not have any credit history and as a result we are more vulnerable to customer default risks including default or delay in repayment of principal or interest on our loans. Some lines of business, such as microfinance and vehicle loans, principally focus on first time users who have limited access to capital through formal banking channels. A significant majority of our customers belong to these segments and may not have any credit history supported by income statements, tax returns, credit card statements, and statements of previous loan exposures or other related documents. They may also have limited formal education, and generally are able to furnish very limited information for us to be able to assess their creditworthiness accurately. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information. It is therefore, difficult to carry out a formal credit risk analyses on our customers based on financial information. There can be no assurance that our risk management controls will be sufficient or that additional risk management strategies for our customers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio, which could have a material and adverse effect on our results of operations, financial condition and cash flows.

39. ***We undertake certain fee and commission-based activities and our financial performance may be adversely affected by an inability to generate income from such activities.***

We have expanded our operations from undertaking banking activities to providing certain fee and commission-based services. Revenue from commission, exchange and brokerage was ₹101.71 million, ₹186.01 million, ₹210.41 million and ₹38.37 million in Fiscal 2018, 2019 and 2020 and in the three months ended June 30, 2020, respectively and represented 0.57%, 0.78%, 0.72% and 0.51%, respectively, of our total income, in the same periods. Our fee and commission based activities include distribution of third party insurance, mutual fund products and issuance of FASTags. Further, as part of our growth strategy, we intend to focus on increasing our non-interest income by focusing on bancassurance, micro-insurance, fee and processing charges from loan and advances, and distribution of mutual fund products. New initiatives, products and services entail a number of risks and challenges, including risks relating to execution, the failure to identify new segments, the inability to attract customers and the inability to make competitive offerings. If we are unable to successfully diversify our products and services while managing the related risks and challenges, returns on such products and services may be less than anticipated, which may materially and adversely affect our business, financial condition, results of operations and cash flows.

40. ***Our insurance coverage may be inadequate to cover claims. If we incur substantial uninsured loss or loss that exceeds our insurance coverage, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.***

We have obtained insurance to cover certain risks associated with our business. These include combined fire and burglary policy, all risk policy for laptop, cyber risk policy, banker indemnity policy, commercial general liability insurance, and directors' and officers' liability policy. The total fixed assets and total assets of the Bank as of June 30, 2020 amounted to ₹5,528.11 million and ₹208,921.39 million, respectively, out of which ₹3,808.12 million worth of fixed assets were covered by the Bank's insurance cover. Consequently, the Bank's insurance cover for fixed assets as a percentage of its total fixed assets and as a percentage of its total assets as of June 30, 2020 was 68.89% and 1.82% respectively. We cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

41. ***The success of our business operations is dependent on our senior management team and key management personnel as well as our ability to attract, train and retain such employees.***

The success of our business operations is dependent in part on our ability to retain our senior management team and key managerial personnel. We believe that the inputs and experience of our senior management, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by our Bank. For further information on our key managerial personnel, see "*Our Management*" on page 165. Our ability to sustain our growth depends upon our ability to attract and retain key personnel, developing managerial experience to address emerging business and operating challenges and ensuring a high standard of customer service. We cannot assure you that these individuals or any other member of our senior management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Bank. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the RBI reserves the right under the Banking Regulation Act to remove managerial persons from office and/ or supersede the Board in order to protect interests of depositors of our Bank.

Hiring and retaining personnel qualified and experienced in credit-appraisal and asset valuation, is difficult. We may also face attrition of our existing workforce as a result of increased competition or other factors relating to our businesses. For instance, the attrition rate with respect to our Key Managerial Personnel in Fiscal 2018, 2019 and 2020, was 19.35%, 6.06% and 18.75%, respectively, calculated for each period by dividing the number of resignations during such period by the average of number of Key Managerial Personnel as of the first day and last day of such period. For further information on changes in the Bank's Key Managerial Personnel, see "*Our Management – Changes in the Key Managerial Personnel*" on page 183.

If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

42. ***RBI may remove any employee, managerial person or may supersede our Board of Directors in certain circumstances.***

The Banking Regulation Act confers powers on the RBI to remove from office any director, chairman, chief executive officer or other officers or employees of a bank in certain circumstances such as, if the RBI is satisfied that it is in public interest or to prevent the affairs of the Bank being conducted in a manner detrimental to the interests of the depositors. RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances, and to penalize the management by way of freezing remuneration levels and/ or other measures. The RBI may exercise powers of supersession where it is satisfied, in consultation with the central government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein be taken by RBI, our reputation, business, results of operations, financial conditions and cash flows would be materially and adversely affected.

43. ***Changes in environmental, tax or other laws may lead to a decline in the sale of vehicles or value of vehicles as a collateral, which could adversely affect our business, results of operations and prospects.***

We are engaged in used and new commercial vehicle financing across various states in India, and as of June 30, 2020, advances to this segment represented 24.25% of our Gross Advances (including IBPC issued) as of such date. Any regulation passed by either the central Government or any of the state Governments, or any orders of judiciary to ban the sale of a particular segment of vehicles or impose additional taxes on any particular segment of vehicles, could lead to a decline in the sales of such vehicles and also in the value of such vehicles held as collateral. For example, the Supreme Court of India imposed a ban on the sale of vehicles not complying with Bharat Emission Standards IV. Such regulatory amendments or orders of the judiciary may lead to a decline in our disbursements and adversely affect our business, results of operations and prospects.

44. We may face cyber threats attempting to exploit our network to disrupt services to customers and/ or theft of sensitive internal data or customer information, which may cause damage to our reputation and adversely affect our business and financial performance.

We offer banking services to our customers through a range of alternate channels, including phone banking, mobile banking and internet banking. Our alternate banking channels include multiple services such as electronic funds transfer, bill payment services, requesting account statements, use of debit cards at ATMs and cash recyclers, and requesting cheque books. Therefore, by providing such services, we are exposed to various cyber threats including (i) phishing and trojans targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt exfiltration of account sensitive information; (ii) vishing and skimming at ATMs, wherein a skimming device or a card reader is fraudulently inserted in the machine allowing the fraudster to obtain card details including pin codes of the user, to replicate into a counterfeit copy; (iii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iv) data theft, wherein cyber criminals may attempt to enter our network with the intention of stealing our data or information. In addition, we also face the risk of our customers incorrectly blaming us and terminating their accounts with us for any cyber security breaches that may have occurred on their own system or with that of an unrelated third party. Further, the RBI pursuant to its letter dated March 23, 2020, observed that compliance with the RBI guidelines in relation to information technology/ cyber security was not satisfactory, and has directed our Bank to preserve data integrity in end-to-end flow of transactions both within and outside the banks environment, conduct phishing exercises for all employees at regular intervals and log activity and push to a centralized logging systems for strict monitoring. While we have responded to such observations, we cannot assure you that the RBI will not make similar or other observations in the future. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability. While we have implemented operational controls to prevent and detect such threats, there can be no assurance that cyber threats will not impact our operations in the future.

Further, while we have established a geographically remote disaster recovery site to support critical applications, our disaster recovery site may also fail or may take considerable time and resources to ensure that the system is fully operational and achieve complete business resumption using an alternate site. In situations where the primary site is completely unavailable, there may be significant disruption to our operations, which would materially adversely affect our business, financial condition, reputation and results of operation.

45. Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. As our operations are highly decentralized and involve deploying loan officers in various regions, we are particularly vulnerable to risks of loan officers being influenced by various factors, including personal gain. See " – *Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position*" on page 38. Further, given the high volume of transactions that we handle on a day to day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence on automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

We also outsource certain functions/ activities to other agencies. We are also, as a result exposed to the risk that such external agencies may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or such agencies) business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. We are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances.

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. In Fiscal 2020, the number of frauds detected were 47, having an aggregate pecuniary implication of ₹21.91 million, while in the three months ended June 30, 2020, the number of frauds detected were five having an aggregate pecuniary implication of ₹2.30 million. For further information, see "*Outstanding Litigation and Material Development*" on page 345.

46. We have certain contingent liabilities that have not been disclosed in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.

As of June 30, 2020, we had the following contingent liabilities as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, which have not been provided for:

Particulars	**As of June 30, 2020 (₹million)**
Claims against the Bank not acknowledged as debts	
(a) Service tax	12.55
(b) Provident Fund*	-
(c) Income Tax	-
(d) Others	17.15
Guarantees given on behalf of constituents in India	162.44
Total	**192.14**

Note:

* *There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. We have made a provision on a retrospective basis from the date of inception of the Bank. Accordingly, during the year ended March 31, 2019, based on internal computation, we have provided ₹55.0 million towards provident fund and interest thereon at simple rate of interest in terms of the provisions of section 7Q of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. We will update this provision, on receiving further clarity on the subject.*

For further information on our contingent liabilities as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets, specified under Section 133 of Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, see "*Financial Statements – Restated Statement of Contingent Liabilities*" on page 243. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

47. Our operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

As of June 30, 2020, we had 15,843 employees. Although we have not experienced any material labour unrest until the date of this Prospectus, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. Any labour unrest directed against us could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. These actions are impossible for us to predict or control and could adversely affect our business, results of operations, financial condition and cash flows. Further, recently, the Supreme Court changed the method of calculating the contribution towards provident fund of an employee which is expected to result in greater provident fund deductions and lower take home salary for employees as well as an increase in employer's share of contributions towards provident fund to the employees' account. This change in method of computation may expose us to greater scrutiny, inspections and potential penalties for non-payment of contributions on allowances. While we believe that the relationship with our employees has generally been good, there can be no assurance that we will continue to have such a relationship in the future, and that there will not be significant strikes or disputes with employees that could affect our operations in future.

48. We have not paid dividend in the past on our Equity Shares. Our ability to pay dividends in the future will depend upon applicable regulations, future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.

We have not paid any dividends on our Equity Shares since commencing our banking operations. The Board pursuant to a resolution dated May 4, 2017 recommended a dividend payment up to 35% of the net profits of the Bank for Fiscal 2017 (translating to a dividend of ₹0.36 per Equity Share). However, the resolution was withdrawn with the unanimous consent of the Shareholders, in the absence of RBI approval on or prior to the date of the AGM, i.e., June 23, 2017. The amount of our future dividend payments, if any, will be at the discretion of the Board and guidelines as may be prescribed by the RBI from time to time (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005) and will depend upon our dividend distribution policy, our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements. There can be no assurance that we will be able to pay dividends in the future. For further information on our dividend policy, see "*Dividend Policy*" on page 191.

49. Any downgrade of our credit ratings could adversely affect our business.

Our debt is rated by various agencies, including by CRISIL Limited. Our Certificate of Deposit (CD) programme has been rated CRISIL A1+; our long-term borrowings and non-convertible debentures/ subordinated debt have been rated CRISIL A+/ Stable. Any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis, which may adversely affect our profitability and future growth. There can be no assurance that these ratings will not be further revised or changed by the above rating agencies which may materially and adversely affect our business, financial condition, results of operations and cash flows.

50. ***Our Promoter is a listed entity with no identifiable promoter and a widely distributed investor base. The Bank's operations almost entirely determine the assets and liabilities, revenues and profitability of the Promoter. There may be differences in the trading price of our Bank's Equity Shares and the equity shares of our Promoter.***

Our Promoter is a listed entity with no identifiable promoter with its own widely distributed investor base. Our operations almost entirely determine the assets and liabilities, revenues and profitability of the Promoter. However, we cannot assure you that the interest of our Promoter will not conflict with ours. Any present and future conflicts with our Promoter could have a material adverse effect on our reputation, business and results of operations. Our trading price may differ from the trading price of the equity shares of our Promoter, and investors should not rely on the trading price of the equity shares of our Promoter.

51. ***Any future hedging strategies may not be successful in preventing all risk of losses.***

We are currently not permitted to invest in certain financial instruments. In the future, should the guidelines applicable to SFBs be modified, we may utilize a variety of financial instruments for hedging different financial risks including undertaking the use of interest rate futures and derivatives for proprietary hedging. While we may enter into such transactions to seek to reduce interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction.

52. ***Certain of our Key Managerial Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.***

Certain of our Key Managerial Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Certain Key Managerial Personnel may be deemed to be interested to the extent of their shareholding in our Bank (as a nominee of our Promoter). We cannot assure you that our Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further information, see "*Capital Structure*", "*Our Management*" and "*Our Promoter and Promoter Group – Interests of our Promoter*" on pages 73, 165 and 187, respectively.

53. ***We have in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest.***

We have entered into various transactions with related parties, including provision of staff loans, reimbursement of expenses and remuneration to key managerial personnel. The following table provides a summary of the related party transactions entered into by the Bank in Fiscal 2018, 2019 and 2020 and the three months ended June 30, 2020, as per AS 18 – Related Party Disclosures read with SEBI ICDR Regulations:

Transaction	Name of the Related Party	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
		(₹ million)				
Expenses						
CSR Contribution	Equitas Development Initiatives Trust	-	32.60	109.00	86.50	23.91
	Equitas Healthcare Foundation	-	-	23.70	3.00	-
Deposits						
Term deposits received	Equitas Holdings Limited	383.66	65.26	603.37	2,075.90	275.60
	Equitas Technologies Private Limited	-	-	-	-	93.50
	Equitas Development Initiatives Trust	0.74	0.01	107.55	0.36	0.36
	Key Management Personnel	0.82	1.27	6.69	2.02	0.05
Term deposits closed	Equitas Holdings Limited	356.50	36.00	552.01	765.80	171.10
	Equitas Technologies Private Limited	-	-	-	35.26	58.50
	Equitas Development Initiatives Trust	-	-	67.00	-	-
	Key Management Personnel	-	1.02	3.14	-	5.86
Interest on Term Deposits	Equitas Holdings Limited	37.06	36.32	148.30	110.52	34.58
	Equitas Development Initiatives Trust	0.83	0.02	2.96	0.02	0.02

Transaction	Name of the Related Party	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
		(₹ million)				
	Key Management Personnel	0.14	0.05	0.34	0.09	0.20
	Equitas Technologies Private Limited	-	-	-	0.48	0.72
Interest on Savings Deposits	Equitas Development Initiatives Trust	0.72	0.85	3.10	1.10	0.48
	Equitas Healthcare Foundation	0.62	0.04	0.68	0.00	-
	Key Management Personnel	0.11	0.10	0.60	0.31	0.22
Savings Deposits	Equitas Development Initiatives Trust	18.51	151.39	396.14	231.91	156.82
	Equitas Healthcare Foundation	19.50	3.00	27.47	-	-
	Key Management Personnel	2.91	8.12	24.04	14.13	16.16
Demand Deposits	Equitas Technologies Private Limited	34.20	17.18	92.59	57.62	176.51
	Equitas Holdings Limited	391.67	92.61	737.93	2,241.22	707.31
	Equitas Dhanyakosha India	-	-	0.02	0.03	5.19
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	44.54	94.84	383.81	197.82	155.15
	Key Management Personnel	3.00	4.33	22.75	13.79	13.48
	Equitas Healthcare Foundation	3.47	-	0.09	-	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	406.57	93.79	728.77	2,260.20	681.58
	Equitas Dhanyakosha India	-	0.00	0.21	0.46	5.18
	Equitas Technologies Private Limited	30.16	15.31	96.19	58.62	171.94
Borrowings						
Borrowings Repaid	Equitas Holdings Limited	-	-	-	1,217.00	-
Interest on Borrowings	Equitas Holdings Limited	-	-	-	26.47	97.36
Other transactions						
Reimbursement of Expenses	Equitas Development Initiatives Trust	-	-	-	2.21	-
	Equitas Technologies Private Limited	-	-	-	0.24	-
	Equitas Holdings Limited	-	-	-	0.03	-
Staff Loan transferred in	Equitas Technologies Private Limited	-	-	-	-	0.02
	Equitas Dhanyakosha India	-	-	-	-	0.08
Staff Loan transferred out	Equitas Technologies Private Limited	-	-	-	-	0.03
	Equitas Development Initiatives Trust	-	-	-	-	0.03
Guarantees released during the period / year	Equitas HoldingsLimited	-	-	-	1,500.00	2,230.00
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)*	Vasudevan PN, MD & CEO	2.55	2.77	16.50	11.06	4.95
	N Sridharan, Chief Financial Officer	2.11	2.26	9.38	7.91	7.14
	Sampathkumar KR, Company Secretary	0.54	0.58	2.40	1.79	1.51

** 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 company as a whole.*

Further, the percentage of the aggregate value of such related party transactions (income and expenses) to our total income in Fiscal 2018, 2019 and 2020 in the three months ended June 30, 2020 was 0.97%, 1.04%, 1.08%, and 0.60%, respectively. Further, the percentage of the aggregate value of such related party transactions (assets and liabilities) to our total assets in Fiscal 2018, 2019 and 2020 in the three months ended June 30, 2020, was 3.70%, 6.77%, 1.99% and 0.81%, respectively.

We cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although going forward, all related party transactions that we may enter into, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition, cash flows and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see "*Other Financial Information – Related Party Transactions*" on page 305.

54. We have issued Equity Shares at a price that may be lower than the Offer Price in the last 12 months.

We have issued Equity Shares at a price in last 12 months that may be at a price lower than the Offer Price as below:

Date of allotment	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Allottees
December 11, 2019	47,458,239	10	52.68	Cash	For information in relation to the allottees, see "-*Notes to Capital Structure – Share Capital History of our Bank – Equity Share capital*" on page 73

For further information, see *"Capital Structure"* on page 73. The Offer Price is not indicative of the price that will prevail in the open market following listing of the Equity Shares.

55. Our business is subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition.

We experience seasonality in our business. Generally, the period from October to March is the peak period in India for retail economic activity. We generally experience higher volumes of business during this period. Any economic slowdowns during this peak season would materially and adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced. Accordingly, our results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our results of operations for other quarters.

56. Our funding requirements and the proposed deployment of Net Proceeds have not been appraised and our management will have broad discretion over the use of the Net Proceeds.

We propose to use the Net Proceeds to augment our Bank's tier I capital base to meet our Bank's future capital requirements such as organic growth and expansion and to comply with regulatory requirements for enhanced capital base. Our proposed deployment of Net Proceeds has not been appraised and it is based on management estimates. Under the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for the Offer and deployment of the Fresh Issue proceeds will be entirely at the discretion of the Bank. Our management will therefore have broad discretion to use the Net Proceeds.

Various risks and uncertainties, including those set forth in this section, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business. For example, our organic growth and expansion plans could be delayed due to failure to receive regulatory approvals, technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. Accordingly, use of the Net Proceeds to meet our future capital requirements, fund our growth and for other purposes identified by our management may not result in actual growth of our business, increased profitability or an increase in the value of our business and your investment.

57. Any non-compliance with law or unsatisfactory service by the third-party service providers engaged by us for certain services could have an adverse impact on our business and results of operations.

We enter into outsourcing arrangements with third party vendors and independent contractors, in compliance with the RBI guidelines on outsourcing. These vendors and contractors provide services that include, among others, ATM/ debit card related services, business correspondents, facility management services related to information technology, and software services. We are also dependent on various vendors for certain elements of our operations including implementing IT infrastructure and hardware, Banking Outlets roll-outs, networking, managing our data centre, and back-up support for disaster recovery. As a result of outsourcing such services, we are exposed to various risks including strategic, compliance, operational, fraud, theft, embezzlement, legal and contractual risks. Any failure by a service provider to provide a specified service or a breach in security/ confidentiality or non-compliance with legal and regulatory requirements, may result in financial loss or loss of reputation. There can be no assurance that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition, cash flows and results of operations may be adversely affected. We cannot assure you that the terms of such agreements will not be breached, and in case of any dispute, it may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition, results of operations and cash flows. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Banks are required to ensure outsourced service providers obtain prior approval for the use of subcontractors. The RBI has also directed banks to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition, results of operations and cash flows.

58. We will continue to be controlled by our Promoter immediately after the completion of the Offer.

As of the date of this Prospectus, our Promoter along with its nominees holds 95.49% of the issued, subscribed and paid-up Equity Share capital of our Bank. Upon completion of the Offer, our Promoter (by itself and along with its nominees) will hold 82.05% of our Equity Share capital, and public shareholders will hold 17.95% of our Equity Share capital. As per applicable law, our Promoter's voting rights in the Bank will be capped to 26% of the total voting rights of the Bank (i.e., the maximum voting rights permitted to be exercised by any shareholder in a banking company) and the public shareholders will in the aggregate be entitled to exercise 17.95% of the voting rights in Bank subject to applicable law. For further information, see "*Capital Structure*" and "*Key Regulations and Policies*" on pages 73 and 146, respectively. Our Promoter will therefore, be able to control the outcome of matters submitted to our Board or Shareholders for approval. After the Offer, our Promoter will continue to exercise significant control or influence over our business and major policy decisions. Accordingly, the interests of our Promoter in capacity of Shareholders of our Bank may conflict with your interests and the interest of other shareholders of our Bank.

59. Industry information included in this Prospectus has been derived from an industry report commissioned by our Bank for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate.

We have commissioned the services of an independent third party research agency, CRISIL Limited, to prepare an industry report titled "*Analysis of Small Finance Banks and Various Loan Products*" dated November 2019, for purposes of inclusion of such information in this Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. We have not independently verified data from this industry report and do not guarantee the accuracy and completeness of the report. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, or the BRLMs or any of our or their respective affiliates or advisors or any other person connected with the Offer and, therefore, neither we nor any of the BRLMs or any of our or their respective affiliates or advisors make any representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information in such report may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Prospectus.

60. Our customers may engage in certain transactions in or with countries or persons that are subject to international economic sanctions.

Various international jurisdictions, including the United States and the United Kingdom, restrict investments or otherwise doing business in or with certain countries or territories and with certain persons or businesses that have been specially designated by such government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, and we have not been notified that any penalties or other measures will be imposed on us, there can be no assurance that will be able to fully monitor all of our transactions for any potential violation.

There can be no assurance that our future business will be free of risk under sanctions implemented by these jurisdictions or that we will be able to conform our business operations to the expectations and requirements of such international regulatory agencies that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Further, investors in the Equity Shares could incur reputational or other risks as a result of our or our customers' dealings in or with sanctioned countries or with persons that are the subject of such sanctions.

61. The trading in our non-convertible debentures may be infrequent, limited or sporadic, which may affect our ability to raise debt financing in future.

Our non-convertible debentures are listed on the debt segment of BSE. Trading in our debt securities has been limited and we cannot assure you that the debt securities will be frequently traded on BSE or that there would be any market for our debt securities. Further, we cannot predict if and to what extent a secondary market may develop for the debt securities or at what price such debt securities will trade in the secondary market or whether such market will be liquid or illiquid.

62. There has been a change of our Statutory Auditors.

There has been a change of our statutory auditors with effect from July 28, 2020, as the previous auditors completed their term of service as statutory auditors of our Bank. Accordingly, while the Draft Red Herring Prospectus contained financial statements of the Bank as of and for the years ended March 31, 2017, 2018, 2019 and as of and for the six months ended September 30, 2019 and 2020, as restated by our previous statutory auditors, this Prospectus contains financial statements as of and for the years ended March 31, 2018, 2019, 2020, and as of the for the three months ended June 30, 2019 and 2020, as restated by our current statutory auditors. The Restated Financial Information included in this Prospectus may therefore vary from the restated financial information included in the Draft Red Herring Prospectus, including with respect to the restated financial information as of and for the years ended March 31, 2018 and 2019. For further information, see "*Restated Financial Information – Note 1 – Statement on Material Adjustments and Regroupings – Annexure I: Changes in Grouping/ Subgrouping Summary*" on page 248.

External Risk Factors

63. Our business, financial condition and results of operations may be materially adversely affected by global health epidemics, including the recent COVID-19 outbreak.

Outbreaks of epidemic, pandemic, or contagious diseases such as COVID-19, could have an adverse effect on our business, financial condition, and results of operations. The spread of COVID-19 has resulted in the World Health Organization declaring the outbreak of COVID-19 as a global pandemic. With the outbreak of COVID-19, international stock markets have begun to reflect the uncertainty associated with the slow-down in the global economy and the reduced levels of international travel experienced since the beginning of January, large declines in oil prices and the significant decline in the Dow Industrial Average at the end of February and beginning of March 2020 was largely attributed to the effects of COVID-19. In addition, the widespread lockdowns implemented by various countries since March 2020 has further slowed-down the global economy and disrupted daily operations of most companies. If the COVID-19 outbreak progresses in ways that continue to disrupt our operations including through lockdowns and limited access to business resources, such disruption may materially negatively affect our operating results for Fiscal 2021 and possible subsequent periods. If the spread of the COVID-19 continues to limit the level of economic activity globally, and in particular in India, this likely would negatively affect, and may materially negatively affect, our operating results, cash flow and business. Additionally, as the spread of COVID-19 negatively impacts our customers, employees, or employees or contractors of our vendors, it has and will continue to negatively affect our ability to provide timely services, comply with regulatory reporting requirements and may generally affect our operations, which may materially and negatively affect our business, financial condition and results of operations. For further information on the impact of COVID-19 on our operations, see " – *The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance.*" on page 24.

64. Any deterioration in the general economic conditions in India and globally could adversely affect our business and results of operations.

Our performance and the growth of our business are dependent on the health of the Indian economy. Any slowdown in the Indian economy or future volatility in global markets could increase in our borrowing costs, result in freeze in lending generally, thereby adversely affecting our business. Additionally, an increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. Any downturn in the macroeconomic environment in India could also adversely affect our business, results of operations, financial condition, cash flows and the trading price of the Equity Shares.

India's economy could be adversely affected by a general rise in interest rates, adverse weather conditions affecting agriculture, commodity and energy prices as well as various other factors. A slowdown in the Indian economy could adversely affect the policy of the Government of India towards our banking and finance industry, which may in turn adversely affect our financial performance and our ability to implement our business strategy.

The Indian economy is also influenced by economic and market conditions in other countries, particularly emerging market conditions in Asia. A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business and results of operations and the market price of the Equity Shares.

65. If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect our financial statements for the current and future years.

Any change in Indian tax laws could have an effect on our operations. For instance, the Taxation Laws (Amendment) Ordinance, 2019, a new tax ordinance issued by India's Ministry of Finance on September 20, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this new ordinance, companies can henceforth voluntarily opt in favor of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which would ultimately reduce the effective tax rate for Indian companies from 34.94% to approximately 25.17%. Any such future amendments may also affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability.

In addition, we are subject to tax related inquiries and claims. We may be particularly affected by claims from tax authorities on account of income tax assessment and GST that combines taxes and levies by the central and state governments into one unified rate with effect from July 1, 2017. We cannot predict whether any new tax laws or regulations impacting our services will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have an adverse effect on our business.

Further, the Government of India has announced the union budget for Fiscal 2021 and the Ministry of Finance has notified the Finance Act, 2020 ("**Finance Act**") on March 27, 2020, pursuant to assent received from the President, and the Finance Act came into operation with effect from July 1, 2020. There is no certainty on the impact that the Finance Act may have on our business and operations or on the industry in which we operate. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations and group structure could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs relating to compliance with such new requirements, which may also require management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future.

66. A significant change in the Government of India's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.

A large part of our business and customers are located in India or are related to and influenced by the Indian economy. The Government of India has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Unfavourable government policies could adversely affect business and economic conditions in India, and could also affect our ability to implement our strategy and our future financial performance. Since 1991, successive governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. However, the members of the Government of India and the composition of any coalition in power are subject to change. As a result, it is difficult to predict the economic policies that will be pursued by the Government of India. The rate of economic liberalization could change and specific laws and policies affecting the financial services industry, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

67. Changing laws, rules and regulations and legal uncertainties may materially adversely affect our business and financial performance.

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations. Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are generally subject to changes in Indian law, as well as to changes in regulations, government policies and accounting principles. There can be no assurance that the Government of India may not implement new regulations and policies which will require us to obtain approvals and licenses from regulatory bodies or impose onerous requirements, conditions, costs and expenditures on our operations. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may have to incur capital expenditures to comply with the requirements of any new regulations, which may also materially harm our results of operations.

68. Financial difficulty and other problems in certain financial and other non-banking financial institutions in India could materially adversely affect our business and the price of our Equity Shares.

We are exposed to the risks of the Indian financial system. The financial difficulties faced by certain Indian financial and non-banking financial institutions could materially adversely affect our business because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may materially adversely affect financial intermediaries, such as clearing agencies, banks, NBFCs, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions and other non-banking financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

69. Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our historical financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from Ind AS, IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

70. India's existing credit information infrastructure may cause increased risks of loan defaults.

All of our business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our clients or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies. Any inability to undertake a comprehensive due diligence or credit check might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition, results of operations and cash flows.

71. If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.

Inflation rates could be volatile and we may face high inflation in the future as India had witnessed in the past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of transportation, salaries, and other expenses relevant to our business. Further, high inflation leading to higher interest rates may also lead to a slowdown in the economy and adversely impact credit growth. Consequently, we may also be affected and fall short of business growth and profitability.

High fluctuations in inflation rates may make it more difficult for us to accurately estimate or control our costs. Any increase in inflation in India can increase our operating expenses, which we may not be able to pass on to our customers, whether entirely or in part, and the same may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or pass the increase in costs on to our customers. In such case, our business, results of operations, cash flows and financial condition may be adversely affected.

While the Government of India has previously initiated economic measures to combat high inflation rates, it is unclear whether these measures will remain in effect, and there can be no assurance that Indian inflation levels will not rise in the future.

72. Financial instability, economic developments and volatility in securities markets in other countries may also cause the price of the Equity Shares to decline.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging Asian market countries. In recent times, the Indian financial markets had been negatively affected by the volatility in the global financial market, including on account of certain European nations' debt troubles, move to break away by the United Kingdom from the European Union and recent trade wars. Although, economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. Currencies of a few Asian countries have in the past suffered depreciation against the U.S. Dollar owing to various factors. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur and could harm our business, future financial performance and the prices of the Equity Shares.

The global credit and equity markets have experienced substantial dislocations, liquidity disruptions and market corrections in recent years. Liquidity and credit concerns and volatility in the global credit and financial markets have increased significantly with the bankruptcy or acquisition of, and government assistance extended to, several major U.S. and European financial institutions. These and other related events have had a significant impact on the global credit and financial markets as a whole, including reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in global credit and financial markets. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including India, have implemented a number of policy measures designed to add stability to the financial markets.

However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. In the event that the current difficult conditions in the global credit markets continue or if there is any significant financial disruption, such conditions could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

73. Our ability to raise borrowings in foreign currencies may be constrained by Indian law.

Indian banks and companies are subject to exchange controls that regulate borrowing in foreign currencies, including those specified under FEMA. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that any required approvals for borrowing in foreign currency will be granted to us without onerous conditions, or at all. Such, and other, limitations on raising foreign capital may adversely affect our business growth, results of operations, financial condition and cash flows.

74. Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.

India’s sovereign rating is Baa3 with a “negative” outlook (Moody’s), BBB-with a “stable” outlook (S&P) and BBB- with a “negative” outlook (Fitch). India’s sovereign rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India’s foreign exchange reserves, which are outside the Bank’s control. Any adverse change in India’s credit ratings by international rating agencies may adversely impact the Indian economy and consequently our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of the Equity Shares.

75. A third party could be prevented from acquiring control over us because of the anti-takeover provisions under Indian law and the provisions of the Banking Regulation Act.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Bank. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of us. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Bank. Further, given that our Bank is governed by the RBI, any significant change in shareholding would require the prior approval of the RBI and there are limitations on voting rights in a banking company. Consequently, even if a potential takeover of our Bank would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our Shareholders, such a takeover may not be attempted or consummated because of the regulatory framework applicable to us.

76. It may not be possible for investors to enforce any judgment obtained outside India against us, our Directors, the Book Running Lead Managers or any of their directors and executive officers in India respectively, except by way of a law suit in India.

We are an SFB incorporated under the laws of India. Our Bank’s assets are located in India and all of our Bank’s Directors and Key Managerial Personnel are residents of India. The enforcement of civil liabilities by overseas investors in the Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that the Bank is incorporated under the laws of the Republic of India and all of its executive officers and directors reside in India. As a result, it may be difficult to enforce the service of process upon the Bank and any of these persons outside of India or to enforce outside of India, judgments obtained against the Bank and these persons in courts outside of India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under Section 13, 14 and Section 44A of the Code of Civil Procedure, 1908 ("**Civil Code**") on a statutory basis. Section 44A of the Civil Code provides that where a certified copy of a decree of any superior court, within the meaning of that Section, obtained in any country or territory outside India which the government has by notification declared to be in a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees and does not apply to decrees for amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties and does not apply to arbitration awards (even if such awards are enforceable as a decree or judgment).

The United Kingdom, Singapore and Hong Kong have been declared by the government to be reciprocating territories for the purposes of Section 44A of the Civil Code. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Code. A judgment of a court of a country which is not a reciprocating territory may be enforced in India only by a suit upon the judgment under Section 13 of the Civil Code, and not by proceedings in execution. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or refusal to recognize the law of India in cases to which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and/ or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India. The suit must be brought in India within three years from the date of judgment in the same manner as any other suit filed to enforce a civil liability in India.

Further, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment.

77. ***The occurrence of natural or man-made disasters could adversely affect our results of operations, cash flows and financial condition. Hostilities, terrorist attacks, civil unrest and other acts of violence could also adversely affect the financial markets and our business.***

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic diseases and epidemics such as COVID-19, and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. Terrorist attacks and other acts of violence or war in India or globally may adversely affect the Indian securities markets. In addition, any deterioration in international relations, especially between India and its neighbouring countries, may result in investor concern regarding regional stability which could adversely affect the price of the Equity Shares. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the market price of the Equity Shares.

78. ***Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.***

Indian legal principles related to corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank in another jurisdiction. Shareholders' rights including in relation to class actions, under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholder in an Indian bank than as shareholder of a corporation in another jurisdiction.

Risks Relating to the Equity Shares

79. ***Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they are Allotted in the Offer.***

Pursuant to the Offer, the Equity Shares will be listed on the Stock Exchanges. Pursuant to applicable Indian laws, certain actions must be completed before the Equity Shares can be listed and trading in the Equity Shares may commence. Investors' book entry, or 'demat' accounts with depository participants in India, are expected to be credited with the Equity Shares within one (1) working day of the date on which the Basis of Allotment is approved by the Stock Exchanges. The Allotment of Equity Shares in this Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately six Working Days from the Bid Closing Date and trading in the Equity Shares upon receipt of final listing and trading approvals from the Stock Exchanges is expected to commence within six Working Days of the Bid Closing Date. There could be a failure or delay in listing of the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval or otherwise any delay in commencing trading in the Equity Shares would restrict investors' ability to sell their Equity Shares. There can be no assurance that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified herein. We could also be required to pay interest at the applicable rates if allotment is not made, refund orders are not dispatched or demat credits are not made to investors within the prescribed time periods.

80. Holders of Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.

Under the Companies Act, a company having share capital and incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution. However, if the laws of the jurisdiction in which the investors are located in do not permit the investors to exercise their pre-emptive rights, without our filing an offering document or registration statement with the applicable authority in such jurisdiction, the investors will be unable to exercise their pre-emptive rights unless we make such a filing. If we elect not to file a registration statement, the new securities may be issued to a custodian, who may sell the securities for the investor's benefit. The value the custodian receives on the sale of such securities and the related transaction costs cannot be predicted. In addition, to the extent that the investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in us would be reduced.

81. Any future issuance of Equity Shares may dilute your shareholding and sales of the Equity Shares by our Promoter or other major shareholders may adversely affect the trading price of the Equity Shares.

We may be required to finance our growth, whether organic or inorganic, through future equity offerings. Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in us. Any future issuances of Equity Shares (including under an employee benefit scheme) or the disposal of Equity Shares by our Promoter or any of our other principal shareholders or any other change in our shareholding structure to comply with the shareholding restrictions under the SFB Licensing Guidelines or the minimum public shareholding norms applicable to listed companies in India or any public perception regarding such issuance or sales may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring debt. There can be no assurance that we will not issue further Equity Shares or that our existing shareholders including our Promoter will not dispose off further Equity Shares after the completion of the Offer. Any future issuances could also dilute the value of shareholder's investment in the Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of the Equity Shares. Also see " – *Our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Prospectus, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable the Promoter to reduce its shareholding as required.*" on page 33.

82. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Under current Indian tax laws and regulations, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months, which are sold using any other platform other than on a recognised stock exchange and on which no STT has been paid, are subject to long term capital gains tax in India. Until March 31, 2018, any gain realised on the sale of equity shares, listed on a stock exchange and held for more than 12 months was not subject to capital gains tax in India if STT was paid on the transaction. However, with the enactment of the Finance Act, 2018 the exemption previously granted in respect of payment of long term capital gains tax has been withdrawn and such taxes are now payable by the investors with effect from April 1, 2018. The Finance Act, 2018 provided that existing investors are eligible for relief on such capital gains accrued until January 31, 2018 and any long term capital gains made after January 31, 2018 shall be subject to taxation.

Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. In cases where the seller is a non-resident, capital gains arising from the sale of the equity shares will be partially or wholly exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident.

Historically, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares.

Our Bank cannot predict whether any tax laws or other regulations impacting it will be enacted, or predict the nature and impact of any such laws or regulations or whether, if at all, any laws or regulations would have a material adverse effect the Bank's business, financial condition, results of operations and cash flows.

83. Under Indian law, foreign investors are subject to investment restrictions that limit our ability to attract foreign investors, which may adversely affect the trading price of the Equity Shares.

Under foreign exchange regulations which are currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified under applicable law. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions, then prior approval of the relevant regulatory authority is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the relevant regulatory approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Government of India, and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, investments where the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, can only be made through the Government approval route, as prescribed in the FDI Policy. These investment restrictions shall also apply to subscribers of offshore derivative instruments. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all.

For further information, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 389. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, cash flows, results of operations and prospects.

84. Our Equity Shares have never been publicly traded, and may experience price and volume fluctuations following the completion of the Offer. Further, our Equity Shares may not result in an active or liquid market and the price of our Equity Shares may be volatile and you may be unable to resell your Equity Shares at or above the Offer Price or at all.

Prior to the Offer, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained after the Offer. Listing and quotation does not guarantee that a market for our Equity Shares will develop or, if developed, does not guarantee the liquidity of such market for the Equity Shares. The Offer Price of the Equity Shares is proposed to be determined through a book building process and may not be indicative of the market price of the Equity Shares at the time of commencement of trading of the Equity Shares or at any time thereafter. There has been significant volatility in the Indian stock markets in the recent past, and the trading price of our Equity Shares after this Offer could fluctuate significantly as a result of market volatility, the trading price of the shares of our Promoter or due to various internal or external risks, including but not limited to those described in this Prospectus. A decrease in the market price of our Equity Shares could cause you to lose some or all of your investment.

85. Fluctuation in the exchange rate between the Indian Rupee and foreign currencies may have an adverse effect on the value of our Equity Shares, independent of our operating results.

On listing, our Equity Shares will be quoted in Indian Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will also be paid in Indian Rupees and subsequently converted into the relevant foreign currency for repatriation, if required. Any adverse movement in currency exchange rates during the time taken for such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Shareholders. For example, the exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate substantially in the future, which may have an adverse effect on the returns on our Equity Shares, independent of our operating results.

86. QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the submission of their Bid, and Retail Individual Bidders are not permitted to withdraw their Bids after closure of the Bid/ Offer Closing Date.

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are required to pay the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Retail Individual Bidders can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date. Therefore, investors would not be able to withdraw or lower their Bids, notwithstanding adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition, or otherwise, between the dates of the submission of their Bids and the Allotment.

While our Bank is required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within six Working Days from the Bid/ Offer Closing Date or such other period as may be prescribed by the SEBI, events affecting the Bidders' decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition may arise between the date of submission of the Bid and Allotment. Our Bank may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the Bidders' ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing.

87. We will not receive any proceeds from the Offer for Sale. The Promoter Selling Shareholder will receive the net proceeds from the Offer for Sale i.e. proceeds from the Offer for Sale net of Offer expenses shared by the Promoter Selling Shareholder.

The Offer consists of a Fresh Issue and an Offer for Sale. The Promoter Selling Shareholder shall be entitled to the net proceeds from the Offer for Sale i.e., proceeds from the Offer for Sale net of Offer expenses shared by the Promoter Selling Shareholder and our Bank will not receive any proceeds from the Offer for Sale.

88. Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.

The U.S. "Foreign Account Tax Compliance Act" (or "**FATCA**") imposes a new reporting regime and potentially, imposes a 30% withholding tax on certain "foreign passthru payments" made by certain non-U.S. financial institutions (including intermediaries).

If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign passthru payments". Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered "foreign passthru payments". The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign passthru payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as "foreign passthru payments". Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

89. U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in our Equity Shares.

A foreign corporation will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its gross assets during the taxable year (based on of the quarterly values of the assets during a taxable year) are "passive assets," which generally means that they produce passive income or are held for the production of passive income.

Our Bank believes it was not a PFIC for fiscal year ended March 31, 2020, and does not expect to be a PFIC for the current year or any future years. However, no assurance can be given that our Bank will or will not be considered a PFIC in the current or future years. The determination of whether or not our Bank is a PFIC is a factual determination that is made annually after the end of each taxable year, and there can be no assurance that our Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of our Bank's income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Further, our Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

SECTION III: INTRODUCTION

THE OFFER

The following table sets forth details of the Offer:

Equity Shares Offered	
Offer of Equity Shares of face value of ₹10 each	156,848,484^ Equity Shares, aggregating to ₹5,176 million
The Offer consists of:	
Fresh Issue(1)	84,848,484^ Equity Shares, aggregating to ₹2,800 million
Offer for Sale(2)	72,000,000^ Equity Shares, aggregating to ₹2,376 million
of which:	
- Employee Reservation Portion(6)	303,030^ Equity Shares, aggregating to ₹10 million
- EHL Shareholder Reservation Portion(3)(5)	15,454,545^ Equity Shares, aggregating to ₹510 million
The Net Offer consists of:	141,090,909^ Equity Shares aggregating up to ₹4,656 million
QIB Portion(4)(5)	70,545,453^ Equity Shares
of which:	
- Anchor Investor Portion	42,327,271^ Equity Shares
- Net QIB Portion	28,218,182^ Equity Shares
of which:	
- Mutual Fund Portion	1,410,909^ Equity Shares
- Balance for all QIBs including Mutual Funds	26,807,273^ Equity Shares
Non-Institutional Portion	21,163,637^ Equity Shares
Retail Portion	49,381,819^ Equity Shares
Pre and post-Offer Equity Shares	
Equity Shares outstanding prior the Offer	1,053,401,602 Equity Shares
Equity Shares outstanding after the Offer	1,138,250,086^ Equity Shares
Use of Net Proceeds of the Offer	See "*Objects of the Offer*" on page 85 for information about the use of the proceeds from the Fresh Issue. Our Bank will not receive any proceeds from the Offer for Sale.

^ *Subject to finalisation of the Basis of Allotment.*

(1) *The Fresh Issue has been authorised by our Board of Directors and our Shareholders pursuant to the resolution passed at their meetings, each dated November 22, 2019.*

(2) *The Promoter Selling Shareholder has confirmed and approved their participation in the Offer for Sale as set out below*

Selling Shareholder	Number of Equity Shares offered in the Offer for Sale	Date of board resolution	Date of consent letter
EHL	72,000,000*	November 8, 2019	December 12, 2019 and September 23, 2020

**Subject to finalisation of the Basis of Allotment.*

For further details, please see "Capital Structure" on page 73

(3) *The EHL Shareholder Reservation Portion did not exceed 10% of our Offer Size.*

(4) *Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion was reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price.*

(5) *Subject to valid Bids having been received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the Net QIB Portion would not be allowed to be met with spill-over from other categories or a combination of categories. Under subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Bank, the Promoter Selling Shareholder, the BRLMs and the Designated Stock Exchange. In the event of under-subscription in the Offer, subject to receiving minimum subscription for 90% of the Fresh Issue and compliance with Rule 19(2) (b) of the Securities Contracts (Regulation) Rules, 1957, the Allotment for the valid Bids will be made in the first instance towards subscription for 90% of the Fresh Issue. An Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion (for a Bid Amount up to ₹200,000) could also Bid in the Retail Portion, and such Bids were not considered multiple Bids. However, Bids by an Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion and in the Non-Institutional Portion were treated as multiple Bids.For further details, see "Offer Structure" on page 370.*

(6) *In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion will be made available for allocation and Allotment, proportionately to all Eligible Employees who had Bid in excess of ₹ 200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹ 500,000. The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹ 500,000), shall be added to the Net Offer. The Employee Reservation Portion did not exceed 5% of our post-Offer paid-up Equity Share capital.*

Allocation to all categories, except the Anchor Investor Portion and the Retail Portion, have been made on a proportionate basis subject to valid Bids received at or above the Offer Price, as applicable. The allocation to each Retail Individual Bidder was not less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, was made available for allocation on a proportionate basis. For further details, see "*Offer Procedure*" on page 374.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 229 and 306.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(in ₹ million, unless otherwise specified)

Particulars	**As at June 30,**		**As at March 31,**		
	2020	**2019**	**2020**	**2019**	**2018**
CAPITAL AND LIABILITIES					
Capital	10,534.02	10,059.43	10,534.02	10,059.43	10,059.43
Reserves and Surplus	17,484.18	13,054.36	16,907.47	12,483.75	10,378.09
Deposits	117,871.27	91,334.18	107,884.05	90,067.36	56,039.73
Borrowings	55,255.34	46,448.43	51,348.74	39,730.26	51,772.08
Other Liabilities and Provisions	7,776.58	5,751.59	6,471.19	5,286.11	4,762.17
TOTAL	**208,921.39**	**166,647.99**	**193,145.47**	**157,626.91**	**133,011.50**
ASSETS					
Cash and Balances with Reserve Bank of India	4,290.23	3,914.51	3,808.64	4,027.04	3,860.81
Balances with Banks and Money At Call and Short Notice	14,965.45	14,066.70	21,559.79	8,579.12	8,250.84
Investments	34,785.77	22,702.59	23,425.06	23,444.54	38,568.41
Advances	143,886.20	120,233.01	137,472.42	115,935.65	77,060.29
Fixed Assets	1,976.64	2,267.32	2,127.69	2,373.36	2,808.83
Other Assets	9,017.10	3463.86	4,751.87	3,267.20	2,462.32
TOTAL	**208,921.39**	**166,647.99**	**193,145.47**	**157,626.91**	**133,011.50**
Contingent Liabilities	192.14	299.47	269.79	327.23	331.45

SUMMARY STATEMENT OF PROFIT AND LOSS

(in ₹ million, unless otherwise specified)

	Three month period ended June 30, 2020	**Three month period ended June 30, 2019**	**Year ended March 31, 2020**	**Year ended March 31, 2019**	**Year ended March 31, 2018**
INCOME					
Interest earned	7,213.12	6,033.87	26,454.44	21,119.34	15,316.88
Other income	296.56	591.63	2,823.51	2,828.98	2,412.15
TOTAL	**7,509.68**	**6,625.50**	**29,277.95**	**23,948.32**	**17,729.03**
EXPENDITURE					
Interest expended	3,170.33	2,662.24	11,501.38	9,602.00	6,711.47
Operating expenses	2,919.18	2,767.59	11,800.79	10,084.87	8,811.13
Provisions and contingencies	843.46	625.07	3,539.43	2,155.79	1,888.12
TOTAL	**6,932.97**	**6,054.90**	**26,841.60**	**21,842.66**	**17,410.72**
PROFIT					
Net Profit for the period / year	**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
TOTAL	**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
APPROPRIATIONS					
Transfer to					
(a) Statutory reserves	-	-	609.09	526.41	79.58
(b) Special reserve account	-	-	48.34	26.38	6.65
(c) Investment Reserve	-	-	-	-	23.00
(d) Investment Fluctuation Reserve	-	-	27.63	84.30	-
(e) Balance carried over to Balance Sheet	576.71	570.60	1,751.29	1,468.57	209.08
TOTAL	**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
Earnings per Equity Share (Face value of ₹10 per share)					
Basic (₹)	0.55*	0.57*	2.39	2.09	0.32
Diluted (₹)	0.55*	0.57*	2.39	2.09	0.32

**unannualized*

SUMMARY STATEMENT OF CASH FLOWS

(in ₹ million, unless otherwise specified)

	Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
A.	**Cash Flow from Operating Activities**					
	Net Profit before taxation	**736.77**	**887.53**	**3,509.40**	**3,237.37**	**485.14**
	Adjustments for:					
	Depreciation and amortization on fixed assets	194.45	230.36	964.54	917.78	875.05
	Depreciation on investments	1.55	5.07	-	-	(46.59)
	Amortization on Held to Maturity securities	21.65	12.90	60.04	51.62	50.66
	Provision for standard assets	6.99	25.30	151.30	98.87	53.67
	General Provision under COVID -19 Regulatory package	450.00	-	996.30	-	-
	Bad debts written off	81.65	88.99	715.04	607.71	1,902.26
	Provision for Non performing assets	145.90	188.02	604.15	282.58	(204.97)
	Other Provision and Contingencies	(2.69)	0.75	(0.45)	34.86	16.92
	Loss on sale of fixed assets	(0.04)	0.64	2.60	1.11	1.51
	Interest expenses on borrowings	1,216.18	980.58	4,361.73	4,591.90	4,380.03
	Interest expenses on bank balances not considered as cash and cash equivalents	(1.10)	(1.09)	(5.54)	20.32	70.94
	Operating Profit before Working Capital changes	**2,851.31**	**2,419.05**	**11,359.11**	**9,844.12**	**7,584.62**
	Adjustments for:					
	(Increase)/Decrease in investments	(11,383.91)	723.98	(40.56)	15,072.25	(19,667.53)
	(Increase)/Decrease in advances	(6,641.34)	(4,574.41)	(22,841.57)	(39,765.68)	(21,739.24)
	Increase/(Decrease) in deposits	9,987.22	1,266.82	17,816.69	34,027.63	36,826.84
	(Increase)/Decrease in other assets	(4,174.86)	(163.08)	(1,230.60)	(522.66)	226.17
	Increase/(Decrease) in other liabilities and provisions	647.90	342.75	673.83	819.03	(828.76)
	Cash generated from operations	**(8,713.68)**	**15.11**	**5,736.90**	**19,474.69**	**2,402.10**
	Direct taxes paid	(250.07)	(349.38)	(1340.76)	(1,441.03)	(296.96)
	Net cash (used in) / generated from operating activities (A)	**(8,963.75)**	**(334.27)**	**4,396.14**	**18,033.66**	**2,105.14**
B	**Cash Flow from Investing Activities**					
	Purchase of fixed assets	(45.01)	(131.75)	(743.72)	(516.37)	(812.84)
	Proceeds from sale of fixed assets	1.65	6.77	22.24	32.96	10.94
	(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	(0.01)	(0.62)	369.82	759.87
	Interest received from bank balances not considered as cash and cash equivalents	0.75	0.01	4.80	6.78	(70.94)
	Net cash (used in) / generated from Investing Activities (B)	**(42.61)**	**(124.98)**	**(717.30)**	**(106.81)**	**(112.97)**
C	**Cash Flow from Financing Activities**					
	Increase/(decrease) in borrowings (net)	3,906.60	6,718.17	11,618.48	(12,041.82)	3,983.12
	Proceeds from issue of share capital	-	-	2,461.95	-	-
	Interest paid on borrowings	(1,012.99)	(883.87)	(4,997.63)	(5,020.70)	(4,266.88)
	Net cash generated from / (used in) Financing Activities (C)	**2,893.61**	**5,834.30**	**9,082.80**	**(17,062.52)**	**(283.76)**
	Net (decrease) / increase in cash and cash equivalents (A)+(B)+(C)	**(6,112.75)**	**5,375.05**	**12,761.64**	**864.33**	**1,708.41**
	Cash and Cash equivalents at beginning of the period / year	**25,314.85**	**12,553.21**	**12,553.21**	**11,688.88**	**9,980.47**
	Add: Pursuant to scheme of amalgamation			-	-	-
	Cash and Cash equivalents at end of the period / year	**19,202.10**	**17,928.26**	**25,314.85**	**12,553.21**	**11,688.88**

GENERAL INFORMATION

Registered and Corporate Office

Equitas Small Finance Bank Limited
4th Floor, Phase II, Spencer Plaza
No. 769, Mount Road, Anna Salai
Chennai – 600 002
Tamil Nadu, India
CIN: U65191TN1993PLC025280
Registration Number: 025280

Address of the RoC

Our Bank is registered with the RoC situated at the following address:

Registrar of Companies, Chennai
Block No. 6, B' Wing, 2nd Floor
Shastri Bhawan 26, Haddows Road
Chennai - 600 034
Tamil Nadu, India

Company Secretary and Compliance Officer
Sampathkumar K. Raghunathan
4th Floor, Phase II, Spencer Plaza
No. 769, Mount Road, Anna Salai
Chennai – 600 002
Tamil Nadu, India
Tel: +91 44 4299 5000
E-mail: secretarial@equitas.in

Board of Directors

As on the date of this Prospectus, our Board of Directors of the Bank comprises the following:

Name	Designation	DIN	Address
Arun Ramanathan	Part time Chairman and Independent Director	00308848	6A, 6th West Cross Street Shenoy Nagar, Chennai 600 030, Tamil Nadu, India
Vasudevan Pathangi Narasimhan	MD and CEO	01550885	Flat 1A, 1st Floor, 2nd Block, Kences Enclave No. 1, Ramakrishna Street, T. Nagar, Chennai 600 017, Tamil Nadu, India
Nagarajan Srinivasan	Non-Executive Non Independent Director	01480303	#64, 31st Cross, 7th Block Jayanagar, Bengaluru South, BSK II Stage Bengaluru 560 082, Karnataka, India
Arun Kumar Verma	Non-Executive Independent Director	03220124	Plot No A/14 Saheed Nagar Bhubaneswar 751 007, Odisha, India
Narayanaswamy Balakrishnan	Non-Executive Independent Director	00181842	Meenakshi, No. 428, 5th Cross 1st Main, JRD Tata Nagar, Bengaluru 560 092, Karnataka, India
Navin Avinashchander Puri	Non-Executive Independent Director	08493643	39th Floor, 3902, Omkar 1973 Tower T II, Pandurang Budhkar Marg, Near Shani Mandi, Worli, Mumbai 400 018, Maharashtra, India
Sridhar Ganesh	Non-Executive Independent Director	01681018	Flat 2A, Canopy Apartments No. 97, Poes Garden, Gopalapuram Chennai 600 086, Tamil Nadu, India
Narasimhan Srinivasan	Non-Executive Independent Director	01501266	T2 403, Kapil Malhar Baner Road, Baner Pune 411 045, Maharashtra, India
Tabassum Abdulla Inamdar	Non-Executive Independent Director	07637013	703, Imperial Heights, Tower B, BEST Nagar, Motilal Nagar Mumbai 400 104, Maharashtra, India
Vinod Kumar Sharma	Non-Executive Independent Director	02051084	B-804, Park Titanium, Park Street Wakad, Kalewadi Phata, Hinjavadi, Pune 411 057, Maharashtra, India

For further details of our Board of Directors, see "*Our Management*" on page 165.

Filing

A copy of the Draft Red Herring Prospectus was filed with SEBI at Corporate Finance Department, Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India and electronically on the platform provided by SEBI.

A copy of the Red Herring Prospectus and this Prospectus was filed electronically on the SEBI's online portal and at cfddil@sebi.gov.in, in accordance with the instructions issued by the SEBI, in relation to "*Easing of Operational Procedure – Division of Issues and Listing – CFD*" dated March 27, 2020.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act, 2013 was filed with the Registrar of Companies, Block No. 6, B' Wing, 2nd Floor, Shastri Bhawan 26, Haddows Road, Chennai - 600 034, Tamil Nadu, India and a copy of this Prospectus shall be filed under Section 26 of the Companies Act, 2013 with the RoC at its office.

Book Running Lead Managers

JM Financial Limited
7th Floor Cnergy
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India
Tel: +91 22 6630 3030
E-mail: esfb.ipo@jmfl.com
Investor grievance e-mail:grievance.ibd@jmfl.com
Website:www.jmfl.com
Contact Person: Prachee Dhuri
SEBI Registration No.: INM000010361

Edelweiss Financial Services Limited
14th Floor, Edelweiss House, Off C.S.T. Road, Kalina
Mumbai 400 098, Maharashtra, India
Tel: + 91 22 4009 4400
E-mail: equitassfb.ipo@edelweissfin.com
Investor grievance e-mail: customerservice.mb@edelweissfin.com
Website: www.edelweissfin.com
Contact Person: Nishita John
SEBI Registration No.: INM0000010650

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4646 4600
E-mail: equitas.ipo@iiflcap.com
Investor grievance e-mail: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Ujjaval Kumar/ Vishal Bangard
SEBI Registration No.: INM000010940

Syndicate Members

JM Financial Services Limited
Ground Floor, 2, 3 and 4, Kamanwala Chambers
Sir P. M. Road, Fort
Mumbai 400 001
Maharashtra, India
Tel: +91 22 6136 3400
Email: surajit.misra@jmfl.com/ Deepak.vaidya@jmfl.com/
tn.kumar@jmfl.com/ sona.verghese@jmfl.com
Website: www.jmfinancialservices.in
Contact Person: Surajit Misra/ Deepak Vaidya/
T N Kumar/ Sona Varghese
SEBI Registration No.: INZ000195834

Edelweiss Securities Limited
Edelweiss House
Off C.S.T. Road, Kalina
Mumbai 400 098

Maharashtra, India
Tel: +91 22 4063 5569
Email: equitassfb.ipo@edelweissfin.com
Investor grievance e-mail: customerservice.mb@edelweissfin.com
Website: www.edelweissfin.in
Contact Person: Prakash Boricha
SEBI Registration No.: INZ000166136

Legal Counsel to our Bank and Promoter Selling Shareholder as to Indian Law

Cyril Amarchand Mangaldas
Prestige Falcon Tower
3rd Floor, Brunton Road, Craig Park Layout
Victoria Layout,
Bengaluru 560 001, Karnataka
India
Tel: +91 80 6792 2000

Legal Counsel to the BRLMs as to Indian Law

S&R Associates
One Indiabulls Centre, 1403 Tower 2 B
841, Senapati Bapat Marg, Lower Parel
Mumbai 400 013, Maharashtra
India
Tel: +91 22 4302 8000

International Legal Counsel to the BRLMs

Squire Patton Boggs (MEA) LLP
Dubai International Financial Centre (DIFC)
Burj Daman Office Tower, Level 10
P.O. BOX 111713
Dubai
United Arab Emirates
Tel: +971 4 447 8700

Statutory Auditors to our Bank

T.R. Chadha & Co. LLP, Chartered Accountants
5D, Fifth Floor, Mount Chambers
758, Anna Salai, Mount Road
Chennai 600 002
Tel: +91 44 4269 4571/4269 4572
Email: chennai@trchadha.com/
sheshusamudrala@trchadha.com
Firm Registration Number: 006711N/ N500028
Peer Review Certificate Number: 011934

Except as stated below, there have been no changes in our auditors in the last three years:

Particulars	Date of change	Reason for change
T.R. Chadha & Co. LLP, Chartered Accountants 5D, Fifth Floor, Mount Chambers 758, Anna Salai, Mount Road Chennai 600 002 **Tel**: +91 44 4269 4571/72 **Email**: chennai@trchadha.com/ sheshusamudrala@trchadha.com **Firm Registration Number**: 006711N/ N500028 **Peer Review Certificate Number**: 011934	July 28, 2020	Appointment as Statutory Auditors of our Bank
S.R. Batliboi & Associates LLP 6th Floor, "A" Block, Tidel Park No. 4, Rajiv Gandhi Salai, Taramani	July 28, 2020	Cessation due to completion of term as statutory auditors of our Bank

Particulars	Date of change	Reason for change
Chennai 600 113, Tamil Nadu India **Tel:** +91 44 6117 9000 **Email:** srba@srb.in **Firm Registration Number:** 101049W / E300004 **Peer Review Certificate Number:** 011169		

Registrar to the Offer

KFin Technologies Private Limited
Selenium, Tower B, Plot No- 31 & 32
Financial District, Nanakramguga
Serilingampally
Hyderabad 500 032, Rangareddi
Telangana, India
Tel: +91 40 6716 2222
E-mail: equitassmallfinance.ipo@kfintech.com
Investor grievance e-mail: einward.ris@kfintech.com
Website: www.kfintech.com
Contact Person: M. Murali Krishna

Banker to the Offer

Escrow Collection Bank/ Refund Bank/ Public Offer Bank/ Sponsor Bank

ICICI Bank Limited
Capital Market Division, 1st Floor
122, Mistry Bhavan, Dinshaw Vachha Road
Backbay Reclamation Churchgate
Mumbai 400 020
Tel: +91 22 6681 8911/23/24
E-mail: ipocmg@icicibank.com
Contact person: Sauarbh Kumar
Website: www.icicibank.com
SEBI Registration No.: INBI00000004

Designated Intermediaries

Self-Certified Syndicate Banks

The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism, a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as updated from time to time.

Applications through UPI in the Offer can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on SEBI website from time to time.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the members of the Syndicate is available on the website of the SEBI (http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) and updated from time to time. For more information on such branches collecting Bid cum Application Forms from the Syndicate at Specified Locations, see the website of the SEBI at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes as updated from time to time.

Registered Brokers

The list of the Registered Brokers eligible to accept ASBA forms, including details such as postal address, telephone number and e-mail address, is provided on the websites of the BSE and the NSE at www.bseindia.com/Markets/PublicIssues/brokercentres_new.aspx? and www.nseindia.com/products/content/equities/ipos/ipo_mem_terminal.htm, respectively, as updated from time to time.

Registrar and Share Transfer Agents

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, is provided on the websites of Stock Exchanges at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, respectively, as updated from time to time.

Collecting Depository Participants

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, is provided on the websites of BSE at www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx? and on the website of NSE at www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, as updated from time to time.

Experts

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent from its Auditors namely, T.R. Chadha & Co. LLP, Chartered Accountants, to include its name as required under Section 26(1) of the Companies Act, 2013 in this Prospectus and as "Experts" as defined under Section 2(38) of the Companies Act, 2013 in respect of the reports issued by the Auditors on the Restated Financial Information dated September 14, 2020 and the statement of possible special tax benefits dated September 26, 2020 included in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term "expert" shall not be construed to mean an "Experts" as defined under the U.S. Securities Act.

Monitoring Agency

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer.

Appraising Entity

None of the objects for which the Net Proceeds will be utilised have been appraised by any agency.

Credit Rating

As this is an Offer of Equity Shares, there is no credit rating required for the Offer.

IPO Grading

No credit agency registered with SEBI has been appointed in respect of obtaining grading for the Offer.

Debenture Trustees

As this is an offer of Equity Shares, the appointment of debenture trustees is not required.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the BRLMs:

S. No.	Activity	Responsibility	Coordinator
1.	Capital structuring, due diligence of the Bank including its operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, abridged prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing	BRLMs	JM Financial
2.	Drafting and approval of all statutory advertisements	BRLMs	JM Financial

S. No.	Activity	Responsibility	Coordinator
3.	Drafting and approval of all publicity material other than statutory advertisements as mentioned in 2 above, application form, corporate advertising, brochure, etc. and filing of media compliance report	BRLMs	IIFL
4.	Appointment of Intermediaries - Registrar to the Offer, Advertising Agency, Banker(s) to the Offer and Printer including coordination of agreement to be entered into with such intermediary	BRLMs	Edelweiss
5.	Preparation of road show presentation and frequently asked questions	BRLMs	IIFL
6.	International Institutional marketing of the Offer, which will cover, *inter alia*: • Institutional marketing strategy; • Finalizing the list and division of institutional investors for one-to-one meetings; and • Finalizing institutional road show and investor meeting schedule	BRLMs	Edelweiss
7.	Domestic Institutional marketing of the Offer, which will cover, *inter alia*: • Institutional marketing strategy; • Finalizing the list and division of institutional investors for one-to-one meetings; and • Finalizing institutional road show and investor meeting schedule	BRLMs	JM Financial
8.	Non-institutional and Retail marketing of the Offer, which will cover, *inter alia*, • Finalising media, marketing and public relations strategy including list of frequently asked questions at retail road shows; • Finalising centres for holding conferences for brokers, etc; • Follow-up on distribution of publicity and Offer material including application form, the Prospectus and deciding on the quantum of the Offer material; and • Finalising collection centres	BRLMs	IIFL
9.	Coordination with Stock Exchanges for book building software, bidding terminals, mock trading, payment of 1% security deposit, anchor coordination and intimation of anchor allocation.	BRLMs	IIFL
10.	Managing the book and finalization of pricing in consultation with the Bank.	BRLMs	Edelweiss
11.	Post-Offer activities, which shall involve essential follow-up with bankers to the Offer and SCSBs to get quick estimates of collection and advising Bank about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-Offer activity such as Registrar to the Offer, Bankers to the Offer, Sponsor Bank, SCSBs including responsibility for underwriting arrangements, as applicable. Coordinating with Stock Exchanges and SEBI for submission of all post Offer reports including the initial and final post Offer report to SEBI, release of 1% security deposit post closure of the Offer.	BRLMs	Edelweiss

Book Building Process

Book Building Process, in the context of the Offer, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and minimum Bid Lot size were decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and advertised in all editions of Financial Express, an English national daily newspaper and all editions of Jansatta, a Hindi national daily newspaper and Chennai edition of Makkal Kural, a Tamil daily newspaper (Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located), each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and were made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price was determined by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs after the Bid/Offer Closing Date.

All Bidders, except Anchor Investors, were mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount were blocked by SCSBs. In addition to this, the RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion were required to participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount were to be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors were not permitted to participate in the Offer through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders were not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail

Individual Bidders, Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion (subject to the Bid Amount being up to ₹200,000) and Eligible Employees Bidding in the Employee Reservation Portion could revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors could not withdraw their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors was made on a discretionary basis.

For further details on the method and procedure for Bidding, see "*Offer Structure*" and "*Offer Procedure*" on pages 370 and 374, respectively.

Illustration of Book Building and Price Discovery Process

For an illustration of the Book Building Process and the price discovery process, see "*Offer Procedure"* on page 374.

Underwriting Agreement

Our Bank and the Promoter Selling Shareholder have entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Offer. The Underwriting Agreement is dated October 23, 2020. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters are several and are subject to certain conditions specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name, Address, Telephone Number and Email Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (in ₹ million)
JM Financial Limited 7th Floor Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, Maharashtra, India Tel: +91 22 6630 3030 E-mail: esfb.ipo@jmfl.com	52,282,728	1,725.33
Edelweiss Financial Services Limited 14th Floor, Edelweiss House, Off C.S.T. Road, Kalina, Mumbai 400 098, Maharashtra, India Tel: + 91 22 4009 4400 E-mail: equitassfb.ipo@edelweissfin.com	52,282,728	1,725.33
IIFL Securities Limited 10th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013, Maharashtra, India Tel: +91 22 4646 4600 E-mail: equitas.ipo@iiflcap.com	52,282,828	1,725.33
JM Financial Services Limited Ground Floor, 2, 3 and 4, Kamanwala Chambers, Sir P. M. Road, Fort, Mumbai 400 001, Maharashtra, India Tel: +91 22 6136 3400 Email: surajit.misra@jmfl.com/ deepak.vaidya@jmfl.com/ tn.kumar@jmfl.com/ sona.verghese@jmfl.com	100	0.00
Edelweiss Securities Limited Edelweiss House, Off C.S.T. Road, Kalina, Mumbai 400 098, Maharashtra, India Tel: +91 22 4063 5569 Email: equitassfb.ipo@edelweissfin.com	100	0.00
TOTAL	**156,848,484**	**5,176.00**

The abovementioned underwriting commitments are indicative and will be finalised after finalisation of the Basis of Allotment and actual allocation in accordance with provisions of the SEBI ICDR Regulations.

In the opinion of our Board, the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The Listing Committee of the Board, at its meeting held on October 23, 2020, has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Bank. Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment set forth in the table above.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe to the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The extent of underwriting obligations and the Bids to be underwritten in the Offer shall be as per the Underwriting Agreement.

CAPITAL STRUCTURE

The share capital of our Bank, as on the date of this Prospectus, is set forth below.

In ₹, except share data)

Sr. No.	Particulars	Aggregate value at face value	Aggregate value at Offer Price*
A.	**AUTHORIZED SHARE CAPITAL**(1)		
	1,700,000,000 Equity Shares of ₹10 each	17,000,000,000	-
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER**		
	1,053,401,602 Equity Shares of ₹10 each	10,534,016,020	-
C.	**PRESENT OFFER**		
	Offer of 156,848,484^ Equity Shares aggregating up to ₹5,176 million		
	Of which		
	Fresh Issue of 84,848,484^ Equity Shares(2)	848,484,840	2,800,000,000
	Offer for Sale of 72,000,000^ Equity Shares by the Promoter Selling Shareholder(3)	720,000,000	2,376,000,000
	which includes		
	EHL Shareholder Reservation Portion of 15,454,545^ Equity Shares aggregating up to ₹510 million(4)	154,545,450	510,000,000
	Employee Reservation Portion of 303,030^ Equity Shares aggregating up to ₹10 million(5)	3,030,300	10,000,000
D.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE OFFER***		
	1,138,250,086^ Equity Shares of face value of ₹10 each	11,382,500,860	-
E.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	7,469,983,940.52	
	After the Offer	9,421,499,072.52	

* *The Offer Price is ₹33*

^ *Subject to finalisation of the Basis of Allotment.*

(1) *For details in relation to the changes in the authorised share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 160.*

(2) *The Fresh Issue has been authorized by our Board of Directors pursuant to a resolution passed on November 22, 2019 and by our Shareholders pursuant to the special resolution passed on November 22, 2019.*

(3) *The Promoter Selling Shareholder confirms that the Offered Shares have been held by it for a period of at least one year prior to the filing of the Draft Red Herring Prospectus with SEBI in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for being offered for sale in the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details on the authorization by the Promoter Selling Shareholder in relation to the Offered Shares, see "The Offer" on page 61.*

(4) *The EHL Shareholder Reservation Portion did not exceed 10% of the Offer Size.*

(6) *The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital.*

Notes to the Capital Structure

1. **Share Capital History of our Bank**

(a) ***Equity Share capital***

The history of the Equity Share capital of our Bank is set forth in the table below:

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
June 25, 1993	20	100	100	Cash	Initial subscription to MoA(1)	20	2,000
November 26, 1993	7,290	100	100	Cash	Preferential Allotment(2)	7,310	731,000
December 8, 1993	52	100	100	Cash	Preferential Allotment(3)	7,362	736,200
January 15, 1994	2,638	100	100	Cash	Preferential Allotment(4)	10,000	1,000,000
August 8, 1994	5,150	100	100	Cash	Preferential Allotment(5)	15,150	1,515,000
August 19, 1995	9,850	100	100	Cash	Preferential Allotment(6)	25,000	2,500,000

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
February 3, 1996	5,000	100	100	Cash	Preferential Allotment(7)	30,000	3,000,000
August 31, 1996	6,000	100	100	Cash	Preferential Allotment(8)	36,000	3,600,000
February 7, 1997	500	100	100	Cash	Preferential Allotment(9)	36,500	3,650,000
March 25, 1998	5,000	100	100	Cash	Preferential Allotment(10)	41,500	4,150,000
October 10, 1998	86	100	100	Cash	Preferential Allotment(11)	41,586	4,158,600
March 28, 2001	3,414	100	100	Cash	Preferential Allotment(12)	45,000	4,500,000
March 31, 2007	10,000	100	100	Cash	Rights issue of equity shares(13)	55,000	5,500,000
March 31, 2011	500,000	100	100	Cash	Allotment(14)	555,000	55,500,000
June 20, 2011	Subdivision of the face value of Equity Shares from ₹100 each to ₹10 each					5,550,000	55,500,000
June 29, 2011	15,000,000	10	10	Cash	Allotment(15)	20,550,000	205,500,000
October 4, 2011	20,000,000	10	10	Cash	Allotment(16)	40,550,000	405,500,000
January 27, 2012	10,000,000	10	10	Cash	Allotment(17)	50,550,000	505,500,000
March 12, 2012	10,000,000	10	10	Cash	Allotment(18)	60,550,000	605,500,000
October 16, 2012	90,910,000	10	11	Cash	Allotment(19)	151,460,000	1,514,600,000
December 27, 2013	89,240,000	10	14	Cash	Allotment(20)	240,700,000	2,407,000,000
November 21, 2014	182,300,000	10	16.45	Cash	Allotment of Equity Shares on rights basis (21)	423,000,000	4,230,000,000
April 21, 2016	119,205,300	10	24.16	Cash	Rights issue of Equity Shares(22)	542,205,300	5,422,053,000
January 31, 2017	463,738,063	10	N.A.	Other than cash	Allotment of Equity Shares pursuant to the Amalgamation Scheme(23)	1,005,943,363	10,059,433,630
December 11, 2019	47,458,239	10	52.68	Cash	Private placement(24)	1,053,401,602	10,534,016,020

(1) *10 equity shares were allotted to V. Ananda Parthasarathy and 10 equity shares were allotted to V.A. Parthasarathy.*

(2) *1,400 equity shares were allotted to V. Ananda Parthasarathy jointly with V.P. Narasimhan, 1,300 equity shares were allotted to V. Ananda Parthasarathy jointly with Jayashree Ravi, 1,300 equity shares were allotted to V. Ananda Parthasarathy jointly with Lakshmi Viswanathan, 500 equity shares were allotted to A.M. Munirathna Mudaliar, 500 equity shares were allotted to A.M. Kalaivani Ammal, 250 equity shares were allotted to G. Sundari, 250 equity shares were allotted to R. Ganesan, 250 equity shares were allotted to S. Chandramouli, 250 equity shares were allotted to S. Janani, 250 equity shares were allotted to S. Nithya, 250 equity shares were allotted to S. Sri Vidya, 100 equity shares were allotted to V.P. Raghavendra Rao, 50 equity shares were allotted to Jayashree Ravi, 50 equity shares were allotted to K. Mohan, 50 equity shares were allotted to Mala Devarajan, 50 equity shares were allotted to N. Lakshmi jointly with S. Rajalakshmi, 50 equity shares were allotted to P. Seshadri Venkatesh jointly with Hema Parthasarathy, 50 equity shares were allotted to R.R. Manohar, 50 equity shares were allotted to Rama Ramesh, 50 equity shares were allotted to Saroja Ramaswamy, 50 equity shares were allotted to Sukanya Sridhar, 50 equity shares were allotted to V. Kalanidhi, 50 equity shares were allotted to V. Kasthuri, 50 equity shares were allotted to V.A. Gopal, 50 equity shares were allotted to V.A. Ramaswamy, 30 equity shares were allotted to N. Shanthi jointly with C.H. Nagaraja Rao, and 10 equity shares were allotted to M.R. Madhavan.*

(3) *50 equity shares were allotted to R. Kuppuswamy, one equity share were allotted to V. Ramanathan jointly held with Meenakshi and one equity share were allotted to R. Lakshmi jointly with Ramadoss.*

(4) *1,000 equity shares were allotted to N. Devarajan, 250 equity shares were allotted to Vijaya Padmanabhan, 200 equity shares were allotted to S. Janani, 200 equity shares were allotted to S. Sri Vidya, 200 equity shares were allotted to S. Nithya, 150 equity shares were allotted to Gautham Chand, 150 equity shares were allotted to Renuka, 150 equity shares were allotted to S. Chandramouli, 100 equity shares were allotted to K. Mythili, 50 equity shares were allotted to K.S. Krishnaswamy jointly with Alamelu, 50 equity shares were allotted to R. Srinivasan, 20 equity shares were allotted to D. Preethi, 20 equity shares were allotted to D. Priya, 20 equity shares were allotted to K. Lakshmanan jointly with T.K. Subramanian, 20 equity shares were allotted to S. Balaraman, 20 equity shares were allotted to S. Raghav, 18 equity shares were allotted to V.A. Parthasarathy, 10 equity shares were allotted to Syamala Devarajan, and 10 equity shares were allotted to T. Sundara Rajan.*

(5) *500 equity shares were allotted to A.M. Munirathna Muralidhar, 500 equity shares were allotted to A.M. Kalaivani Ammal, 500 equity shares were allotted to V.A. Parthasarathy, 500 equity shares were allotted to V.P. Narasimhan jointly with N. Jayalakshmi, 350 equity shares were allotted to S. Chandramouli, 300 equity shares were allotted to S. Janani, 300 equity shares were allotted to S. Nithya, 300 equity shares were allotted to S. Sri Vidya, 250 equity shares were allotted to C. Padmanathan, 250 equity shares were allotted to R. Vijaya Raghawan, 250 equity shares were allotted to Vijaya Padmanabhan, 250 equity shares were allotted to G. Sundari, 250 equity shares were*

allotted to R. Ganesan, 250 equity shares were allotted to G. Sukumar, 150 equity shares were allotted to Premchand Baid, 100 equity shares were allotted to N. Shanthi jointly with C.H. Nagaraja Rao, 100 equity shares were allotted to V.P. Raghavendra Rao and 50 equity shares were allotted to P.C. Parathasarathy.

(6) *1,000 equity shares were allotted to A. Chandramauli, 700 equity shares were allotted to A.M. Munirathna Mudaliar, 700 equity shares were allotted to A.M. Kalaivani Ammal, 690 equity shares were allotted to V. Ananda Parthasarathy jointly with V.P. Narasimhan, 650 equity shares were allotted to V. Ananda Parthasarathy, 650 equity shares were allotted to V. Ananda Parthasarathy jointly with Jayashree Ravi, 500 equity shares were allotted to S. Sri Vidya, 500 equity shares were allotted to S. Janani, 500 equity shares were allotted to S. Chandramouli, 500 equity shares were allotted to S. Nithya, 305 equity shares were allotted to V.P. Narasimhan jointly with N. Jayalakshmi, 260 equity shares were allotted to V.A. Parthasarathy, 250 equity shares were allotted to Vijaya Padmanabhan, 250 equity shares were allotted to N. Devarajan, 250 equity shares were allotted to Syamala Devarajan, 250 equity shares were allotted to D. Preethi, 250 equity shares were allotted to D. Priya, 250 equity shares were allotted to C. Padmanabhan, 250 equity shares were allotted to R. Vijaya Raghavan, 250 equity shares were allotted to G. Sukumar, 150 equity shares were allotted to V.P. Raghavendra Rao, 125 equity shares were allotted to G. Sundari, 125 equity shares were allotted to R. Ganeshan, 100 equity shares were allotted to Renuka, 70 equity shares were allotted to N. Shanthi jointly with C.H. Nagaraja Rao, 65 equity shares were allotted to K. Mythili, 50 equity shares were allotted to K. Mohan, 50 equity shares were allotted to Mala Devarajan, 50 equity shares were allotted to R.R. Manohar, 50 equity shares were allotted to V.A. Gopal, 30 equity shares were allotted to P. Seshadri Venkatesh jointly with Hema Parthasarathy and 30 equity shares were allotted to S. Balaraman.*

(7) *2,304 equity shares were allotted to V. Ananda Parthasarathy jointly with Lakshmi Vishwanath, 625 equity shares were allotted to S. Chandramouli, 625 equity shares were allotted to S. Janani, 625 equity shares were allotted to S. Nithya, 625 equity shares were allotted to S. Sri Vidya, 100 equity shares were allotted to Renuka, 50 equity shares were allotted to N. Shanthi jointly with C.H. Nagaraja Rao, 20 equity shares were allotted to V.A. Gopal, 16 equity shares were allotted to P. Seshadri Venkatesh jointly held with Hema Parthasarathy and 10 equity shares were allotted to Sukanya Sridhar.*

(8) *3,800 equity shares were allotted to N. Jayalakshmi, 1,100 equity shares were allotted to V.A. Parthasarathy, 300 equity shares were allotted to V. Ananda Parthasarathy, 150 equity shares were allotted to V.P. Raghavendra Rao, 117 equity shares were allotted to Renuka, 100 equity shares were allotted to Premchand Baid, 100 equity shares were allotted to R.R. Manohar, 50 equity shares were allotted to V. Ananda Parthasarathy jointly with V.P. Narasimhan, 50 equity shares were allotted to S. Chandramouli, 50 equity shares were allotted to S. Janani, 50 equity shares were allotted to S. Sri Vidya, 50 equity shares were allotted to S. Nithya, 50 equity shares were allotted to V.A. Gopal jointly with Kotainayagi jointly with Sukanya Sridhar and 33 equity shares were allotted to K. Mythili.*

(9) *500 equity shares were allotted to V.P. Raghavendra Rao*

(10) *5,000 equity shares were allotted to V.A. Parthasarathy*

(11) *50 equity shares were allotted to Jayashree Vishwanathan jointly with S.V. Nathan, 10 equity shares were allotted to B. Thangam Manoharan jointly with S. Manoharan, 10 equity shares were allotted to J. Jayaraman jointly with Sundari Jayaraman, 10 equity shares were allotted to T.L. Sankara Narayanan jointly with S. Hymavathi, one equity share were allotted to M.S. Srinivasan jointly with S. Lalitha jointly with M.S. Ramamurthy, one equity share was allotted to Manjula Bhupathi jointly with D.R. Bhupathi, one equity share was allotted to R. Parthasarathy jointly with P.C. Ranganathan, one equity share was allotted to S. Jesudoss, one equity share was allotted to S.M. Chellaswami jointly with S.C. Sarojini and one equity share was allotted to V. Ramanathan jointly with R. Lakshmi*

(12) *1,700 equity shares were allotted to V.A. Parthasarathy, 1,051 equity shares were allotted to N. Jayalakshmi, 600 equity shares were allotted to V. Ananda Parthasarathy, 39 equity shares were allotted to Renuka, 20 equity shares were allotted to N. Shanthi jointly with C.H. Nagaraja Rao and four equity shares were allotted to N. Lakshmi jointly with S. Rajalakshmi.*

(13) *10,000 equity shares were allotted to V. Ananda Parthasarathy in the ratio of two equity shares for every nine equity shares held*

(14) *500,000 equity shares were allotted to Equitas Micro Finance India Private Limited (now known as EHL)*

(15) *15,000,000 Equity Shares were allotted to Equitas Micro Finance India Private Limited (now known as EHL)*

(16) *20,000,000 Equity Shares were allotted to Equitas Micro Finance India Private Limited (now known as EHL)*

(17) *10,000,000 Equity Shares were allotted to Equitas Micro Finance India Private Limited (now known as EHL)*

(18) *10,000,000 Equity Shares were allotted to Equitas Holdings Private Limited (now known as EHL)*

(19) *90,910,000 Equity Shares were allotted to Equitas Holdings Private Limited (now known as EHL)*

(20) *89,240,000 Equity Shares were allotted to Equitas Holdings Private Limited (now known as EHL)*

(21) *182,300,000 Equity Shares were allotted to Equitas Holdings Private Limited (now known as EHL)*

(22) *119,205,300 Equity Shares were allotted to EHL*

(23) *463,738,063 Equity Shares were allotted to EHL pursuant to the Amalgamation Scheme*

(24) *7,000,759 Equity Shares were allotted to IIFL Special Opportunities Fund, 5,214,503 Equity Shares were allotted to IIFL Special Opportunities Fund –Series 2, 2,294,989 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 3, 8,950,998 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 4, 8,569,293 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 5, 379,650 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 6, 8,195,353 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 7, 5,694,760 Equity Shares were allotted to IIFL High Growth Companies Fund, 474,563 Equity Shares were allotted to High Conviction Fund Series I and 683,371 Equity Shares were allotted to IIFL Focused Equity Strategies Fund*

 # Records of form filings with the RoC in relation to the allotments made by our Bank from the date of incorporation till March 30, 2007 are not traceable. For details see "Risk Factors – The Erstwhile NBFC (now, the Bank) was incorporated in 1993 and we are unable to trace some of its historical records. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to the missing filings and corporate records, which may impact our financial condition and reputation." on page 40.

2. Issue of Equity Shares at a price lower than the Offer Price in the last year

The table below sets forth the details of the Equity Shares issued by our Bank at a price which may be lower than the Offer price during a period of one year preceeding the date of the Red Herring Prospectus and this Prospectus:

Date of allotment	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Reason for allotment	Part of Promoter Group
December 11, 2019	47,458,239	10	52.68	Cash	Private placement(1)	None of the allottees form part of the Promoter Group.

(1) *7,000,759 Equity Shares were allotted to IIFL Special Opportunities Fund, 5,214,503 Equity Shares were allotted to IIFL Special Opportunities Fund –Series 2, 2,294,989 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 3, 8,950,998 Equity*

Shares were allotted to IIFL Special Opportunities Fund – Series 4, 8,569,293 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 5, 379,650 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 6, 8,195,353 Equity Shares were allotted to IIFL Special Opportunities Fund – Series 7, 5,694,760 Equity Shares were allotted to IIFL High Growth Companies Fund, 474,563 Equity Shares were allotted to High Conviction Fund Series I and 683,371 Equity Shares were allotted to IIFL Focused Equity Strategies Fund

3. **Issue of shares for consideration other than cash or out of revaluation reserves**

(a) Our Bank has not issued any Equity Shares out of revaluation reserves since its incorporation.

(b) Except as stated below, our Bank has not issued any Equity Shares for consideration other than cash or by way of bonus issue as on the date of the Red Herring Prospectus and this Prospectus:

Date of allotment	No. of Equity Shares allotted	Face Value per Equity Share (₹)	Offer price (₹)	Reason for allotment	Benefits accrued to our Bank
January 31, 2017	463,738,063	10	N.A.	Allotment of Equity Shares to EHL pursuant to the Amalgamation Scheme	Pursuant to the Amalgamation Scheme, the whole of business undertaking, contracts, the employees of EHFL and EMFL and other deeds were transferred to our Bank

For further details, please see "- *Share Capital History of our Bank*" and *"History and Certain Corporate Matters"* on pages 73 and 163, respectively.

4. **Issue of Equity Shares pursuant to schemes of arrangement**

Other than 463,738,063 Equity Shares allotted to EHL pursuant to the Amalgamation Scheme, our Bank has not allotted any Equity Shares in terms of any scheme of arrangement approved under sections 391-394 of the Companies Act, 1956 or sections 230-234 of the Companies Act, 2013. For further details see "*History and Certain Corporate Matters – Details regarding material acquisitions or disinvestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last 10 years – Scheme of Amalgamation of EMFL & EHFL with our Bank*" on page 163.

5. **History of the Equity Share capital held by our Promoter**

As on the date of this Prospectus, our Promoter (including through its nominees) holds 1,005,943,363 Equity Shares, equivalent to 95.49% of the issued, subscribed and paid-up Equity Share capital of our Bank.

(a) **Build-up of the shareholding of our Promoter in our Bank**

The details regarding the equity shareholding of our Promoter, Equitas Holdings Limited, since incorporation of our Bank is set forth in the table below:

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Offer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)*	Percentage of the post-Offer capital (%)*^
March 21, 2011	Transfer of equity shares(1)	55,000#	Cash	100	100	0.05	0.05
March 31, 2011	Allotment	500,000	Cash	100	100	0.47	0.44
June 20, 2011	Subdivision of the face value of the equity shares from ₹100 each to Equity Shares of ₹10 each	5,550,000	-	10	-	-	-
June 29, 2011	Allotment	15,000,000	Cash	10	10	1.42	1.32
October 4, 2011	Allotment	20,000,000	Cash	10	10	1.90	1.76
January 27, 2012	Allotment	10,000,000	Cash	10	10	0.95	0.88
March 12, 2012	Allotment	10,000,000	Cash	10	10	0.95	0.88
October 16, 2012	Allotment	90,910,000	Cash	10	11	8.63	7.99
December 27, 2013	Allotment	89,240,000	Cash	10	14	8.47	7.84

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Offer Price per Equity Share (₹)	Percentage of the pre-Offer capital (%)*	Percentage of the post-Offer capital (%)*^
November 21, 2014	Allotment of Equity Shares on rights basis	182,300,000	Cash	10	16.45	17.31	16.02
April 21, 2016	Rights issue of Equity Shares	119,205,300	Cash	10	24.16	11.32	10.47
January 31, 2017	Allotment pursuant to the Amalgamation Scheme	463,738,063	Other than cash	10	N.A	44.02	40.74
Total		**1,005,943,363**				**95.49**	**88.38**

* *Adjusted for subdivision of Equity Shares as applicable*

^ *Subject to finalisation of Basis of Allotment*

54,994 equity shares were transferred to our Promoter. One equity share each were transferred to P.N. Vasudevan, Bhaskar Srinivasan, K.P. Venkatesh, H. Mahalingam, S. Muralidharan and V.G. Suchindran as the nominees of our Promoter, which is the beneficial owner of such equity shares. Thereafter, on July 21, 2011, P.N. Vasudevan, K.P. Venkatesh, H. Mahalingam, S. Muralidharan and V.G. Suchindran transferred 10 Equity Share each to our Promoter. On August 29, 2015, our Promoter transferred one Equity Share each to H. Mahalingam, Murthy V.S., Muralidharan S., Raghavan H.K.N. and John Alex as the nominees of our Promoter, which is the beneficial owner of such equity shares. Further, (i) Muralidharan S. transferred one Equity Share to Arcot Sravanakumar on August 1, 2019; (ii) H. Mahalingam transferred one Equity Share to Mohanan B. on May 4, 2017, who transferred the registered ownership back to our Promoter on September 21, 2020; and (iii) Murthy V.S. transferred one Equity Share to Sridharan Nanuiyer on April 26, 2018.

(1) Transfer of 40,104 equity shares from V. Ananda Parthasarathy, transfer of 8,701 equity shares from N. Jayalakshmi, transfer of 2,837 equity shares from V.P. Narasimhan jointly with N. Jayalakshmi, transfer of 2,050 equity shares from H. Devrajan, transfer of 1,250 equity shares from G. Ramesh, transfer of 50 equity shares from Jayashree Ravi, transfer of two equity shares from Gautham Ravi, transfer of one equity share from Bhaskar Srinivasan, transfer of one equity share from V.G. Suchindran, transfer of one equity share from H. Mahalingham, transfer of one equity share from K.P. Venkatesh, transfer of one equity share from Muralidharan S. and transfer of one equity share from P.N. Vasudevan.

All the Equity Shares held by our Promoter were fully paid-up on the respective dates of allotment of such Equity Shares.

As of the date of this Prospectus, none of the Equity Shares held by our Promoter are pledged.

(b) **Details of Promoter's contribution and lock-in**

(i) Pursuant to Regulations 14 and 16 of the SEBI ICDR Regulations, an aggregate of 20% of the fully diluted post-Offer Equity Share capital of our Bank held by the Promoter (assuming full conversion of vested options, if any, under the ESFB ESOP Plan 2019), shall be locked in for a period of three years as minimum Promoter's contribution from the date of Allotment and the shareholding of the Promoter in excess of 20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of one year from the date of Allotment.

(ii) Details of the Equity Shares held by our Promoter to be locked-in for three years from the date of Allotment as minimum Promoter's contribution are set forth in the table below:

Name of Promoter	Number of Equity Shares locked-in	Date of allotment/transfer of Equity Shares and when made fully-paid up	Nature of transaction	Face Value per Equity Share (₹)	Offer/ Acquisition price per Equity Share (₹)	Percentage of the pre-Offer paid-up capital (%)	Percentage of the post-Offer paid-up capital (%)	Date up to which Equity Shares are subject to lock-in
EHL	89,240,000	December 27, 2013	Allotment	10	14	8.47	7.84	October 28, 2023
	138,411,000	November 21, 2014	Allotment of Equity Shares on rights basis	10	16.45	13.14	12.16	October 28, 2023
Total	**227,651,000**					**21.61**	**20.00**	

(iii) Our Bank undertakes that the Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution in terms of Regulation 15 of the SEBI ICDR Regulations.

(iv) Our Promoter has given consent to include such number of Equity Shares held by it as may constitute 20% of the fully diluted post-Offer Equity Share capital of our Bank as Promoter's Contribution (assuming exercise of all vested employee stock options, if any, under the ESFB ESOP Plan 2019).

(v) In this connection, please note that:

(a) The Equity Shares offered for Promoter's contribution do not include (i) Equity Shares acquired in the three immediately preceding years for consideration other than cash and revaluation of assets or capitalisation of intangible assets was involved in such transaction, or (ii) Equity Shares resulting from bonus issue by utilization of revaluation reserves or unrealised profits of our Bank or bonus shares issued against Equity Shares, which are otherwise ineligible for computation of minimum Promoter's contribution.

(b) The minimum Promoter's contribution does not include any Equity Shares acquired during the immediately preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Offer.

(c) Our Bank has not been formed by the conversion of one or more partnership firms or a limited liability partnership firm.

(d) The Equity Shares forming part of the Promoter's contribution are not subject to any pledge.

(c) **Other lock-in requirements:**

(i) In addition to the 20% of the fully diluted post-Offer shareholding of our Bank held by the Promoter locked in for three years as specified above, the entire pre-Offer Equity Share capital of our Bank will be locked-in for a period of one year from the date of Allotment except for (i) the Equity Shares offered pursuant to the Offer for Sale; (ii) any Equity Shares held by the eligible employees (whether currently employees or not) of our Bank or our Promoter which have been or will be allotted to them under the ESFB ESOP Plan 2019 and (iii) the Equity Shares held by VCFs or Category I AIF or Category II AIF or FVCI, subject to certain conditions set out in Regulation 17 of the SEBI ICDR Regulations, provided that such Equity Shares will be locked-in for a period of at least one year from the date of purchase by the VCFs or Category I AIF or Category II AIF or FVCI.

(ii) Our Promoter has agreed not to sell, transfer, charge, pledge or otherwise encumber in any manner, the Promoter's contribution from the date of filing the Draft Red Herring Prospectus, until the expiry of the lock-in specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

(iii) Further, pursuant to the SFB Licensing Guidelines, our Promoter's minimum initial contribution to the paid-up Equity Share capital of our Bank is required to be at least 40% and locked in for a period of five years from the date of commencement of business as an SFB. Our Promoter's contribution is required to be diluted thereafter, in accordance with the SFB Licensing Guidelines as described in "*Key Regulations and Policies*" on page 146.

(iv) Any Equity Shares Allotted to Anchor Investors under the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

(v) The Equity Shares held by any person other than our Promoter and locked-in for a period of one year from the date of Allotment in the Offer may be transferred to any other person holding the Equity Shares which are locked-in, subject to continuation of the lock-in in the hands of transferees for the remaining period (and such transferees shall not be eligible to transfer until the expiry of the lock-in period) and compliance with the Takeover Regulations.

Shareholding Pattern of our Bank

The table below presents the equity shareholding pattern of our Bank as on the date of this Prospectus:

Category (I)	Category of shareholder (II)	Number of shareholders (III)	Number of fully paid up Equity Shares held (IV)	Number of Partly paid-up Equity Shares held (V)	Number of shares underlying Depository Receipts (VI)	Total number of shares held (VII) =(IV)+(V)+ (VI)	Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)			Number of shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialized form (XIV)
								Number of Voting Rights		Total as a % of (A+B+ C)			Number (a)	As a % of total Shares held (b)	Number (a)	As a % of total Shares held (b)	
								Class: Equity Shares	Total								
(A)	**Promoter and Promoter Group**	6*	1,005,943,363	-	-	1,005,943,363	95.49	1,005,943,363	95.49	95.49	-	-	-		-		1,005,943,363
(B)	**Public**	10	47,458,239	-	-	47,458,239	4.51	47,458,239	4.51	4.51	-	-	-		-		47,458,239
(C)	**Non Promoter- Non Public**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(C1)	**Shares underlying DRs**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(C2)	**Shares held by Employee Trusts**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
	Total	**16**	**1,053,401,602**	**-**	**-**	**1,053,401,602**	**100.00**	**1,053,401,602**	**100.00**	**100.00**	**-**	**-**	**-**		**-**		**1,053,401,602**

**1,005,943,349 Equity Shares are held by EHL. 10 Equity Shares are held by Bhaskar Srinivasan and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

7. **Details of Equity Shareholding of the major Shareholders of our Bank**

(i) The major Equity Shareholders holding 1% or more of the paid-up Equity Share capital of the Bank and the number of Equity Shares held by them as on the date of this Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	EHL	1,005,943,363*	95.49
	Total	**1,005,943,363**	**95.49**

* *1,005,943,349 Equity Shares are held by EHL. 10 Equity Shares are held by Bhaskar Srinivasan and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

(ii) The major Equity Shareholders who held 1% or more of the paid-up Equity Share capital of the Bank and the number of Equity Shares held by them 10 days prior to the date of this Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	EHL	1,005,943,363*	95.49
	Total	**1,005,943,363**	**95.49**

* *1,005,943,349 Equity Shares are held by EHL. 10 Equity Shares are held by Bhaskar Srinivasan and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

(iii) The major Equity Shareholders who held 1% or more of the paid-up Equity Share capital of our Bank and the number of Equity Shares held by them one year prior to the date of this Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	EHL	1,005,943,363*	100.00
	Total	**1,005,943,363**	**100.00**

* *1,005,943,348 Equity Shares were held by EHL. 10 Equity Shares were held by Bhaskar Srinivasan and one Equity Share each was held by Mohanan B., Sridharan Nanuiyer, Muralidharan S., John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

(iv) The major Equity Shareholders who held 1% or more of the paid-up Equity Share capital of the Bank and the number of Equity Shares held by them two years prior to the date of this Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Offer Equity Share capital (%) on a fully diluted basis
1.	EHL	1,005,943,363*	100.00
	Total	**1,005,943,363**	**100.00**

* *1,005,943,348 Equity Shares were held by EHL. 10 Equity shares were held by Bhaskar Srinivasan and one Equity Share each was held by Mohanan B., Murthy V.S., Muralidharan S., John Alex and Raghavan H.K.N as the nominees on behalf of EHL, which is the beneficial owner of such Equity Shares*

8. **Details of Equity Shares held by our Directors, Key Managerial Personnel, Promoter Group and directors of our Promoter**

(i) Our Directors do not hold any Equity Shares or employee stock options in our Bank.

(ii) Set out below are details of the Equity Shares and employee stock options held by certain of the Key Managerial Personnel in our Bank:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)^
Key Managerial Personnel					
1.	Raghavan H.K.N.	1*	0.00	2,214,300	0.00
2.	Murali Vaidyanathan	Nil	Nil	1,200,000	Nil
3.	Sridharan Nanuiyer	1*	0.00	441,680	0.00
4.	Prabhakaran A.	Nil	Nil	376,500	Nil
5.	Ramasubramanian Krishnamoorthy	Nil	Nil	342,000	Nil

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer of Equity Share Capital (%)^
6.	Dheeraj Mohan	Nil	Nil	345,600	Nil
7.	Sathyananda Prabhu	Nil	Nil	291,000	Nil
8.	Srinivasan Purohit	Nil	Nil	282,000	Nil
9.	Alok Gupta	Nil	Nil	282,000	Nil
10.	Natarajan Muthusubramanian	Nil	Nil	282,000	Nil
11.	Pallab Mukherjee	Nil	Nil	282,000	Nil
12.	S. Sethupathy	Nil	Nil	234,900	Nil
13.	Sharad Goklani	Nil	Nil	49,530	Nil
14.	Sampathkumar K. Raghunathan	Nil	Nil	19,612	Nil
Total		**2**	**0.00**	**6,643,122**	Nil

** In his capacity as a nominee on behalf of EHL which is the beneficial owner of such Equity Share*
^ Subject to finalisation of Basis of Allotment

(iii) Set out below are the details of the Equity Shares and employee stock options held by our Promoter, directors of our Promoter and the members of our Promoter Group in our Bank:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Offer Equity Share Capital (%)^
Promoter and Promoter Group					
1.	EHL	1,005,943,363*	95.49	N.A	88.38
Total		**1,005,943,363***	**95.49**	**N.A**	**88.38**
Directors of EHL					
1.	Bhaskar Srinivasan	10#	0.00	Nil	0.00
2.	John Alex	1#	0.00	247,714	0.00
Total		**11**	**0.00**	**247,714**	**0.00**

^ *Subject to finalisation of Basis of Allotment*

* *1,005,943,349 Equity Shares are held by EHL. 10 Equity Shares are held by Bhaskar Srinivasan and one Equity Share each is held by Sridharan Nanuiyer, Arcot Sravanakumar, John Alex and Raghavan H.K.N as the nominee on behalf of EHL, which is the beneficial owner of such Equity Shares*

\# *Bhaskar Srinivasan and John Alex are the directors of EHL and hold 10 Equity Shares and one Equity Share, respectively, in their capacity as a nominee on behalf of EHL, which is the beneficial owner of such Equity Shares*

9. Other than as described below, none of the BRLMs or their respective associates, as defined in the SEBI Merchant Bankers Regulations, hold any Equity Shares in our Bank as on the date of this Prospectus.

While neither IIFL nor its associates hold Equity Shares in the Bank, the AIFs wherein the associate entities of IIFL act as sponsor or investment manager to the funds, hold Equity Shares. Details of the shareholding of such AIFs are as follows:

Sl. No.	Name of the Investor	No. of Equity Shares
1.	IIFL Special Opportunities Fund	7,000,759
2.	IIFL Special Opportunities Fund – Series 2	5,214,503
3.	IIFL Special Opportunities Fund – Series 3	2,294,989
4.	IIFL Special Opportunities Fund – Series 4	8,950,998
5.	IIFL Special Opportunities Fund – Series 5	8,569,293
6.	IIFL Special Opportunities Fund - Series 6	379,650
7.	IIFL Special Opportunities Fund – Series 7	8,195,353
8.	IIFL High Growth Companies Fund	5,694,760
9.	High Conviction Fund Series I	474,563
10.	IIFL Focused Equity Strategies Fund	683,371
	Total	**47,458,239**

10. There are no partly paid up Equity Shares as on the date of the Red Herring Prospectus and this Prospectus.

11. Our Bank has not made any public issue since its incorporation, and has not made any rights issue of any kind or class of securities since its incorporation, other than as disclosed in "- *Share Capital History of our Bank*" on page 73.

12. Our Bank has not made any bonus issue of any kind or class of securities since its incorporation.

13. **ESFB ESOP Plan 2019**

Our Bank, pursuant to the resolutions passed by the Board and the Shareholders of the Bank on January 31, 2019, adopted the ESFB ESOP Plan 2019. Our Bank has amended the ESFB ESOP Plan 2019 pursuant to the resolutions of the Board and Shareholders of our Bank dated November 7, 2019 and November 22, 2019, respectively. The Bank may grant an aggregate number of up to 110,000,000 employee stock options under the ESFB ESOP Plan 2019. Upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share per employee stock option. Accordingly, the number of Equity Shares that may be issued under the ESFB ESOP Plan 2019 shall not exceed 110,000,000 Equity Shares. The objectives of ESFB ESOP Plan 2019 are, among others to encourage ownership of the Bank's Equity Shares by employees on an ongoing basis. The ESFB ESOP Plan 2019 is intended to benefit the Bank by enabling the Bank to attract and retain the best available talent to contribute and share in the growth of the Bank. Pursuant to the terms of the ESFB ESOP Plan 2019, our Bank may grant employee stock options to the eligible employees of EHL as well.

The ESFB ESOP Plan 2019 has been framed in compliance with the SEBI SBEB Regulations. As on the date of this Prospectus, 45,209,088 options have been granted by our Bank under the ESFB ESOP Plan 2019. The details of the ESFB ESOP Plan 2019 are as follows:

<table>
<tr><th>Particulars</th><th>Details</th></tr>
<tr><td>Options granted</td><td>45,209,088 options</td></tr>
<tr><td>Exercise price of options (in ₹)</td><td>₹27 per Equity Share and ₹38 per Equity Share</td></tr>
<tr><td>Vesting period</td><td>Minimum of one year from the date of grant and extending up to three years:
<table>
<tr><th>Vesting year</th><th>No of options</th><th>Vesting Criteria</th></tr>
<tr><td>FY 2020-21</td><td>27,636,588</td><td rowspan="2">Continuance of service</td></tr>
<tr><td>FY 2021-22</td><td>5,917,105</td></tr>
<tr><td>FY 2020-21</td><td>7,640,795</td><td rowspan="5">50% based on Continuance of service & 50% based on performance rating for FY 2019-20, 2020-21, 2021-22, 2022-23, 2023-24 & 2024-25</td></tr>
<tr><td>FY 2021-22</td><td>2,441,430</td></tr>
<tr><td>FY 2022-23</td><td>1,132,170</td></tr>
<tr><td>FY 2023-24</td><td>370,500</td></tr>
<tr><td>FY 2024-25</td><td>70,500</td></tr>
<tr><td>Total</td><td>45,209,088</td><td></td></tr>
</table></td></tr>
<tr><td>Options vested and not exercised</td><td>Nil</td></tr>
<tr><td>Options exercised</td><td>Nil</td></tr>
<tr><td>The total number of Equity Shares arising as a result of exercise of options</td><td>41,766,331 Equity Shares, assuming all grants are exercised as and when vested. As on the date of this Prospectus, no options have been exercised</td></tr>
<tr><td>Options forfeited/lapsed</td><td>3,442,757</td></tr>
<tr><td>Variation of terms of options</td><td>Nil</td></tr>
<tr><td>Money realized by exercise of options</td><td>Nil</td></tr>
<tr><td>Total number of options in force as on the date of this Prospectus</td><td>41,766,331 options</td></tr>
<tr><td>Employee-wise detail of options granted to:</td><td></td></tr>
<tr><td>i. Key managerial personnel</td><td>
<table>
<tr><th>Name of the Key Managerial Personnel</th><th>No of options granted</th></tr>
<tr><td>Raghavan H.K.N.</td><td>2,214,300</td></tr>
<tr><td>Murali Vaidyanathan*</td><td>1,200,000</td></tr>
<tr><td>Sridharan Nanuiyer</td><td>441,680</td></tr>
<tr><td>Prabhakaran A.</td><td>376,500</td></tr>
<tr><td>Ramasubramanian Krishnamoorthy</td><td>342,000</td></tr>
<tr><td>Dheeraj Mohan</td><td>345,600</td></tr>
<tr><td>Sathyananda Prabhu</td><td>291,000</td></tr>
<tr><td>Srinivasan Purohit</td><td>282,000</td></tr>
<tr><td>Alok Gupta</td><td>282,000</td></tr>
<tr><td>Pallab Mukherji</td><td>282,000</td></tr>
<tr><td>Natarajan Muthusubramanian</td><td>282,000</td></tr>
<tr><td>S. Sethupathy</td><td>234,900</td></tr>
<tr><td>Sharad Goklani</td><td>49,530</td></tr>
<tr><td>Sampathkumar K. Raghunathan</td><td>19,612</td></tr>
</table></td></tr>
<tr><td>ii. Any other employee who received</td><td></td></tr>
</table>

<table>
<tr><th>Particulars</th><th>Details</th></tr>
<tr><td>a grant in any one year of options amounting to 5% or more of the options granted during the year</td><td><table><tr><th>Name of the Key Managerial Personnel</th><th>No. of options granted</th><th>Percentage</th></tr><tr><td>Raghavan H.K.N.</td><td>22,14,300</td><td>5.35</td></tr></table></td></tr>
<tr><td>iii. Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant</td><td>Nil</td></tr>
<tr><td>Fully diluted Earnings per Equity Share – (face value ₹10 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with applicable accounting standard for ‘Earnings per Share’</td><td>Not applicable</td></tr>
<tr><td>Lock-in</td><td>Nil</td></tr>
<tr><td>Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹10 per Equity Share)</td><td>₹67.00 million</td></tr>
<tr><td>Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option</td><td>The pricing formulae used is Black-Scholes method, the model requires consideration of certain variables such as volatility, risk free interest rate, expected dividend yield , expected option life, market price and exercise price.</td></tr>
<tr><td>Impact on profit and Earnings per Equity Share – (face value ₹10 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI SBEB Regulations had been followed in respect of options granted in the last three years</td><td>Not applicable since the Options are granted from November 2019</td></tr>
<tr><td>Intention of the Key managerial personnel and whole time directors who are holders of Equity Shares allotted on exercise of options granted to sell their equity shares within three months after the date of listing of Equity Shares pursuant to the Offer</td><td>Nil</td></tr>
<tr><td>Intention to sell Equity Shares arising out of the ESFB ESOP Plan 2019 within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme, amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)</td><td>Nil</td></tr>
</table>

**Murali Vaidyanathan, an existing employee of the Bank, was allotted 1,200,000 options under the ESFB ESOP Plan 2019 on December 12, 2019. On January 2, 2020, he was designated as President and Country Head of Branch Banking, Liabilities, Product and Wealth of the Bank*

14. None of the directors of our Promoter, our Directors, or their relatives, or our Promoter Group have purchased or sold any securities of our Bank during the period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus with SEBI, the Red Herring Prospectus and this Prospectus.

15. As of the date of the filing of this Prospectus, the total number of our Shareholders is 16.

16. Our Bank, our Directors and the BRLMs have not made any or entered into any buy-back arrangements for purchase of Equity Shares.

17. All Equity Shares issued pursuant to the Offer will be fully paid up at the time of Allotment.

18. Except for Equity Shares that may be allotted pursuant to the conversion of employee stock options granted under the ESFB ESOP Plan 2019 and the Equity Shares allotted pursuant to the Offer, there will be no further issue of Equity Shares whether by way of issue of bonus shares, rights issue, preferential issue or any other manner during the period commencing from the date of filing of the Red Herring Prospectus and this Prospectus until the listing of the Equity Shares on the Stock Exchanges pursuant to the Offer.

19. There have been no financing arrangements whereby our Promoter Group, the directors of our Promoter, our Directors, and their relatives have financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity, during a period of six months preceding the date of filing of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus.

20. Our Bank presently does not intend or propose and is not under negotiations or considerations to alter its capital structure for a period of six months from the Bid/ Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. Provided, however, that the foregoing restrictions do not apply to: (a) the issuance of any Equity Shares under the Offer; and (b) any issuance, pursuant to the exercise of employee stock options under the ESFB ESOP Plan 2019. Except employee stock options granted pursuant to the ESFB ESOP Plan 2019, there are no outstanding convertible securities or any other right which would entitle any person any option to receive Equity Shares, as on the date of the Red Herring Prospectus and this Prospectus.

OBJECTS OF THE OFFER

In terms of the RBI In-Principle Approval, RBI Final Approval and SFB Licensing Guidelines, the Bank is required to list its Equity Shares on the Stock Exchanges within three years from the date of commencement of business by the Bank.

The Offer comprised of a Fresh Issue and an Offer for Sale.

Objects of the Fresh Issue

Our Bank proposes to utilize the Net Proceeds from the Offer towards augmenting our Bank's Tier I capital base to meet our Bank's future capital requirements.

Net Proceeds

The details of the proceeds from the Fresh Issue are summarized in the following table:

Particulars	Estimated amount (in ₹ million)
Gross proceeds of the Fresh Issue	2,800.00
(Less) Estimated Offer expenses	138.23
Net Proceeds	2,661.77

Requirements of funds and utilisation of Net Proceeds

The objects of the Offer are to augment our Bank's Tier – 1 capital base to meet our Bank's future capital requirements such as organic growth and expansion and to comply with the regulatory requirements for enhanced capital base, as may be prescribed in the future.

Offer for Sale

The Promoter Selling Shareholder shall be entitled to the proceeds from the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale. For further details of the Offer for Sale, see "*The Offer*" beginning on page 61.

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹255.53 million.

The Offer related expenses primarily include fees payable to the BRLMs and legal counsels, fees payable to the Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Sponsor Bank's fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges. Other than the listing fees which will be borne by our Bank, the Promoter Selling Shareholder and the Bank shall share the costs and expenses (including all applicable taxes) directly attributable to the Offer, based on the proportion of Equity Shares included in the Offer for Sale and the Equity Shares allotted by the Bank pursuant to the Fresh Issue, respectively, as a percentage of the total Equity Shares allotted/sold in the Offer.

The estimated Offer related expenses are as under:

Activity	Estimated expenses (in ₹ million)	As a % of the total estimated Offer expenses	As a % of the total Offer size
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	95.59	37.41%	1.85%
Selling commission/processing fee for SCSBs, Sponsor Bank and fee payable to the Sponsor Bank for Bids made by RIBs, Eligible Employees and Eligible EHL Shareholders using UPI (1)(2)(7)	12.21	4.78%	0.24%
Brokerage and selling commission and bidding charges for members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs(3)(4)(5)(6)			
Fees payable to the Registrar to the Offer	0.26	0.10%	0.00%
Fees payable to the other advisors to the Offer	26.87	10.52%	0.52%
Others			
- Listing fees, SEBI filing fees, upload fees, BSE & NSE processing fees, book building software fees and other regulatory expenses	22.13	8.66%	0.43%
- Printing and stationery	0.88	0.34%	0.02%
- Advertising and marketing expenses	47.89	18.74%	0.93%

Activity	Estimated expenses (in ₹ million)	As a % of the total estimated Offer expenses	As a % of the total Offer size
- Fee payable to legal counsels	35.94	14.06%	0.69%
- Miscellaneous	13.76	5.39%	0.27%
Total estimated Offer expenses	**255.53**	**100.00%**	**4.94%**

(1) *Selling commission payable to the SCSBs on the portion for Retail Individual Bidders, Non-Institutional Bidders, the Eligible EHL Shareholder Reservation Portion and the Employee Reservation Portion which are directly procured and uploaded by them would be as follows:*

Portion for Retail Individual Bidders	*0.35% of the Amount Allotted* (plus applicable taxes)*
Portion for Non-Institutional Bidders	*0.20% of the Amount Allotted* (plus applicable taxes)*
EHL Shareholder Reservation Portion	*0.25% of the Amount Allotted* (plus applicable taxes)*
Employee Reservation Portion	*0.25% of the Amount Allotted* (plus applicable taxes)*

** Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*
(1) No additional uploading/processing charges shall be payable to the SCSBs on the applications directly procured by them.
(2) The selling commission payable to the SCSBs will be determined on the basis of the Bidding terminal id as captured in the bid book of BSE or NSE.

(2) *Processing fees payable to the SCSBs of ₹10/- per valid application (plus applicable taxes) for processing the Bid cum Application Form of Non-Institutional Bidders and Eligible Employees procured from the Syndicate /Sub-Syndicate Members/Registered Brokers /RTAs /CDPs and submitted to SCSBs for blocking.*

(3) *Brokerages, selling commission and processing/uploading charges on the portion for Retail Individual Bidders (using the UPI Mechanism), portion for Non-Institutional Bidders, Eligible EHL Shareholder Reservation Portion and the Employees Reservation Portion which are procured by members of the Syndicate (including their Sub-Syndicate Members), RTAs and CDPs or for using 3-in1 type accounts-linked online trading, demat and bank account provided by some of the brokers which are members of Syndicate (including their Sub-Syndicate Members) would be as follows:*

Portion for Retail Individual Bidders	*0.35% of the Amount Allotted* (plus applicable taxes)*
Portion for Non-Institutional Bidders	*0.20% of the Amount Allotted* (plus applicable taxes)*
EHL Shareholder Reservation Portion	*0.25% of the Amount Allotted* (plus applicable taxes)*
Employee Reservation Portion	*0.25% of the Amount Allotted* (plus applicable taxes)*

** Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price*
(1) The selling commission payable to the Syndicate/Sub-Syndicate Members will be determined on the basis of the Bid cum Application Form number/series, provided that the Bid cum Application Form is also bid by the respective Syndicate/Sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the Bid cum Application Form number / series of a Syndicate/Sub-Syndicate Member, is bid by an SCSB, the selling commission will be payable to the SCSB and not the Syndicate / Sub-Syndicate Member.
(2) The payment of selling commission payable to the sub-brokers/agents of Sub-Syndicate Members are to be handled directly by the respective Sub-Syndicate Member.
(3) The selling commission payable to the RTAs and CDPs will be determined on the basis of the Bidding terminal id as captured in the bid book of BSE or NSE.

(4) *Uploading Charges/ Processing Charges of ₹30/- per valid application (plus applicable taxes) are applicable only in case of Bid uploaded by the members of the Syndicate, RTAs and CDPs for applications made by Retail Individual Bidders/Eligible EHL Shareholders using the UPI Mechanism*

(5) *Uploading Charges/ Processing Charges of ₹10/- per valid application (plus applicable taxes) are applicable only in case of Bid uploaded by the members of the Syndicate, RTAs and CDPs for applications made by Retail Individual Bidders/Eligible EHL Shareholders/Eligible Employees using 3-in-1 type accounts for Non-Institutional Bids using Syndicate ASBA mechanism / using 3- in -1 type accounts.*

The Bidding/uploading charges payable to the Syndicate / Sub-Syndicate Members, RTAs and CDPs will be determined on the basis of the Bidding terminal id as captured in the bid book of BSE or NSE.

(6) *Selling commission payable to the Registered Brokers on the portion for Non-Institutional Bidders which are directly procured by the Registered Brokers and submitted to SCSB for processing would be as follows:*

Portion for Retail Individual Bidders/the Eligible EHL Shareholder Reservation Portion/ the Employee Reservation Portion and Non-Institutional Bidders	*₹10/- per valid application* (plus applicable taxes)*

**Based on valid applications.*

(7) *Processing fees for applications made by Retail Individual Bidders using the UPI Mechanism will be*

Sponsor Bank	*₹8/- per valid Bid cum Application Form* (plus applicable taxes). The Sponsor Bank shall be responsible for making payments to the third parties such as remitter bank, NPCI and such other parties as required in connection with the performance of its duties under the SEBI circulars, the Syndicate Agreement and other applicable laws.*

** For each valid application.*

Means of finance

The fund requirements set out for the aforesaid objects of the Fresh Issue are proposed to be met entirely from the Net Proceeds. Accordingly, our Bank confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Offer and existing identifiable accruals as required under the SEBI ICDR Regulations.

Interim use of Net Proceeds

Our Bank, in accordance with the policies established by the Board from time to time, will have flexibility to deploy the Net Proceeds. Pending utilisation for the purposes described above, our Bank will deposit the Net Proceeds only with one or more scheduled commercial banks included in the second schedule of the RBI Act as may be approved by our Board or Listing Committee.

In accordance with Section 27 of the Companies Act, 2013, our Bank confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in the equity shares of any other listed company or for any investment in equity markets.

Bridge Financing Facilities

Our Bank has not raised any bridge loans from any bank or financial institution as on the date of this Prospectus, which are proposed to be repaid from the Net Proceeds.

Monitoring of Utilisation of Funds

In terms of the proviso to Regulation 41(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for this Offer. To the extent applicable, our Bank will disclose the utilization of the Net Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilised.

Our Bank will indicate investments, if any, of unutilised Net Proceeds in the balance sheet of our Bank for the relevant Fiscals subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Regulations 18(3) and 32(3) of the Listing Regulations, our Bank shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds.

On an annual basis, our Bank shall prepare a statement of funds utilised for purposes other than those stated in this Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilised. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Bank.

Further, in accordance with Regulation 32(1) of the Listing Regulations, our Bank shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the Net Proceeds of the Offer from the objects of the Offer as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Offer from the objects of the Offer as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Directors' report, after placing the same before the Audit Committee.

Variation in Objects

In accordance with Sections 13(8) and 27 of the Companies Act and applicable rules, our Bank shall not vary the objects of the Fresh Issue without our Bank being authorised to do so by the Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("**Postal Ballot Notice**") shall specify the prescribed details as required under the Companies Act and applicable rules.

The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Tamil, being the vernacular language of Tamil Nadu, where the Registered and Corporate Office is situated in accordance with the Companies Act and applicable rules. Our Promoter or controlling shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the objects, at such price, and in such manner, in accordance with our AoA, and the SEBI ICDR Regulations.

Appraising Entity

None of the objects of the Offer for which the Net Proceeds will be utilised have been appraised by any bank/ financial institution.

Other Confirmations

No part of the Net Proceeds will be paid by us as consideration to our Promoter, members of our Promoter Group, the Directors, Key Managerial Personnel and Group Companies, except in the normal course of business and in compliance with applicable law.

Our Bank has not entered into and is not planning to enter into any arrangement/ agreements with the Promoter, members of our Promoter Group, Directors, Key Managerial Personnel and Group Companies in relation to the utilisation of the Net Proceeds. Further there is no existing or anticipated interest of such individuals and entities in the objects of the Fresh Issue as set out above.

BASIS FOR OFFER PRICE

The Offer Price has been determined by our Bank and the Promoter Selling Shareholder in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is 3.3 times the face value. Investors should also see "*Our Business*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" "*Financial Statements*" and "*Summary of Financial Information*" on pages 120, 24, 306, 229 and 63, respectively, to have an informed view before making an investment decision.

Qualitative Factors

Some of the qualitative factors and our strengths which form the basis for computing the Offer Price are:

- Customer centric organization with a deep understanding of the unserved and underserved customer segments;
- Among the largest SFBs in India with a well-diversified asset portfolio;
- Strong retail liability portfolio with a strategic distribution network;
- Customized credit assessment procedures for effective credit risk management;
- Technology as an enabler to drive operating procedures; and
- Professional management, experienced leadership and trained employee base

For further details, see "*Our Business – Strengths*" on page 122.

Quantitative Factors

Some of the information presented below relating to our Bank is derived from the Restated Financial Information. For further details, see "*Financial Statements*" on page 229.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings Per Share ("EPS"):

Fiscal	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2018	0.32	0.32	1
March 31, 2019	2.09	2.09	2
March 31, 2020	2.39	2.39	3
Weighted Average	1.94	1.94	
Three month period ended June 30, 2020*	0.55	0.55	

**unannualized*

* *Weighted average means weighted average diluted and basic earning per share ("EPS") as per Restated Financial Information based on weights assigned for the respective year ends and before considering the dilutive impact of employee stock options granted vide resolution dated November 22, 2019 and circular resolution dated December 8, 2019 of the Nomination and Remuneration Committee of our Bank.*

NOTES:

$$\text{Basic earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of Equity Shares outstanding during the year/period}}$$

$$\text{Diluted earnings per share (₹)} = \frac{\text{Restated net profit available to equity shareholders}}{\text{Weighted average number of diluted Equity Shares outstanding during the year/period}}$$

(1) *Basic and diluted earnings per Equity Share are computed in accordance with Accounting Standard 20 'Earnings per Share'.*

B. Price/Earning ("P/E") ratio in relation to Price Band of ₹32 to ₹33 per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic EPS for fiscal 2020	13.39	13.81
Based on diluted EPS for fiscal 2020	13.39	13.81

Industry Peer Group P/E ratio

Particulars	Industry P/E (based on basic EPS)	Industry P/E (based on diluted EPS)
Highest	34.61	35.32
Lowest	5.02	5.02

Particulars	Industry P/E (based on basic EPS)	Industry P/E (based on diluted EPS)
Average	15.74	15.87

Note:

The industry high and low has been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average of P/E for industry peer set disclosed in this section. For further details, see " – Comparison with listed industry peers" on page 89.

C. Return on Net Worth ("RoNW")

Particulars (₹ in million)	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019	Fiscal Year Ended March 31, 2020	Three months ended June 30, 2020
(A) Net Profit for the year / period	318.31	2,105.66	2,436.35	576.71
(B) Capital	10,059.43	10,059.43	10,534.02	10,534.02
(C) Reserves & Surplus	10,378.09	12,483.75	16,907.47	17,484.18
(D) Capital Reserve	132.80	132.80	132.80	132.80
(E) Net Worth (B + C - D)	20,304.72	22,410.38	27,308.69	27,885.40
(F) Return on Net Worth (A / E) (%)	1.57%	9.40%	8.92%	2.07%*

* *unannualized*

NOTES*:*

1. *Net Worth represents sum of capital and reserve excluding capital reserve. Net Worth is a non-GAAP measure (see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation" on page 19. For a reconciliation of Net Worth, see "Selected Statistical Information" on page 225.*
2. *Return on Net Worth is the ratio of restated profit after tax, attributable to equity shareholders to Net Worth for the year/ period. Return on Net Worth is a non-GAAP measure (see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation" on page 19). For a reconciliation of Return on Net Worth, see "Selected Statistical Information" on page 225.*

Fiscal	RoNW (%)	Weight
March 31, 2018	1.57%	1
March 31, 2019	9.40%	2
March 31, 2020	8.92%	3
Weighted Average	7.85%	
Three month period ended June 30, 2020	2.07%*	

* *unannualized*

NOTE:

$$\text{Return on net worth (\%)} = \frac{\text{Restated profit after tax, attributable to equity shareholders}}{\text{Net worth as restated at the end of year/period}}$$

D. Net Asset Value ("NAV") per Equity Share

Fiscal / Period ended	NAV (₹)
As on March 31, 2020	25.92
As at June 30, 2020	26.47
After the completion of the Offer	At the Floor Price: 26.90 At the Cap Price: 26.96
Offer Price	26.96

NOTES*:*

1. *Offer Price per Equity Share is determined on conclusion of the Book Building Process. Net asset value per Equity Share represents restated net worth at the end of the year/period divided by total number of Equity Shares outstanding at the end of year/period*

2. *Net asset value is calculated by dividing Net Worth by number of Equity Shares outstanding as on the respective date*

E. Comparison with Listed Industry Peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to our businesses:

Name of the company	Consolidated / Standalone	Total Income (₹ in million) for the Fiscal 2020	Face Value per Equity Share (₹)	P/E (based on basic EPS)	P/E (based on diluted EPS)	EPS (Basic) (₹)	EPS (Diluted)	RoNW (%)	NAV (₹)
Equitas Small Finance Bank Limited	Standalone	29,277.95	10	13.81	13.81	2.39	2.39	8.92%	25.92
Listed Peers									
AU Small Finance Bank Limited	Standalone	49,919.76	10	34.61	35.32	22.78	22.32	15.45%	143.6
Ujjivan Small Finance Bank Limited	Standalone	30,258.14	10	14.63	14.70	2.19	2.18	11.71%	17.29
DCB Bank Limited	Standalone	39,277.25	10	7.33	7.44	10.90	10.74	10.84%	100.44
City Union Bank Limited	Standalone	48,485.49	1	23.08	23.33	6.48	6.41	9.36%	69.03
Bandhan Bank Limited	Standalone	124,346.91	10	16.99	17.01	18.78	18.76	20.64%	90.98
Shriram City Union Finance Limited	Consolidated	62,392.99	10	5.02	5.02	154.95	154.92	13.92%	1,112.81
Shriram Transport Finance Limited	Consolidated	165,826.30	10	5.95	5.95	110.73	110.73	13.87%	798.42
Cholamandalam Investment & Finance Limited	Consolidated	87,126.30	2	17.94	17.97	13.39	13.37	12.85%	100.05
Mahindra & Mahindra Financial Services Limited	Consolidated	119,964.56	2	7.48	7.50	17.48	17.44	8.89%	196.51
Sundaram Finance Limited	Consolidated	47,225.27	10	18.14	18.14	71.85	71.85	12.70%	604.24
CreditAccess Grameen Limited	Standalone	17,054.80	10	27.79	28.03	23.20	23.00	12.43%	186.43
Spandana Sphoorty Financial Limited	Consolidated	14,695.06	10	9.90	9.99	56.21	55.74	13.38%	408.29

Source: All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports of the respective company for the year ended March 31, 2020 submitted to stock exchanges

Financial information for our Bank is derived from the Restated Financial Information as at and for the year ended March 31, 2020.
Notes:
1. *P/E Ratio has been computed based on the closing market price of Equity Shares on NSE on October 20, 2020 divided by the Basic EPS/ Diluted EPS.*
2. *RoNW is computed as net profit after tax (or total comprehensive income, as applicable) divided by closing net worth. Net worth has been computed as sum of share capital, reserves and surplus, money received against share warrants and employee stock options outstanding, as applicable.*
3. *NAV is computed as the closing net worth divided by the Equity Shares outstanding as on March 31, 2020.*

F. The Offer price is 3.3 times of the face value of the Equity Shares

The Offer Price of ₹33 has been determined by our Bank and the Promoter Selling Shareholder in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process.

Investors should read the above mentioned information along with " *Risk Factors*" , " *Our Business*" , "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 24, 120, 306 and 229, respectively, to have a more informed view.

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO EQUITAS SMALL FINANCE BANK LIMITED AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA

The Board of Directors
Equitas Small Finance Bank Limited
4th Floor, Phase II, Spencer Plaza,
No. 769, Mount Road, Anna Salai
Chennai – 600 002,
Tamil Nadu, India

Dear Sirs,

Statement of Possible Special Tax Benefits available to Equitas Small Finance Bank Limited and its Shareholders under the Indian tax laws

1. We hereby confirm that the enclosed Annexures 1 and 2 (together, the "Annexures"), prepared by Equitas Small Finance Bank Limited (the "Bank"), provides the possible special tax benefits primarily available to the Bank and to the shareholders of the Bank as stated in those Annexures, under:

    - the Income-tax Act, 1961 (the "Act") as amended by the Finance Act 2020 and the Taxation and other Laws (Relaxation of Certain provisions) Ordinance 2020 as amended, i.e. applicable for the Financial Year 2020-2021relevant to the assessment year 2021-22, presently in force in India and

    - the Central Goods and Services Tax Act, 2017 and respective State/ Union Territory Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("GST Act"), the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act") as amended by the Finance Act 2020, i.e., applicable for the Financial Year 2020-21, presently in force in India.

      The Act, the GST Act, Customs Act and Tariff Act, as defined above, are collectively referred to as the "Relevant Acts".

2. Ability of the Bank or its Shareholders to derive the tax benefits as mentioned in Annexure 1 is dependent upon fulfilling of such conditions by them as prescribed under the Income-tax provisions, which, based on business imperatives the Bank faces in the future, the Bank or its shareholders may or may not choose to fulfil.

3. The benefits discussed in the enclosed Annexures are not exhaustive and the preparation of the contents stated in the Annexures is the responsibility of the Bank's management. We are informed that these Annexures are only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the proposed initial public offering of equity shares (the "Proposed IPO") by the Bank.

4. We do not express any opinion or provide any assurance as to whether:
    i. the Bank or its shareholders will continue to obtain these benefits in future;
    ii. the conditions prescribed for availing the benefits have been / would be met with; and
    iii. the revenue authorities/courts will concur with the views expressed herein.

5. The contents of the enclosed Annexures are based on information, explanations and representations obtained from the Bank and on the basis of their understanding of the business activities and operations of the Bank.

For **T R Chadha & Co LLP**
Chartered Accountants
ICAI Firm Registration Number: 006711N/ N500028

per **Sheshu Samudrala**
Partner

Membership Number: 235031
UDIN: 20235031AAAAAP7925
Place of Signature: Chennai
Date: 26.09.2020

ANNEXURE 1

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA – INCOME-TAX ACT, 1961

Outlined below are the possible special tax benefits available to Equitas Small Finance Bank Limited (the "Bank") and its Shareholders under the Income-tax Act, 1961 (the "Act") as amended by the Finance Act 2020 and The Taxation and other Laws (Relaxation of Certain provisions) Ordinance 2020, i.e. applicable for the Financial Year 2020-21 relevant to the assessment year 2021-22, presently in force in India.

I. Possible Special tax benefits available to the Bank

1. As per the provisions of Section 80JJAA of the Act, where the gross total income of an assessee to whom provisions of section 44AB applies, includes any profit and gains derived from business, then such assessee shall be entitled to claim a deduction of an amount equal to thirty percent of additional employee cost incurred in the course of such business in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided. The eligibility to claim the deduction is subject to fulfilment of prescribed conditions specified in sub-section (2) of section 80JJAA of the Act.

2. The Bank, being a Small Finance Bank, is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1) (viia) of the Act in computing its income under the head "Profits and gains of business or profession". The said deduction, which represents a timing difference for tax purposes, is available to the extent of 8.5% of the gross total income and 10% of the aggregate average advances made by rural branches of such bank, subject to the satisfaction of prescribed conditions. However, subsequent claim of deduction of actual bad debts under section 36(1) (vii) shall be reduced to the extent of deduction already allowed under section 36(1) (viia).

3. Further, the Bank being a Small Finance Bank, is also eligible for a deduction of 20% of the eligible profits or an amount transferred to the special reserve, whichever is lower, as per the provisions of section 36(1)(viii) of the Act in computing its income under the head "Profits and gains of business or profession". However, where the aggregate amounts transferred to such special reserve from time to time, exceeds two hundred percent of the paid-up share capital and general reserves, the Bank shall not get a deduction for such excess.

II. Possible Special tax benefits available to the Shareholders of the Bank

There are no possible special tax benefits available to the Shareholders of the Bank for investing in the shares of the Bank.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and the shareholders under the Income-tax Act, 1961 (i.e. the Act as amended by the Finance Act 2020) and The Taxation and other Laws (Relaxation of Certain provisions) Ordinance 2020, presently in force in India.

2. This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

3. This Annexure is as per the current direct tax laws relevant for the assessment year 2021-2022. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

4. Though benefit of section 80JJAA as mentioned above is also available to assessees other than banking companies, however same has been covered in the Annexure as the Bank has claimed the same in earlier years (i.e. FY 2017-18 and 2018-19) as well.

5. This Annexure is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax arising out of their participation in the Proposed IPO

6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement(s), if any, between India and the country in which the non-resident has fiscal domicile.

7. These comments are based upon the provisions of the specified direct tax laws, and judicial interpretation thereof prevailing in India, as on the date of this Annexure.

8. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

ANNEXURE 2

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA – OTHERS

Outlined below are the possible special tax benefits available to the Bank and its Shareholders under the Central Goods and Services Tax Act, 2017 and respective State/ Union Territory Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("GST Act"), the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2020, i.e., applicable for the Financial Year 2020-21, presently in force in India.

I. Possible Special tax benefits available to the Bank

No possible special Indirect tax benefits available to the Bank.

II. Possible Special tax benefits available to the Shareholders of the Bank

There are no possible special indirect tax benefits available to the shareholders of the Bank.

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and its Shareholders under the Central Goods and Services Tax Act, 2017 and respective State/ Union Territory Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 ("GST Act"), the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2020, i.e., applicable for the Financial Year 2020-21, presently in force in India.

2. This Annexure is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Proposed IPO.

3. Our comments are based on our understanding of the specific activities carried out by the Bank from April 1, 2020 till the date of this Annexure as per the information provided to us. Any variation in the understanding could require our comments to be suitably modified.

4. We have been given to understand that during the period from April 1, 2020 to the date of this Annexure, the Bank has:

   i. not availed any exemption or benefits or incentives under indirect tax laws;
   ii. not exported any goods or services outside India;
   iii. not imported any goods or services from outside India;
   iv. not made any fresh investment in any State of the country and has not claimed any incentive under any State Incentive Policy.

5. This annexure covers only indirect tax laws benefits other than the specific compliance provisions prescribed in relevant laws for a bank.

6. This annexure does not cover any income tax law benefits or benefit under any other law.

7. These comments are based upon the provisions of the specified Indirect tax laws, and judicial interpretation thereof prevailing in the country, as on the date of this Annexure.

8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

*Unless noted otherwise, the information in this section is obtained or extracted from "Analysis of Small Finance Banks and Various Loan Products" dated November 2019 (the "**CRISIL Report**") prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. Neither we nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Further, the calculation of certain of our statistical and/ or financial information/ ratios specified in the section titled "Selected Statistical Information" and otherwise in this Prospectus may vary from the manner such information is calculated by CRISIL Limited for purposes of, and as specified in, the CRISIL Report. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information.*

SMALL FINANCE BANKING INDUSTRY

In order to promote financial inclusion, the Indian banking industry has seen several changes in recent years. NBFCs such as, Bandhan and IDFC, received permission to set up universal banks. Further, a few microfinance companies, local area banks and NBFCs have received permission to set up SFBs. SFBs are allowed to take deposits, which provide them an edge of having lower cost of funds in comparison with NBFCs. MFIs turned into SFBs are now diversifying their advances mix, and focusing on other retail and corporate lending business.

Evolution of SFBs

Despite various measures taken by the Government to increase financial penetration in India, a significant percentage of India's population does not have access to basic financial services. In 2013, the RBI constituted a committee that recommended differential licensing in the form of payment bank and SFB. Accordingly, on November 27, 2014, the RBI released guidelines for a new class of banking entity, 'small finance banks', to cater to the diverse needs of the low income group. Further, on September 16, 2015, the RBI awarded SFB licenses to 10 players on account of the Government's focus towards financial inclusion and inclusive banking. Out of the 10 SFBs, there were eight microfinance players, one local area bank and one NBFC. The objective of SFB's is to extend banking services to the underserved and unserved population through savings instruments, and providing credit to small business units, small and marginal farmers, micro and small industries, and other unorganized sector.

The operations of SFBs is technologically driven in order to reduce the cost of operations and also ensure faster reach to the untapped market. According to World Bank's Global Findex Database 2017, India's financial inclusion level has improved significantly with the adult population's bank accounts rising from 53% in 2014 to 80% in 2017 on account of various Government initiatives, institution support and increase in usage of mobile phones as a medium for distributing financial services. As per CRISIL Inclusix, the index that measures the financial inclusion across 666 districts in India, financial inclusion score of 58.0 was reported in Fiscal 2016, having increased from a score of 50.1 and 35.4 in 2013 and 2009, respectively. The overall improvement of the financial inclusion score is primarily driven by the 'JAM' trinity, *i.e. Jan Dhan Yojana*, *Aadhaar* and mobile. Technology improvements help in financial penetration, however, the primary challenge for SFBs is still the ability to generate low cost deposits. While there exists a significant opportunity, SFBs will need to be innovative further in terms of introducing customized and flexible offerings to target the untapped market and move toward becoming universal banks.

Regulation

The following table set forth certain key features of the RBI regulation in relation to SFBs:

Parameter	Key guidelines
Scope of activities	• Basic banking activities such as, acceptance of deposits and lending to underserved and unserved sections of the society; • Financial services such as distribution of mutual funds and insurance products with prior approval from the RBI; • Prior approval required from the RBI for branch expansion of SFBs in the initial five years; after stabilization period of five years, the RBI may liberalize the prior approval requirement and scope of activities; and • SFBs cannot be a BC to other banks; however, they can have their own BC network.
Prudential norms	• Requirement of maintaining CRR and SLR as applicable to existing commercial banks; • 75% of ANBC should be given to sectors eligible under PSL as per the RBI; 40% as per PSL prescriptions and remaining 35% under the PSL, where the SFB has a competitive advantage; and

Parameter	Key guidelines
	• Minimum 50% of loan book to constitute loans of ticket size up to ₹ 2.5 million that can be relaxed by the RBI after a period of stabilization of five years.
Capital requirement	• Minimum paid up capital ₹ 1 billion; and • Minimum tier 1 capital: 7.5% of RWA; minimum capital adequacy ratio of 15% of RWA.
Shareholding	• Initial shareholding of the promoter in the bank should be brought down to 40% within first five years, and which should be further bought down to 30% within 10 years and further to 26% within 12 years from the commencement of operations; • Mandatory listing requirement of SFBs within three years of reaching a net worth of ₹ 5 billion; and • FDI as per the FDI policy for private sector banks, amended from time to time.
Branch requirement	• Required to have 25% of their branches in rural unbanked centres (population shall be less than 10,000) within one year of commencement of operations. SFBs are given three years to align their existing branches with this requirement but 25% of all new branches opened in a year should be in URCs.

Source: RBI, CRISIL Research

Further, the following tables provide details in relation to the Tier-wise classification based on population and population group, in accordance with the RBI:

Details of Tier-wise classification of centers based on population

Classification of centers (tier-wise)	Population (as per 2011 census)
Tier I	100,000 and above
Tier II	50,000 to 99,999
Tier III	20,000 to 49,999
Tier IV	10,000 to 19,999
Tier V	5,000 to 9,999
Tier VI	Less than 5,000

Population-group wise classification of centers	Population (as per 2011 census)
Rural center	Population upto 9,999
Semi-urban center	From 10,000 to 99,999
Urban center	From 100,000 to 999,999
Metropolitan center	1,000,000 and above

Source: RBI, CRISIL Research

Growth drivers

Sizeable market opportunity and credit at affordable rates

Due to the size of India's population and the lack of formal banking services for a significant section of India's population, driving financial inclusion has been a key priority for the Government. The banking system and PSL have been the most popular channels to bring the majority of India's population under formal credit institutions. Financial inclusion is a comprehensive exercise that constitutes several products and services, such as provision of bank accounts, insurance facilities, payment and remittance mechanisms, financial counselling and affordable credit. Further, various initiatives have been undertaken by the Government, which have been implemented by NABARD and through entities such as regional rural banks, cooperatives and commercial banks. In addition, in 1970s, such lending institutions achieved significant reach and increasing number of individuals did avail of credit facilities. However, major delinquencies in repayment severely impaired the financial health of such lending institutions and entities. Further, despite the rapid expansion in the scale of the institutions, several households continued to face difficulties in accessing credit facilities. Within the large range of products and services under financial inclusion, such financial players have a major role to play in the provision of credit. The size of the India market (in terms of financially excluded households), offers scope for sustainable credit to the poor at affordable rates to drive growth for SFBs in India.

Customized products aided by technology and availability of information

Increase in the use of technology has enabled lenders to provide customized product offerings to their target customer segments with much lower turnaround times. Further, availability of multiple data points facilitates lending decisions by firms within a few minutes by using data-driven automated lending models. These models help in the supply of credit to small business units and the unorganized sector at low cost. The use of technology is expected to also help such players in expanding their reach to underserved population and areas at a lower operating cost.

Availability of funds at cheaper rates

The ability to accept deposits through CASA and other retail deposits would provide SFBs a cheap source of funding which would help them in competing with NBFCs. Further, with the low cost of funds, SFBs would aim to expand their product portfolio and provide competitive rates in the market. In addition, with the further expansion of SFBs in underserved regions, the deposit base is expected to further increase and will help in expanding their asset side portfolio. Accordingly, SFBs will hold an advantage over NBFCs.

Target audience

SFBs aim to cater to the low-income segment and have an opportunity to offer them with various products and services.

Further, unlike NBFCs which expand horizontally with a special focus product, SFBs have the chance to expand vertically and horizontally which will enable them to have a good range of medium and low value customers and as a result, help in increasing their business. However, factors such as, lack of awareness of financial services, illiteracy and poverty will result in a challenge for SFBs from the demand side. Although SFBs will fare better in terms of product and service quality due to their focused approach, SFBs will have to create convenient touchpoints to initiate customers into saving regularly and also invest in human capital to equip their staff into mobilizing savings.

Region-wise levels of financial inclusion across parameters

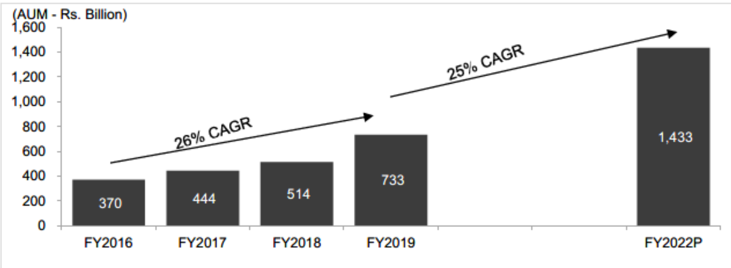
	Branch penetration		Credit penetration		Deposit penetration		Overall Inclusix	
Region	**2013**	**2016**	**2013**	**2016**	**2013**	**2016**	**2013**	**2016**
South	69.7	**77.3**	88.7	**91.6**	83.1	**95.3**	76.0	**79.8**
West	54.1	**60.1**	37.3	**59.1**	60.5	**78.5**	48.2	**62.8**
North	49.0	**55.9**	32.8	**44.8**	59.1	**77.0**	44.0	**51.7**
East	43.1	**42.8**	35.1	**42.5**	44.8	**68.1**	40.2	**48.2**
North-East	41.2	**42.5**	35.8	**47.7**	45.9	**63.7**	39.7	**46.5**
India	52.4	**57.2**	45.7	**56.0**	60.3	**78.3**	50.1	**58.0**

Source: CRISIL Inclusix- Vol IV (2018), CRISIL Research

South India is one of the regions that had the highest literacy rate and which is reinforced by the region's leadership in financial penetration in comparison with other regions. Further, as other regions continue to grow and with the Government's focus on rural rejuvenation, there exists a significant potential in east India and north-east India.

Industry growth and outlook for SFBs

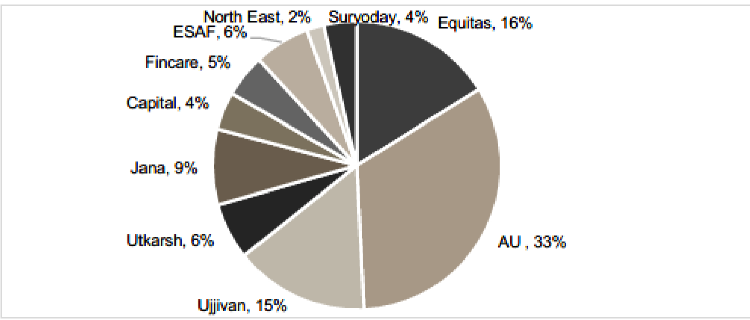
Huge opportunity to support growth over the next three years



Note: For Jana SFB, Utkarsh SFB and Suryoday SFB advances are considered, AUM considered for other players; P:Projected

Source: Company reports, CRISIL Research

Top 3 players account for 64% of the market as of FY 2019 (based on AUM)



Source: Company reports; CRISIL Research

SFBs have grown at a CAGR of 26% from Fiscal 2016 to Fiscal 2019, in terms of assets under management (AUM). Top three SFBs accounted for 64% of the total SFB AUM in Fiscal 2019, compared to 53% in Fiscal 2016. These top three SFBs recorded a CAGR of 34% from Fiscal 2016 to Fiscal 2019.

Further, it is expected that the loan portfolio of SFBs will grow at a CAGR of approximately 25% in the near term due to support from (i) significant market opportunities in the rural segment; (ii) new product offerings and cross-selling opportunities with the ability to cross-sell products on the liability side and asset side to improve customer stickiness and loyalty; (iii) higher presence of informal credit channels; (iv) geographic diversification; (v) ability to manage local stakeholders, (vi) access to low cost funds, and (vii) loan recovery and control on NPAs.

In the last three years, SFBs have shifted their focus from microfinance to other products, but the core customer focus is not likely to change owing to regulatory norms. Going forward, SFBs will have to focus on small ticket size lending to financially underserved and unserved segments (loans below ₹ 2.5 million have to form at least 50% of loan book).

The MFIs that converted into SFBs are expected to further diversify and expand their loan book beyond microfinance loans by focusing on allied segment loans such as MSME loans, affordable housing finance, gold loans, commercial vehicle/ noncommercial vehicle loans and two-wheeler loans.

Non-banks are expected to lose market share to well capitalized banks and SFBs amid ongoing crisis of confidence and consequent liquidity crunch

NBFCs grew at a strong pace in the first half of Fiscal 2019, up approximately 17% on-year. However, the default of IL&FS (Infrastructure Leasing and Financial Services) in mid-September created panic and investor confidence in lending to NBFCs declined. This subsequently led to a spike in market rates and slowdown in commercial paper (CP) and bond issuances for all NBFCs. Investors' risk perception increased significantly towards players with negative asset liability management (ALM) mismatch and high exposure to developer financing. NBFCs that have been relying heavily on short-term CP instruments to grow their book will find it difficult to grow at the same pace and will witness a sharp slowdown in their growth.

Wholesale and LAP segments are seen as the most affected by the impact of the ongoing liquidity squeeze, due to their longer tenured loans and subsequent ALM mismatch whereas financiers with shorter term loans and ability to pass on interest rates (such as Microfinance, consumer durable, gold loan segments) are not expected to face much of an impact.

Going forward, non-banks are expected to lose market share to well capitalised banks and SFBs amid ongoing crisis of confidence and consequent liquidity crunch. The NBFCs are heavily reliant on banks for funding which has led to a rise in cost of funds. However, access to deposits, resulting in lower cost of funds will allow SFBs to compete with NBFCs on pricing in the underpenetrated region and take away some share from NBFCs resulting in overall business growth for SFBs.

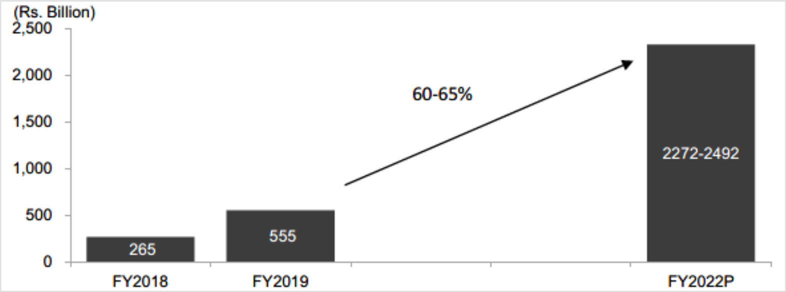
Overall deposits base of SFBs grew by 109% year-on-year in Fiscal 2019

SFBs have a sizeable growth opportunity as most of them were previously functioning as NBFCs/ MFIs. In the last one year, all SFBs have focused on increasing their deposit base immediately after commencement of their operations. Overall deposit base of SFBs has grown by 109% to around ₹ 555 billion in Fiscal 2019. However, the CASA deposit reduced from 24% in Fiscal 2018 to 20% in Fiscal 2019.

However, SFBs face stiff competition from public sector and private sector banks as these banks benefit from greater trust among the customers in the rural region. Cost of accepting deposits is also expected to be high in the initial years of operation due to high interest rate offerings in order to attract the customers. Further, the average deposit per customer in the rural region is low. In the long run, with a customer centric approach, use of technology, stability of the business model and improved reach, the cost of acquisition and interest paid is expected to reduce.

Going forward, it is expected that deposits will grow at a CAGR between 60% to 65% from Fiscal 2019 to Fiscal 2022, as players focus on promoting convenient banking habits in order to make it accessible to the last mile and enhance financial inclusion. In addition, few players are also contemplating capital injections to grow asset size and deepen their penetration in untapped geographies by expanding their network of branches/ banking outlets.

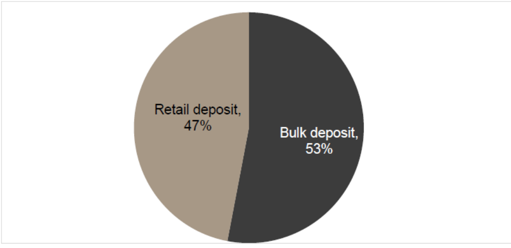
Deposits to grow at a robust pace



Note: P: Projected

Source: Company reports, CRISIL Research

Share of retail deposit in total deposit (FY2019)

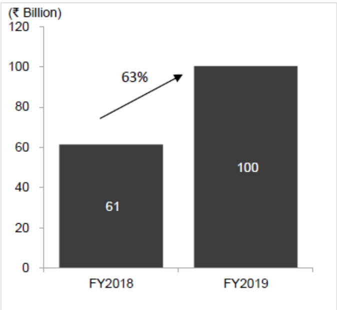


Note: 1) Retail deposit include CASA and Retail TD, 2) Bulk deposits include Institutional deposit

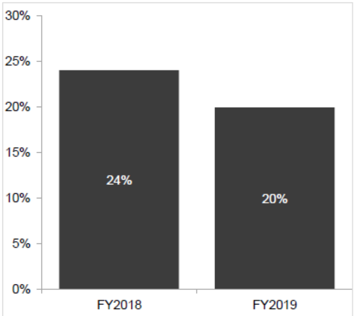
Data for share of retail deposits in total deposits includes data of AU SFB, Equitas SFB, ESAF SFB, Fincare SFB, Utkarsh SFB and Ujjivan SFB

Source: Company reports, CRISIL Research

CASA grew at 63% in FY 2019 (in Rs. Billion)



CASA Ratio



Note: 1) Data for CASA includes aggregate of AU SFB, Capital SFB, Equitas SFB, ESAF SFB, Fincare SFB, North East SFB, Suryoday SFB, Utkarsh SFB and Ujjivan SFB

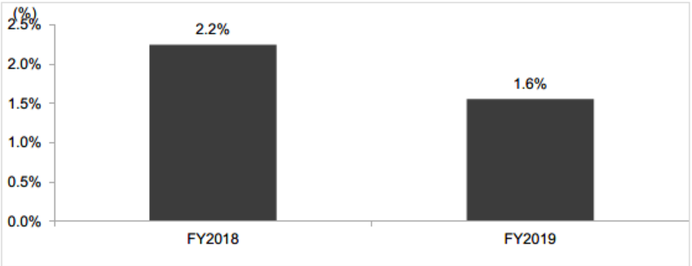
2) CASA ratio is calculated based on overall deposits excluding Certificate of Deposits (CoD).

Source: Company reports, CRISIL Research

Asset Quality of SFBs

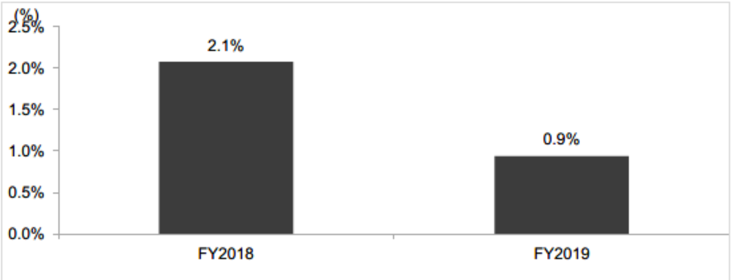
The asset quality of SFBs has improved to 1.6% in Fiscal 2019 from 2.2% in Fiscal 2018. This can be attributed to the diversification of their product mix into relatively less risky assets, write offs of legacy loans and reduction in microfinance loans. In the coming years the asset quality will vary depending on credit underwriting, monitoring and collection efficiency in the new lending segments of these SFBs. Credit costs for SFBs have also seen a decline from 2.1% in Fiscal 2018 to 0.9% in Fiscal 2019. This led to growth in profitability for the banks, reduced headwinds to bank's capital growth and enhanced the capacity of SFBs to lend.

GNPA trend of overall SFB Industry



Note: Data excludes data for Jana SFB and North East SFB
Source: Company Reports, CRISIL Research

Credit cost trend of overall SFB Industry



Note: Data excludes data for Jana SFB and North East SFB
Source: Company Reports, CRISIL Research

Profitability of SFBs is expected to improve

Newly converted SFBs had a challenging beginning in Fiscal 2018, as many players experienced decline in profitability due to losses in the second half of the financial year on account of stressed microfinance accounts. The main reason for the sharp increase in non-performing assets in the microfinance portfolio of SFBs was the dual impact of demonetization and loan waivers.

Profitability revived in Fiscal 2019 as credit costs on newly originated loans disbursed post demonetization was much lower. Further, due to a rapid growth in deposit base and a consequent reduction in cost of funds the net-interest-marginss also increased in Fiscal 2019 compared to the previous year. Profitability however remains partly constrained by high operating expenses representing approximately 7% of average assets.

Profitability is expected to improve moderately going forward on account of further reduction in operating expenses as players gradually scale up their banking operations with the aid of digitization. However, the reduction in operating expenses may not be consistent across the board, as it depends on the ability of SFBs to keep branch establishment and employee costs at stable levels, and also scale up their deposit and income base from these branches. Additionally, ability to maintain sound asset quality in new segments while managing growth and profitability across economic cycles remains to be seen.

Peer comparison

The following calculations have been applied to derive the metrics set out in this section:

List of formulae

S. n.	Parameters	Formula
1	ROA	Profit after tax / Average of total assets on book
2	ROE	Profit after tax / Average net worth
3	NIM	(Interest income – Interest Paid) / Average of total assets on book
4	Yield on advances	Interest earned on loans and advances / Average of total advances on book
5	Cost to income	Operating expenses / (Net interest income + Other income)
6	Cost of funds	Interest paid / (Average of deposits and borrowings)
7	Non-interest income	(Total Income-Interest Income) / Average of total assets on book

Equitas is the second largest SFB in terms of asset under management (AUM) and total deposits

The Bank is the second largest SFB in terms of AUM, behind AU SFB. Other players are relatively smaller when compared to the top three players. In terms of deposit, the Bank is the second largest with deposits of ₹ 90.1 billion, behind AU SFB with deposits of ₹ 194.2 billion.

Equitas witnessed the second fastest growth in deposits, only behind Fincare SFB

The Bank's deposits grew at a rate of 145% year-on-year in Fiscal 2019, behind Fincare which witnessed the fastest growth of 181%.

Equitas has the largest number of banking outlets

With a network of 991 banking outlets it is the leader among SFBs in terms of distribution network. This is followed by AU and Ujjivan SFB, with 558 and 524 outlets, respectively. However, Ujjivan SFB is present in 24 states/ union territories followed by the Bank which is present in 15 states/ union territories.

Details of small finance banks (FY 2019)

Players	AUM FY 2019 (Rs. Billion)	AUM growth (FY 2017-FY 2019)	Deposits (Rs. Billion)	Deposit growth YoY (FY 2018-FY 2019)	Credit to deposit ratio	Banking outlets^ (FY 2019)	Number of employees	Capital adequacy ratio (CAR)	States and UTs covered
AU SFB	242.5	50%	194.2	91%	1.17	558	12,623	19.30%	12
Equitas SFB	118.4	28%	90.1	145%	1.29	991	14,653	22.40%	15
Ujjivan SFB	110.5	32%	72.6	61%	1.43	524	14,757	18.90%	24
Jana SFB	62.2	-30%	42	NA	1.48	221	16747	18.80%	NA
Utkarsh SFB	46.7	70%	37.9	73%	1.23	482	6,282	24.10%	11
ESAF SFB	45.9	76%	43.2	71%	1.05	424	2,168	27.60%	14
Fincare SFB	35.3	64%	20.4	181%	1.35	364*	4,357*	23.60%	10*
Capital SFB	31.1	38%	36.7	29%	0.71	129	1315	17.47%	5
Suryoday SFB	27.1	82%	15.9	112%	1.70	382	4,000	35.90%	11

*Note: Jana SFB, Utkarsh SFB, Suryoday SFB advances are mentioned; Players are arranged in descending order of AUM. ^ Banking outlets including bank branches, asset centres and business correspondents outlets as reported by the players, NA - Not available, *As of FY 2018*

Source: Company reports, CRISIL Research

Credit Rating of SFBs

Players	Credit Rating
AU SFB	CARE AA- (Apr 2019) CRISIL AA- (June 2019) ICRA AA- (Aug 2019) IND AA- (Apr 2019)
Equitas SFB	CARE A+ (Oct 2018) CRISIL A (Feb 2019) IND A+(Mar 2019)
Ujjivan SFB	CARE A+ (Aug 2019)
Jana SFB	ICRA BBB- (Jul 2019)
Utkarsh SFB	CARE A (Sep 2018) ICRA A (May 2019)
ESAF SFB	BWR A (Feb 2019) CARE A (Mar 2019)
Fincare SFB	CARE A (Oct 2019) ICRA A (Oct 2019) IND A- (May 2019)
Capital SFB	BWR A+ (Mar 2019) IND BBB (Feb 2019)
Suryoday SFB	ICRA A (Mar 2019)

Source: Company Reports, CRISIL Research

Equitas SFB has the second highest CASA ratio; and third highest proportion of retail deposits in total deposits

Among the SFBs, Capital SFB has the highest CASA ratio of 38.39% followed by the Bank with a CASA proportion of 28.34%. The Bank has the third highest proportion of retail deposits in total deposits at 58.38%.

Deposit details of SFBs as of FY 2019

SFBs	Proportion of deposit in total borrowing (%)	Proportion of retail deposits in total deposits (%)	CASA (% of deposits)	Retail TD (% of deposits)	Bulk TD (% of deposits)
AU SFB	69.28	44.44	21.02	23.42	55.55
Equitas SFB	69.39	58.38	28.34	30.03	41.61
Ujjivan SFB	63.92	42.81	12.25	30.56	57.18
Jana SFB	50.68	NA	NA	NA	NA
Utkarsh SFB	72.62	30.77	10.01	20.76	69.23
ESAF SFB	71.72	92.33	13.55	78.78	7.67
Fincare SFB	61.43	23*	5.09*	18.16*	76.75*
Suryoday SFB	58.63	61.49	11.24	50.25	38.51
Capital SFB	91.10	NA	38.39	NA	NA

Note: 1) NA - Not available;

2) Retail deposit includes CASA and Retail term deposits; Bulk deposit include Institutional deposits

3) CASA ratio is calculated based on overall deposits excluding Certificate of Deposits (CoD);

*4) * As of FY 2018*

Source: Company reports, CRISIL Research

Equitas is third best in terms of advances per employee and fourth best in terms of deposits generated per employee

AU SFB has the highest business generated per branch at ₹ 757 million followed by Capital, Jana and Ujjivan SFB. The Bank is third best in terms of advances made per employee and fourth best in terms of deposits garnered per employee.

Operational Efficiency of SFBs as of FY 2019

SFBs	Business per branch (in Rs. Cr)	Advances per branch (in Rs. Cr)	Deposit per branch (in Rs. Cr)	Business per employee (in Rs. Cr)	Advances per employee (in Rs. Cr)	Deposit per employee (in Rs. Cr)
AU SFB	75.7	40.9	34.8	3.3	1.8	1.5
Equitas SFB	20.8	11.7	9.1	1.4	0.8	0.6
Ujjivan SFB	34.2	20.1	14.1	1.2	0.7	0.5
Utkarsh SFB	17.5	9.7	7.9	1.3	0.7	0.6
ESAF SFB	20.9	10.7	10.2	4.1	2.1	2.0
Fincare SFB*	6.5	4.5	2.0	0.6	0.4	0.2
Suryoday SFB	11.3	7.1	4.2	1.1	0.7	0.4
Capital SFB	48.6	20.1	28.4	4.8	2.0	2.8
Jana SFB	47.1	28.1	19.0	0.6	0.4	0.2

*Note: * As of FY 2018*

Source: Company reports, CRISIL Research

Product mix

SFBs have a high share of microfinance in their portfolio as eight out of 10 SFBs were MFIs initially. However, the share of microfinance in their portfolio has been decreasing due to increased focus on other segments such as MSME financing and affordable housing, to drive expansion of customer base and focus on higher ticket size loans.

Equitas has successfully diversified its loan portfolio and significantly reduced its dependence on microfinance business compared to other MFI players who have converted to SFB

The Bank has been able to successfully diversify its loan book away from microfinance business at a faster pace compared to other MFI players who have converted to SFBs.

Product mix of SFBs (as of FY 2019)

SFBs	MFI	Vehicle Loans	Mortgage Loans	MSME	Large and mid-corporate Loans	Gold Loans	Others
AU SFB	-	52%	-	43%	-	-	5%
Equitas SFB	26%	25%	3%	41%	4%	-	1%
Ujjivan SFB	83%	-	8%	5%	-	-	4%
Utkarsh SFB	89%	-	1%	4%	6%	-	1%
ESAF SFB	96%	0.1%	0.8%	1.9%	-	0.7%	0.2%
Fincare SFB*	85%	-	6%	-	7%	1%	1%
Suryoday SFB	81%	8%	5%	3%	-	-	2%

*Note: * As of FY 2018*

Source: Company reports, CRISIL Research

Profitability

<u>Equitas SFB has the fourth lowest yields indicating its diversification away from micro finance</u>

Fincare has the highest yield among SFBs, followed by ESAF. These players have high yields due to high share of microfinance loans in their portfolio. As these players diversify into other loan products, their yield is expected to decline like the Bank which has the fourth lowest yield.

<u>Fincare has the highest RoA and RoE amongst SFBs</u>

Fincare had the highest return on assets (ROA), at 3.2%, and Return on Equity (RoE), at 20.3%, in Fiscal 2019. The Bank recorded an ROA of 1.4% and ROE of 9.8%.

Players	Yield on advances (%)	Cost of funds (%)	NIMs (%)	Non-interest income (%)	Opex (%)	Cost to income (%)	PCR (%) ^	GNPA^ (%)	NNPA^ (%)	Credit cost (%)	Post tax-ROA (%)	ROE (%)
SFBs												
AU SFB	13.0	7.4	4.6	2.4	4.2	59.9	37.3	2	1.3	0.6	1.5	14.0
Equitas SFB	19.0	8.2	7.9	1.9	6.3	63.9	43.3	2.5	1.4	0.7	1.4	9.8
Ujjivan SFB	19.3	7.6	9.5	1.8	8.6	76.5	72	0.9	0.3	0.9	1.7	11.5
Jana SFB	18.3	10.2	4.6	1.2	11.8	204	NA	8.08	4.4	14.3	-20.3	-177
Utkarsh SFB	20.8	8.3	9.2	1.1	6.1	58.6	91.3	1.39	0.1	2.5	1.7	15.9
ESAF SFB	23.7	9.0	9.7	1.9	7.7	66.4	30	1.61	0.8	2.4	1.5	14.6
Fincare SFB	27.5 #	8.9	11.7	2.2	9.2	66.4	23.5*	1.3	0.4	1.5	3.2	20.3
Capital SFB	10.9	5.9	3.5	0.8	3.4	79.4	28.6	1.3	0.9	0.2	0.5	8.1
Suryoday SFB	23.0	9.1	11.4	2.3	6.6	48.0	58	1.81	0.8	2.5	2.9	12.2

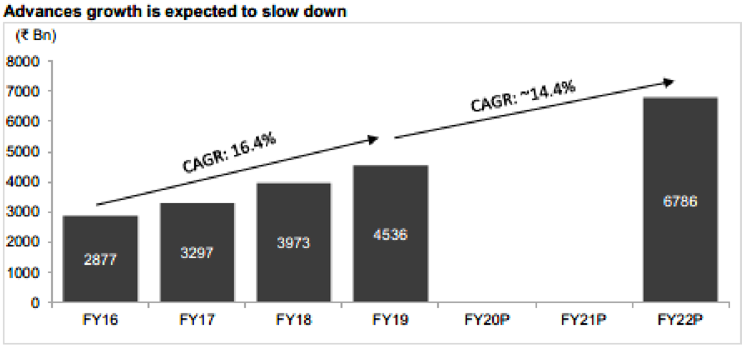
*Note: NA - Not available, * As of FY 2018;; ^ As per company reports; #Total Interest income is considered for calculation of yield*

Source: Company reports, CRISIL Research

ANALYSIS OF VARIOUS SEGMENTS

Loans against Property ("LAP")

A LAP is a secured loan availed by mortgaging a property (residential or commercial) with the lender, at interest rates lower than that of personal or business loans. LAP (banks and non-banks) grew at a CAGR of approximately 16.4% between Fiscal 2016 and Fiscal 2019 driven by rising penetration of formal channels and higher comfort for lenders to lend. However, the growth has slowed down in Fiscal 2019 owing to the liquidity crisis and increasing asset quality concerns and is expected to moderate and grow at a CAGR of approximately 14.4% till Fiscal 2022 due to cautious lending approaches, reduction in balance transfers and top up loans and a reduction in the share of high-ticket sized loans.



Note: P: Projected
Source: Industry, CRISIL Research

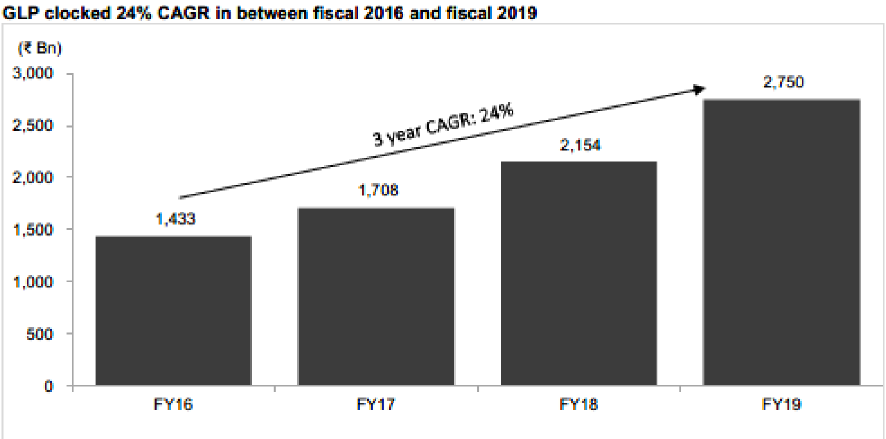
Competitive Scenario

In the past few years, the NBFCs have lost their share in LAP owing to efforts to contain asset quality deterioration and yield pressure. With liquidity crisis, non-banks (NBFCs and HFCs) have grown at a rate of 12% in Fiscal 2019 against a CAGR of 19% to 20% till Fiscal 2018. Growth of non-banks is expected to slow down to 9% to 11% till Fiscal 2022 and they are expected to lose market share. SFBs are focusing on low ticket size loans in this segment which is seeing faster growth as compared to high ticket size loans in this segment. This will further augment the share of SFBs in the segment.

Microfinance

Industry GLP recorded a CAGR of 24% since Fiscal 2016

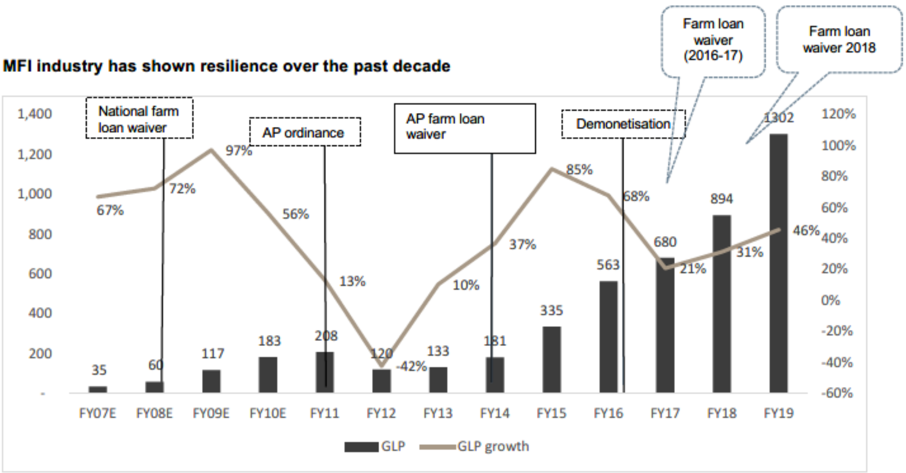
The microfinance industry has recorded healthy growth in the past few years, and the industry's Gross Loan Portfolio (GLP) grew at a CAGR of 24% since Fiscal 2016.



Note: Data includes data for Banks SHG, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
Source: CRISIL Research, Industry

The industry has grown at a CAGR of 39% since Fiscal 2007, despite adverse developments in the past decade such as national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), SFB licences issued to eight MFIs (in-principle approval in 2015), demonetization (2016), and farm loan waiver across some more states (in 2017 and 2018).

MFI industry has shown resilience over the past decade



Note: Data excludes data for Banks

Source: CRISIL Research, MFIN, Bharat Microfinance

On November 8, 2016, the Indian government announced the demonetization of banknotes of ₹500 and ₹1,000 denominations. Approximately 86% of the currency in value terms was removed from circulation while replacement of currency (with ₹100 and ₹2,000 notes) by the central bank was sluggish. As a consequence, GLP of the MFI industry, which was growing at approximately 70% in the first half of Fiscal 2017 suddenly declined to 22% by the end of the year. Disbursements declined by approximately 29% in the second half of Fiscal 2017 as compared to 60% growth in the first half of Fiscal 2017.

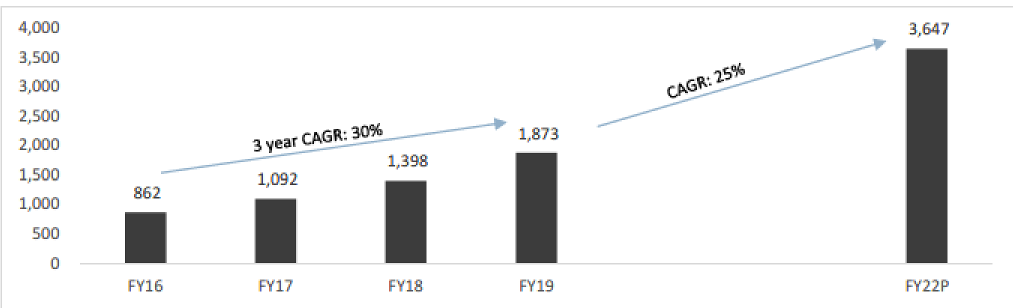
Customers belonging to this industry are the bottom of the pyramid and majority of their earnings are cash-based. Further, customers relying on daily-businesses experienced significant earnings loss due to decreased demand on account of non-availability of cash. Most of these customers belong to rural areas where the penetration of banking is low, and the cash crunch significantly affected the industry.

Rising penetration is expected to help the microfinance industry grow at a CAGR of approximately 25% over the next three fiscals

As of March 31, 2019, the microfinance industry, excluding self-help group (SHG) bank linkage programme had grown at a CAGR of 30% since Fiscal 2016. In Fiscal 2019, the industry grew by 34% and the number of microfinance accounts grew by 27% to amount to ₹ 93.8 million from ₹ 74.1 million in Fiscal 2018. The domestic microfinance industry has a significant opportunity to capture share from unorganized players by growing their portfolio and covering areas that are less penetrated.

It is expected that the microfinance loan portfolio will grow at a CAGR of 25% from Fiscal 2019 to Fiscal 2022, which is much lower compared with the previous three years. By Fiscal 2022 the industry portfolio level is expected to be almost double compared to Fiscal 2019, driven by continuous expansion in the client base of MFIs and healthy growth in the rural areas where MFI penetration is still much lower compared to urban areas. Among the various player groups, SFBs who are diversifying their portfolio into other loan products apart from microfinance loans, are expected to grow their microfinance loans portfolio at a relatively slower pace.

Growth in client base to drive MFI loan portfolio



Note: Data includes data for Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
P: Projected

Source: CRISIL Research, Industry

Gradual development in other support systems

Role of MFIN

In June 2014, the MFIN was officially recognized as a SRO for NBFC-MFIs in India. The MFIN is authorised by the RBI to exercise control and regulation on its behalf, to ensure compliance with regulatory prescriptions and the industry code of conduct. The MFIN is the first network to attain such recognition in India and Asia and also maybe internationally. In September 2017, MFIN released a MACC. Under the MACC, an institution will not lend to a borrower that has already availed of loans from three microcredit lenders. While the existing RBI regulations are applicable only to NBFC-MFIs, MACC will cover all entities excluding SHGs. In addition, MFIN's responsibilities includes research and training and submission of MFI financials to the RBI. More than 50 leading NBFC–MFIs in India are members of the MFIN.

Credit bureaus

Credit bureaus collect MFI information in their databases that captures the credit history of borrowers. The presence of a number of credit bureaus ensures that MFIs have access to more data on their borrowers, helping them make informed lending decisions in the long run. As per current norms, a borrower cannot avail of a loan from an MFI if there are already two NBFC-MFI loans existing. This is where the role of a credit bureau becomes critical, as it provides information on two levels- the number of credit lines that a borrower has already availed of, and the borrower's credit history in terms of, amongst others, repayment track record and defaults.

*Micro Units Development & Refinance Agency ("**MUDRA**")*

In Union Budget 2015-2016, the Government proposed the formation of MUDRA to facilitate the financial inclusion of the non-corporate smaller business sector through refinance and development support. A majority of this sector does not have access to formal sources of finance. MUDRA will be responsible for refinancing and developing the micro-enterprises sector by providing support to financial institutions that lend to small and micro business entities. It will also help reduce interest rates of the aggregate funds given to MFIs. In Fiscal 2019, ₹ 2,732 billion was disbursed under the Pradhan Mantri Mudra Yojana to 54.1 million accounts. The loan disbursal has been on the rise over the past few years but the growth did slowdown reflecting caution among lenders. The small business loans disbursed also did not achieve the target for Fiscal 2019.

NABARD refinancing MFIs to encourage lending in rural areas

NABARD is the main facilitator and mentor of microfinance initiatives in India, with a focus on rural areas. It assists eligible NBFC-MFIs and SFBs by providing them with long-term refinance support. NBFC-MFIs having continuous profit during the last three years and grading up to mfR2 (mfR3 in northeastern states and hilly areas) by CRISIL or equivalent, are eligible for refinance, subject to the fulfilling of other conditions.

Digitalization to bring down costs, improve efficiency and profitability for MFIs

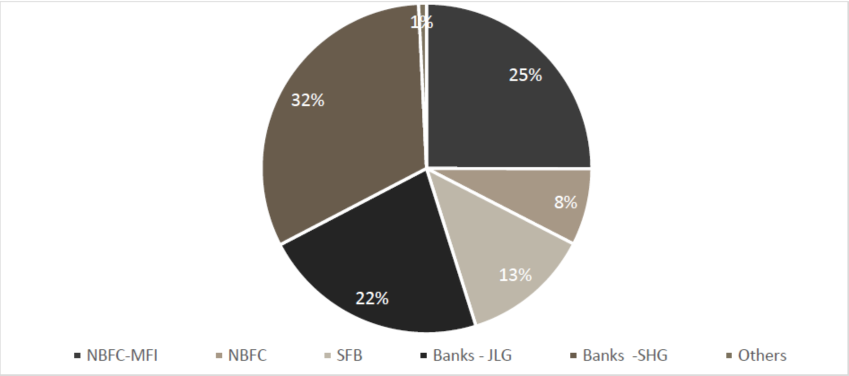
Digitalization is critical to the MFI industry since lower operating costs can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal. About 58% of the total member MFIs have reported to have more than 50% of their disbursement through cashless mode out of which 44 players have 85% of their disbursement through cashless mode. To improve efficiency, many MFIs have provided tablets to their loan officers, thereby eliminating branch visits by loan officers for routine procedural activities. Digitalization is also helping microfinance institutions monitor disbursed loans as each borrower's data is available in digital form and can be accessed easily. Paperwork has reduced with the use of tablets and entries on disbursements and repayments are made in real time.

Direct updation of information on the core platform has also enabled better servicing of customers by use of customer relationship management applications, which help in the handling of customers over their credit life cycles. It also helps in targeted marketing, cross-selling of products, and product customization. E-KYC and biometric scanners do away with the requirement for physical documents and help lower turnaround time. The lower cost of serving customers, better productivity and lower credit costs through the use of technology are expected to help MFIs improve profitability. However, not all MFIs will be able to adopt technology; only those who have a sizable business will be able to invest in technology and reap the full benefits.

SFB license for eight MFIs (2015)

The RBI awarded in-principle SFB licenses to 10 applicants on September 16, 2015, of which eight were MFIs. All the MFI applicants received final approval from RBI to start operations. These SFBs cumulatively accounted for approximately 13% of the total gross loan portfolio of the industry as of Fiscal 2019.

SFBs account for 13% of the total gross loan portfolio (FY19)



Note: Data includes data for Banks SHG, Bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
Source: CRISIL Research, Industry

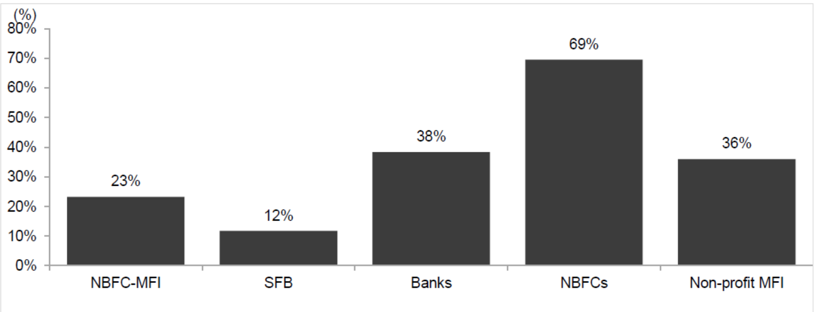
Competitive Dynamics

SFBs MFI portfolio to grow at a moderate pace owing to portfolio diversification

There are multiple players in the microfinance industry with varied organisational structures. Loans in the microfinance sector are provided by banks, SFBs, NBFC-MFIs, other NBFCs, and non-profit organisations. Banks provide loans under the SHG model. However, they also give microfinance loans directly or through business correspondents to meet their priority-sector lending targets.

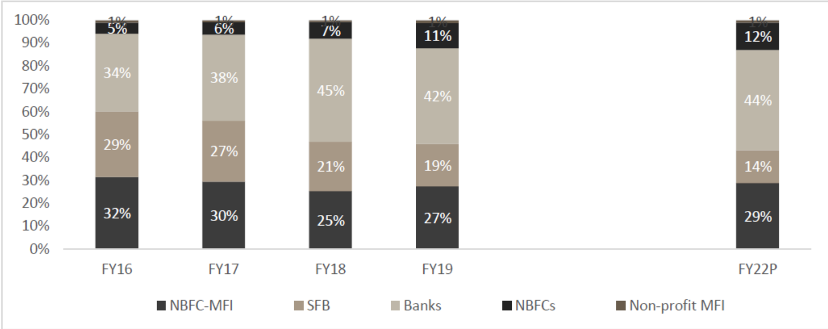
NBFC-MFIs and non-profit MFIs are the only two player groups with loan portfolios exclusively focused towards microcredit. Some of the well-established MFIs have converted to SFBs or have been acquired by banking institutions which has led to a changing landscape. Bharat Financial, one of the biggest MFIs in 2016 and 2017 merged with Indusind bank, which has led to a strong three year growth at a CAGR of 38% for the banks as compared to 23% of NBFC-MFIs. SFBs grew at CAGR of 12% between Fiscal 2016 to Fiscal 2019. After commencement of operations, SFBs with MFI lending businesses started exploring asset classes such as affordable housing, SMEs and vehicle finance, which will result in moderate growth in microloans for SFBs.

Growth rate of micro finance loans given by various player groups over fiscal 2016 to fiscal 2019



Note: 1. Data includes data for Banks JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.
2. Portfolio of BFIL is included under NBFC-MFI in 2016, 2017 and under banks in 2018 and 2019
Source: CRISIL Research

Banks and SFBs combined have more than half the share in gross loan portfolio



Note: 1. Data includes data for Banks JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

2. Portfolio of BFIL is included under NBFC-MFI in 2016, 2017 and under banks in 2018 and 2019

P: Projected

Source: CRISIL Research

Key players in Microfinance

Details of key players (FY 2019)

Parameters	Gross loan portfolio (GLP) as of FY19 (Rs Billion)	GLP growth (3 year CAGR) as of FY19	Banking outlets as of March 2019	GLP per branch (Rs million)	Presence in number of states	Presence in number of districts	Employee strength
Bandhan Bank	447.7	54%	4000*	111	34	NA	32,342
Credit Access Grameen	71.6	41%	670	106	9	157	8,064
Satin Creditcare	63.7	25%	977	65	22	340	10,419
Spandana	31.6	37%	694	45	14	222	4,045

*Note: *Includes branches and DSCs, Players are arranged in descending order of Microloans AUM*

Source: MFIN, Company reports, CRISIL Research

Credit Rating of key players

Players	Credit Rating
Bandhan Bank	CARE AA- (Jan 2019) ICRA AA (Mar 2019)
Credit Access Grameen	ICRA A+ (Sept 2019)
Satin Creditcare	CARE A- (Sep 2019) ICRA A- (Sep 2019) IND A- (Jul 2019)
Spandana	ICRA A- (Mar 2019)

Source: Company Reports, CRISIL Research

Profitability of MFIs (fiscal 2019)

Profitability parameters	Yield on advances	Cost of funds	NIMs	Non-interest (% of average assets)	GNPA^	NNPA^	ROE	ROA
Bandhan Bank	16.5%	5.5%	8.9%	2.1%	2.0%	0.6%	19.0%	3.9%
CreditAccess Grameen	20.6%	10.0%	12.9%	0.03%	0.6%	0.0%	16.9%	5.2%
Satin Creditcare	18.2%	13.5%	8.3%	0.00%	2.9%	2.3%	19.1%	3.0%
Spandana	25.9%	13.5%	16.4%	0.1%	7.9%	0.0%s	18.8%	6.1%

Note: ^ As per company reports

Source: MFIN, Company reports, CRISIL Research

Gold Loans

Gold loans are typically small ticket, short duration, convenient loans with instant credit. As of March, 2019 industry AUM recorded a growth of approximately 13% year-on-year amounting to ₹ 2.8 trillion on account of increased focus of NBFCs on diversifying their regional concentration, aggressive marketing and stable gold prices. The gold loan market is further expected to grow at a CAGR of approximately 10% over the next three years to ₹ 3.8 trillion by Fiscal 2022. Stable demand and initiatives to increase awareness are expected to help the industry grow moderately along with geographic diversification and rising interest from the northern, western and eastern regions.

SFBs to witness strong growth due to following reasons: (i) large customer base, owing to experience in the MFI industry over the years, SFBs have access to large customer segment, both, agriculture and non-agriculture. Large set of such loans would classify under PSL and customers would get subsidies. This would help SFBs cater customers by providing gold loans at competitive interest rates as compared to gold loan NBFCs; (ii) greater accessibility of SFBs will enable them to penetrate the gold loan segment due to their ability or past experience to serve non-bankable and underbanked customers in tier III and tier IV cities. SFBs will therefore be able to capture market share in the organized market and also increase the share of organized financiers in the industry by catering to untapped customers in remote regions.

Affordable housing loan (Ticket size < ₹ 2.5 million)

Affordable Housing Loans are expected to increase at a CAGR of approximately 9% to 10% till Fiscal 2022

The affordable housing loan segment has grown at a CAGR of 12% from Fiscal 2016 to Fiscal 2019. As of March 31, 2019, the outstanding loans were approximately ₹ 8.5 trillion, having grown from 11% from approximately ₹ 7.7 trillion as of March 31, 2018. The affordable housing loan is further expected to increase by approximately 9% to 10% until Fiscal 2022. Loans with ticket sizes from ₹ 1 million to ₹ 2.5 million are expected to grow faster than the low cost housing finance loans below ₹ 1 million.

Low mortgage penetration and increasing lender interest to lead growth

While the mortgage-to-GDP ratio in India is very low at 12.4% as of March 31, 2019, mortgage penetration in affordable housing is considered to be even smaller. Due to the burgeoning traditional mortgage finance market, a few commercial banks have entered the affordable housing market. These banks tend to offer long-term mortgage loans, which extend to 20 years and require down payment between 10% and 30% of the home value, pay slips, and legal title to property. Even at such levels, affordable housing loan penetration in India is expected to remain lower than in developed markets, such as, the United States and developing countries, such as, China.

Growth Drivers

Higher affordability led by increasing disposable income

India's per capita income has been growing at a healthy rate and amounted to ₹ 92,718 in Fiscal 2019 (base year Fiscal 2012). Per capita income is estimated to have grown at 5.8% in Fiscal 2019 compared to 5.7% in Fiscal 2018. The increasing trend in per capita income is expected to continue. In the short-to-medium term, disposable income will rise as a result of implementation of the Seventh Pay Commission recommendations and the One Rank One Pension scheme, and sustained low inflation. This will be an enabler for domestic consumption. Further, increasing disposable income typically has a positive correlation with demand for housing units as it increases affordability.

Rapid urbanization will increase housing demand

Urbanization provides an impetus to housing demand, as migrants require housing units. The rising trends of the urban population has pushed up the demand for houses in urban areas. People from rural areas move to cities for various reasons, including better job opportunities, education and avail better lifestyle. Approximately 36% of India's population is expected to live in urban locations by 2020, which will drive the demand for housing in these areas. Urbanization has a similar impact on housing demand. On the one hand, it reduces the area per household, while on the other hand, there is a rise in the number of nuclear families, which leads to the formation of more households.

Rise in number of nuclear families leads to demand for new houses

Nuclearisation refers to formation of multiple single families out of one large joint family. Each family lives in separate houses, while the ancestral house may be retained or partitioned to buy new houses. Nuclearisation in urban areas is primarily driven by changing lifestyle of people, individualism, changing social/cultural attitudes and increased mobility of labour in search of better employment opportunities. Such trends are expected to continue in the future.

Changing floor space requirement: Floor space requirement is dependent upon the size of the family as well as affordability determined by the income levels. With increasing nuclearisation, the per capita floor space area required reduces as the family size shrinks. As incomes increase, people shift to bigger houses, accordingly, increasing existing demand. For lower income groups, floor space required is marginally higher in rural areas compared with urban areas, which may be attributed to lower prices in rural areas.

Tax incentives

The Government has traditionally used tax regulations to promote the housing sector. Tax incentives for the housing sector have been instrumental in driving growth in the housing and housing finance sectors. Tax benefits announced in the Union Budget 2019-20 include interest deduction on loans taken until March 31, 2020, for the purchase of a house valued up to ₹ 4.5 million, which has been enhanced to ₹ 0.35 million from ₹ 0.2 million. The additional interest deduction of ₹ 0.15 million would reduce the effective home loan interest rate by 40-50 basis points (bps) for a typical 15-year loan. In addition, certain other tax benefits are as follows:

- As per Section 24 (b) of the Income Tax Act, 1961, annual interest payments of up to ₹ 200,000 (₹ 300,000 for senior citizens) on housing loans can be claimed as a deduction from taxable income;
- As per Section 80 C (read with Section 80 CCE) of the Income Tax Act, 1961, principal repayments of up to ₹ 150,000 on a home loan are allowed as a deduction from gross total income; and
- As per Section 80 EE, an additional deduction in respect of interest of ₹ 50,000 per annum has been provided exclusively for first-time home buyers, given the property value is up to ₹ 5 million and the loan is up to ₹ 3.5 million.

Interest subvention scheme will increase loan disbursements over next 3-5 years

The Cabinet Committee on Economic Affairs approved a proposal to increase the interest subsidy to 6.5% for loans of up to ₹ 0.6 million for economically weaker sections and lower income group beneficiaries under affordable housing through the CLSS component of the 'Housing for All' by 2020 mission. In February 2017, benefits of the CLSS were extended to include middle-income group households with incomes ranging between ₹ 0.6 million and ₹ 1.8 million. This will lead to an increase in loan disbursements over the next few fiscal years, resulting in faster outstanding growth. Higher government support for the affordable-housing segment (in terms of interest rate subsidies) as well as a low interest rate scenario will increase overall housing loan demand over next two fiscal years.

Government schemes

- Under the PMAY-G, approximately 15 million houses have been constructed so far. The Government has set up a construction target of 19.5 million houses up to Fiscal 2022 under Phase II. It is believed that the scheme relies heavily on extra budgetary resources raised through the NABARD bonds. The flow of funds for the second phase will be key with an investment requirement of ₹ 1,600 billion, or ₹ 80,000 per house. Only ₹ 190 billion has been provided for Fiscal 2020 with almost ₹ 1,400 billion additional needs over next two years to achieve PMAY-G targets.

- Under PMAY-U, out of the estimated ten million houses to be constructed over seven years (Fiscal 2016 to Fiscal 2022), 8.4 million houses have been sanctioned as of July 2019. Of these, while 2.6 million houses have been constructed, 2.2 million houses are under construction. Like PMAY-G, PMAY-U also relies heavily on extra budgetary resources raised through Housing and Urban Development Corporation Limited bonds. The flow of funds from the central Government remains significant for the scheme's success, as it needs approximately ₹ 15,000 billion over the remaining life of the scheme an average of ₹ 150,000 per house. Currently, only 34% of this amount, *i.e.*, ₹ 514 billion, has been released and accordingly the Central Government needs approximately ₹ 986 billion to achieve PMAY-U completion.

Ease of access to finance and rise in finance penetration to drive the housing industry

Growth of the housing sector in India also depends on the availability of finance and the cost of obtaining such financing. The availability of finance can broadly be evaluated through finance penetration. The increase in housing demand over the past few years was primarily due to easy availability of finance along with low interest rates. In addition, the presence of a large number of financiers across categories contributed to the growth in housing demand. Increase in finance penetration is also expected to support the housing industry's growth. Rising demand for housing from Tier II and Tier III cities, and a subsequent surge in construction activity has increased the focus of financiers on these geographies. Consequently, finance penetration in urban areas is estimated to have increased to 44.8% in 2019, from an estimated 39% in 2012. With the increase in affordable housing and rising competition in mid-ticket size loans, finance penetration is expected to increase more than 45% in urban areas over the next two years.

Impact of GST

A significant reduction in GST from 8% to 1% for under-construction affordable housing projects (effective rate after deducting one-third towards land cost) and from 12% to 5% for other under-construction housing projects (effective rate after deducting one-third for land cost), is expected to increase end user demand. In addition, the GST Council adopted a new definition for affordable housing, which is now described as a residential house/ flat with a carpet area of up to 90 square metres in non-metropolitan cities/towns, and 60 square metres in a metro, and having value of up to ₹ 4.5 million. Metros identified are Bengaluru, Chennai, National Capital Region of Delhi (limited to New Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region). Further, approximately 40% to 45% of the on-going supply in these six cities fall below the ₹ 4.5 million ticket size, so the effective GST rate of 1% should increase the demand. Over the past two years, preference for completed projects has been clearly visible because of the additional GST burden and execution risks associated with under-construction properties. With the RERA framework evolving and GST reduced, end-user confidence towards under-construction properties is expected to improve will also gradually improve volume growth in the housing segment.

Effective implementation of RERA to aid transparency and drive growth in long term

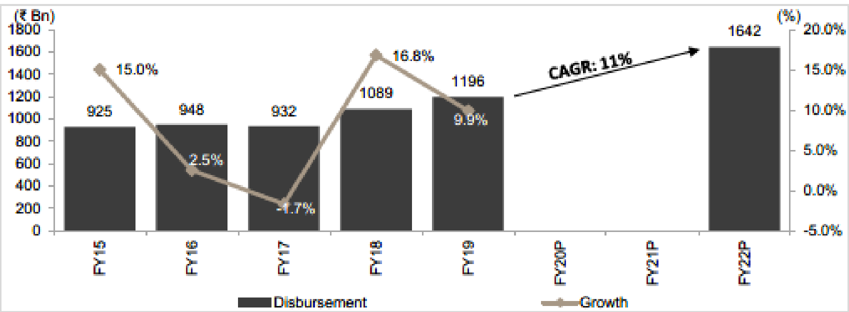
RERA could have some impact over the next 1-2 Fiscals until the housing industry adjusts to the new regulations, as it has, coupled with sluggish demand, forced developers to focus on completing their existing projects, which has resulted in fewer new launches of residential properties. However, it is expected that RERA will lead to better structure, transparency and discipline in the sector in the future.

Used Commercial Vehicle Financing

The used-CV finance market recorded strong growth till Fiscal 2015, supported by demand from small-fleet operators and first-time users, and rising need for freight transport, healthy profitability and availability of finance. However, in Fiscals 2016 and 2017, the growth was muted. The disbursement growth slowed due to poor fleet demand from customers owing to slowdown in economic growth that resulted in low capacity utilization of existing fleet of the transport operators, making it challenging for operators to pass on the increase in operating costs, leading to a rise in delinquencies and, consequently, higher credit costs for NBFCs. Also, the replacement cycle of large-fleet operators has stretched to almost five years from an average of four years owing to lack of visibility on contracts and existing unutilized capacities.

In Fiscal 2018 and Fiscal 2019, the loan disbursement for purchase of used commercial vehicles grew at approximately 17% and 10% respectively. The used medium and heavy commercial vehicle segment has witnessed faster growth than light commercial vehicles because of increasing demand from road and mining sector along with a stricter implementation of the overloading ban. The growth rate is expected to remain stable over the next two fiscals as the proportion of vehicles coming into financing remains low. In the backdrop of BS-VI transition, financing is expected to be stronger for the medium and heavy commercial vehicle segment on expectations of a greater volume of vehicles entering the vehicle segment. The transport operators are likely to shift towards cheaper BS-IV vehicles because of a rise in prices of new BS-VI vehicles.

Trend in used CV disbursements



Note: Industry size is estimated in terms of disbursements; P: Projected
Source: CRISIL Research

Regulatory norms to impact used CV sales

Key development/monitorable	Explanation	Segment	Impact on sales and disbursements growth
Commissioning of Dedicated Freight Corridor (DFC) Commissioning Year: Partially (2021) Fully (2023)	Commissioning of DFC will result in roads losing some share of rail transport, thereby restricting CV sales Partial commissioning of the western DFC (connecting Gujarat to North India) to impact T-trailer demand	Commercial Vehicles and Used Commercial Vehicles	**Negative**
BS-VI Emission Norms Date of Implementation: April 1, 2020	Hike in vehicle prices across segments to impact sales demand Replacement cycles for transport operators expected to increase with increase in prices	Passenger Vehicles, Commercial Vehicles, Two Wheelers, and Three Wheelers	**Negative**
Scrappage Policy Likely Date of Implementation: 2020	The policy with proposed changes (age of vehicles eligible for policy revised from 15 to 20 years) is expected to significantly reduce eligible stock, thus, increasing CV demand	Commercial Vehicles and Used Commercial Vehicles	**Neutral**
New axle norms Date of Implementation: July 2018	Based on new axle norms, freight carrying capacity of both existing and new commercial vehicles would increase With strict implementation of the norms, CV demand for newer vehicles came down	Commercial Vehicles and Used Commercial Vehicles	**Negative**

Source: CRISIL Research

Growth Drivers

Healthy industrial growth to aid revival. The Indian industry's gross value added (GVA) is expected to grow at a rapid pace, driven by the government's focus to take economy to USD 5 trillion by Fiscal 2024. Further, improvement in infrastructure and higher expected corporate expenditure is likely to revitalize the capex cycle going forward.

Focus on road infrastructure development. The Bharatmala project will drive demand for MHCV sales. Projects such as Sagarmala and investments in various irrigation projects will also push demand.

Higher coal production and iron-ore mining to grow robustly. Increase in coal production and iron ore mining is also likely to grow at a healthy pace during this period, aiding CV demand.

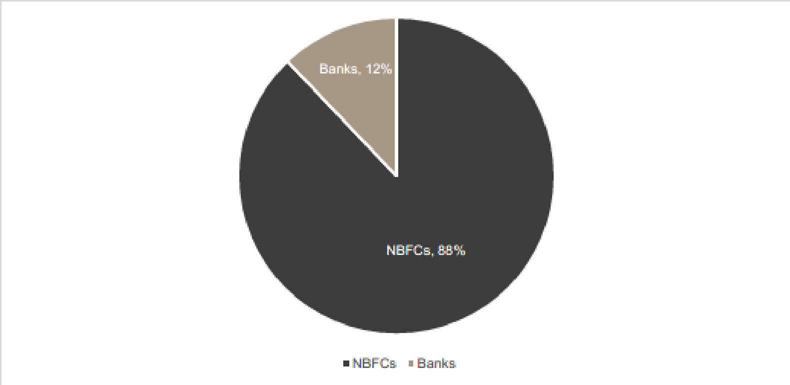
Low LCV-MHCV population ratio and improvement in freight demand to support LCV sales. Improved finance availability and better replacement demand for SCVs is expected to support growth. Improved consumption and rising replacement demand will drive long term LCV demand.

Competitive Scenario

NBFCs dominate the used CV disbursement market with a market share of approximately 85% to 90%. Their niche focus and deep understanding of the local economy gives them advantage over banks in this segment. Around two to three large NBFCs account for a significant portion of the business, containing the competition for this segment. These NBFCs have capitalised on the enormous opportunity offered by the segment through investment in processes and manpower. Auto-finance NBFCs that operate in this segment have developed a deep understanding of the market, customer profile, products and their valuation, credit appraisal, and efficient management of operations, and thus, have been able to capture the market. In the used vehicles segment, financiers apply their in-house valuation grid for evaluating vehicles of different models, vintage, and area in which the vehicle is operated. They have greater penetration in semi-urban and rural areas, which comprise a majority of used-CV sales.

Banks have avoided this segment due to the complexities involved, such as high cost of delivery, limited understanding of the local geography and the perceived high risk in the informal sector. A large part of the banks' used CV portfolio comprises refinancing. On the other hand, NBFCs, given their strong and deep understanding of the local economy have dominated the segment. Competing directly with NBFCs, SFBs are expected to gain market share in long term driven by competitive interest rate charges because of the lower cost of funds and strong understanding of the local regions.

NBFCs dominance to continue in used CV financing; SFBs to gain market share



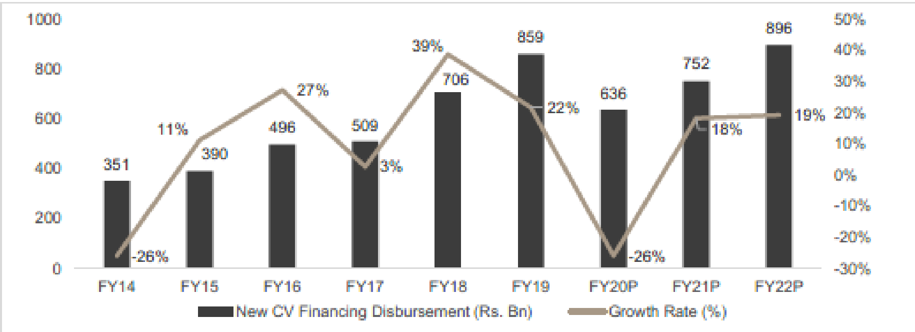
Source: Company Reports, CRISIL Research

New Commercial Vehicle (CV) Finance

CV sales volume witnessed a slowdown in growth in Fiscal 2019. Sales volumes grew by 18.6% as against 25.3% in the previous fiscal. In July 2018, the central government revised axle norms, which aided an increase in the freight carrying capacity of existing CVs, thereby reducing the demand for purchase of additional CVs, in turn impacting sales. The purchasing pattern of small fleet operators is unlikely to differ significantly due to this move as they already overload their CVs by approximately 30% to 40%. However, stringent implementation of the ban on overloading is expected to push these operators towards new purchases, leading to higher sales demand from such players.

Within the segments, sales volume of light commercial vehicles (LCVs) witnessed slowdown in growth to approximately 21% in Fiscal 2019 from approximately 29% in the preceding fiscal. This can be attributed to the new axle norms which curtailed additional purchase demand, coupled with the rising interest rates charged by the financiers post the liquidity crunch. Sales volumes are expected to decline by 15% in Fiscal 2020, before increasing by approximately 6% in Fiscal 2021. Average prices for LCVs grew by approximately 5% in Fiscal 2019 on account of changing product mix. Prices of LCVs are expected to witness a muted 1.7% increase in Fiscal 2020. However, BS-VI implementation from April 2020 is expected to increase prices of LCVs by approximately 9% in Fiscal 2021.

Trend in new CV disbursements



Source: SIAM, Company Reports, CRISIL Research

Factors expected to affect CV financing demand over the long term

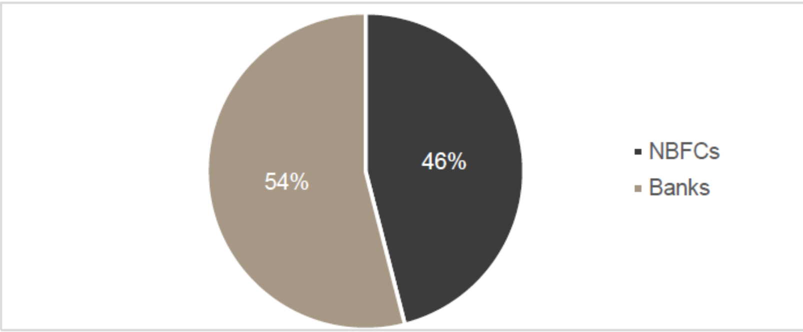
CV financing demand is expected to be impacted by the following: overall economic growth and the improvement in economic cycles is expected to drive growth in CV sales; shift towards higher tonnage vehicles will increase the freight carrying capacity, which will, in turn, reduce demand for new CVs; with the commissioning of the dedicated freight corridors (DFCs) of the Indian Railways, road transport operators may face reduced demand, affecting overall CV sales; lower finance penetration in the LCV segment reflects potential for improvement; financing for MHCV is a highly penetrated segment; increasing usage of credit bureau services enables financiers to get customers with credible credit profile; and despite improving penetration, India's LCV-MHCV population ratio (1.4 times, expected to rise to 1.5 times by fiscal 2022) still lags China's ratio (1.8 times), reflecting scope for further sales growth. Improving road infrastructure is expected to improve fleet efficiency, thereby increasing profitability of the operators; which is expected to enable them to buy new vehicles. Based on the draft scrappage policy rulings, CVs that are more than 20 years old cannot be part of an active fleet from April 1, 2020. Approximately 50,000 vehicles are expected to come under this category. However, since average scrappage every year is between 70,000 and 90,000 vehicles, it would not significantly bolster the sales demand.

Competitive Scenario

Banks hold a majority of the CV financing market, and over the years, banks and NBFCs have competed for a substantial share in the CV financing market by improving connect with customer segments, improving rural presence, offering flexible payment schemes, offering cash payments, and easy documentation facilities.

The key growth drivers for banks to gain an additional market share of 2% to 4% in the coming years, are as follows: (i) better customer connect with large fleet operators: banks mainly focus on financing big ticket MHCVs, owing to better credit profiles of these players. On the other hand, NBFCs prefer financing small fleet operators and first-time users/buyers, that find it challenging to obtain financing from banks owing to their higher risk perception. Small fleet operators and first-time users mostly do not have required income documents or satisfactory credit score; (ii) large fleet operators gaining market share from small fleet operators: small fleet operators prefer to pay off taxes through reverse charge mechanism route, where the tax rate is approximately 5% without input tax credit. On the other hand, large fleet operators prefer forward charge mechanism, where the tax rate is approximately 12% with input tax credit. Customers prefer large fleet operators who provide input tax credit. This reduces the overall market for small fleet operators. As NBFCs mainly cater to small fleet operators, they are expected to lose market share in the future; and (iii) business for large fleet operators reducing in favor of small fleet operators: post implementation of GST, input tax credit is not claimable for hire purchases. As a result, large fleet operators have been increasingly opting to purchase CVs rather than hiring small fleet operators, as a result, overall business of small fleet operators is suffering.

Share of banks in new CV financing is higher than NBFCs



Note: Share of Small Finance Banks not included for market share

Key players in Vehicle finance

Details of key players (FY 2019)

Players	AUM FY 2019 (Rs. Billion)	AUM growth (FY 2017-FY 2019)	Deposits (Rs. Billion)	Deposit growth YoY (FY 2018-FY 2019)	Credit to deposit ratio	Branches^ (FY 2019)	Number of employees	Capital adequacy ratio (CAR)	States and UTs covered
Shriram Transport Finance	1045	15%	103	20%	9.4	1545	26,630	20.3%	NA
Mahindra and Mahindra Finance	671	20%	18.6	84%	12.2	1321	21789	20.3%	36
Cholamandalam	576	28%	NA	NA	NA	911	7,003	17.4%	27
Sundaram Finance	290	32%	30.6	19%	8.9	658	4,055	19.5%	NA
Indostar	117	50%	NA	NA	NA	322	2,587	24%	18

Note: Companies are arranged in descending order of AUM; ^ *As per company reports*

Source: Company Reports, CRISIL Research

Credit Rating of key players

Players	Credit Rating
Shriram Transport Finance	CARE AA+ (Oct 2019) CRISIL AA+ (Jun 2019) IND AA+ (Nov 2019)
Mahindra and Mahindra Finance	BWR AAA (May 2019) CARE AAA (June 2019) CRISIL AA+ (Aug 2019) ICRA AAA (Jun 2019)
Cholamandalam	CARE AA+ (Jul 2019) CRISIL AA+ (Sept 2019) ICRA AA+ (Sept 2019) IND AA+ (Jan 2019)
Sundaram Finance	CRISIL AAA (Jul 2019) ICRA AAA (Jul 2019)
Indostar	CARE AA- (Oct 2019) IND AA- (Jun 2019)

Source: Company Reports, CRISIL Research

Profitability of players as of FY 2019

Players	Yield on advances (%)	Cost of funds (%)	NIMs (%)	Non-interest income (%)	Opex (%)	Cost to income (%)	PCR (%) ^	GNPA^ (%)	NNPA^ (%)	Credit cost (%)	Post tax-ROA (%)	ROE (%)
Shriram Transport Finance	16.0	8.8	7.8	0.2	1.8	23.3	NA	8.3	5.5	2.3	2.5	17.4
Mahindra and Mahindra Finance	15.7	8.5	8.3	0.7	3.7	41.4	NA	5.8	5.3	1.0	2.8	17.5
Cholamandalam	13.7	8.1	5.9	1.1	2.7	39.1	NA	2.7	1.7	0.6	2.4	21.1
Sundaram Finance	11.5	7.3	3.5	2.5	2.9	47.8	NA	1.3	0.8	0.3	3.7	21.1
Indostar	13.0	8.2	5.3	1.3	2.5	38.4	NA	0.7$	0.5$	0.2	2.5	9.5

Note: *$: excluding IIFL CV Portfolio; ^ As per company reports*

Source: Company Reports, CRISIL Research

Product Mix for the players

Players	MFI	Vehicle Loans	Mortgage Loans	MSME	Large and mid-corporate Loans	Gold Loans	Others
Shriram Transport Finance	-	94%	-	-	-	-	4%
Mahindra and Mahindra Finance	-	91%	-	9%	-	-	-
Cholamandalam	-	75%	21%	-	-	-	4%
Sundaram Finance	-	93%	-	-	-	-	7%
Indostar	-	41%	5%	16%	38%	-	-

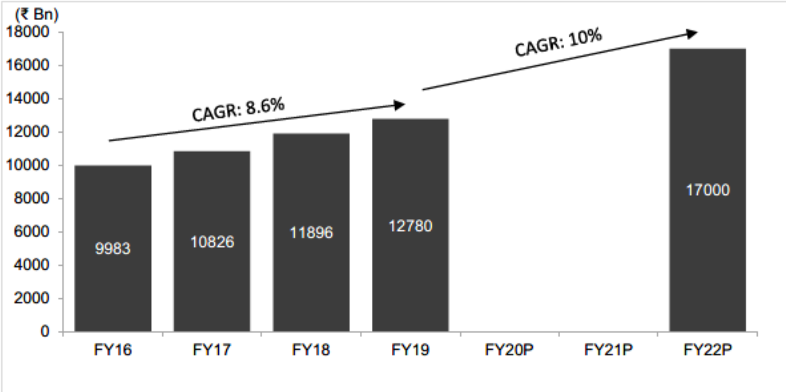
Source: Company Reports, CRISIL Research

MSME finance

MSME financing includes secured non-LAP loans like working capital loans (cash credit, overdraft facility and bill discounting), other asset backed or hypothecated loans and unsecured MSME loans, and amounted to ₹12.78 trillion outstanding as at the end of Fiscal 2019. It grew by 7.5% year-on-year over the previous fiscal when the outstanding loans were approximately ₹11.8 trillion.

The MSME sector contributes to country's socio-economic development by providing large employment opportunities in rural and backward areas, thereby reducing regional imbalances and assuring equitable distribution of wealth. With increased focus on easing the loan process for MSMEs and more focus on reporting transactions and reforms like GST, formal lending channels are expected to grow further.

MSME credit to grow at a pace of 10% CAGR up to fiscal 2022



Note: P: Projected
Source: Industry, CRISIL Research

Government initiatives

Key government initiatives for this segment include implementation of GST, extension of the credit guarantee fund scheme to NBFCs, lower tax rates and other MSME lending focused government initiatives.

Transparency in MSME operations is likely to improve, as compliance with GST will compel recording of transactions, and consequently improve the quality of books of accounts, and enhancing credit worthiness. This will result in the ability to lend to MSMEs in the unorganised sector, which were previously unable to get credit due to lack of books of accounts, and resulting in access to an untapped market leading to robust expansion of the MSME credit market. The criteria for classification as an MSME was changed last year from 'investment in plant and machinery' to 'annual turnover' to align it with GST requirements resulting in improving ease of doing business conditions in the economy.

MSMEs are credit-starved due to the requirement to provide collateral against loans, which is not easily available with such enterprises, leading to high risk perception and higher interest rates for them. With the launch of Credit Guarantee Fund Scheme, collateral-free credit is now available to micro and small enterprises. In January 2017, the scheme was extended to cover systemically important NBFCs as well. A reduction in corporate tax rates for MSMEs is also going to boost investment in the segment, as large corporates may tap the bond market to meet the 25% target.

Other initiatives include the (i) Pradhan Mantri MUDRA Yojana and licences for trade receivables discounting system (TReDS) to solve structural issues that have typically affected the MSME segment. The RBI has also proposed to introduce NBFC-account aggregators, likely to transform the MSME finance space by providing detailed granular insights into customer financial assets or borrowing history; (ii) Udyog Aadhaar memorandum, enabling paperless and online registration processes for MSMEs to promote ease of doing business. It aims to increase coverage of MSMEs to avail benefits of various schemes of central/ state governments; (iii) stand-up India, to facilitate bank loans between ₹ 1 million and ₹ 10 million to at least one scheduled caste or scheduled tribe borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise; (iv) Make in India, launched to make India a global manufacturing hub, expected to provide employment to numerous youth in the country; (v) Mudra loans, to fulfil funding requirement of MSMEs who were earlier left out by financial institutions; (vi) 59 minute loan, online marketplace that provides in-principle approval to MSME loans up to ₹ 10 million in 59 minutes. Uses advanced algorithms to analyse data from multiple data points such as GST returns and banking, without human intervention; and (vii) UPI 2.0: Real-time system for seamless money transfer from account. Enhances trust in digital transactions for customers as well as merchants. Has features such as linking to overdraft account and invoice in the inbox.

Growth Drivers

Low credit penetration. India has around 60 million MSMEs, but only approximately 10% had access to finance from organised lenders in Fiscal 2019. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs historically. They are either self-financed or take credit from the unorganised sector. This untapped market offers huge growth potential for financial institutions.

Lower competition prompts players to eye smaller cities. Competition in metros and Tier I cities is intense as all major players compete for market share. However, Tier II and III cities and smaller towns still remain underbanked or unbanked and are aggressively being tapped by NBFCs and SFBs, that are well placed to gain market share owing to their ability to customize products, have higher flexibility and provide better services.

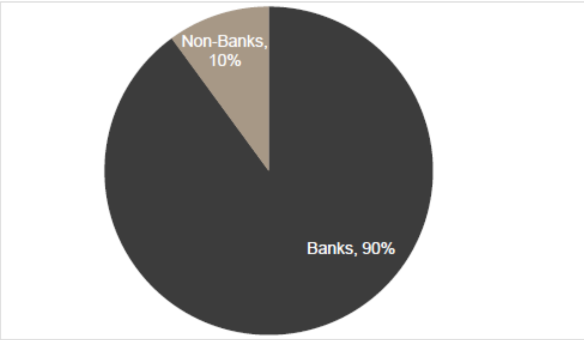
Outlook

High-risk perception and high cost of delivering services has restrained ability of the financiers to lend to the MSME segment, however with increasing usage and technology and wider availability of information, the addressable market of MSME is expected to expand at a CAGR of 10% over the next three years. This will be driven by financiers' focus on widening customer reach, improving documentation and other operational processes and building long-term relationships with MSME customers. Within the MSME lending market, the share of unsecured MSME lending is expected to grow faster than the secured MSME on account of higher interest income.

Competitive Scenario

Private banks, SFBs and NBFCs are expected to benefit from better data availability and credit assessment process. The segment has traditionally been dominated by public sector banks due to the large presence and the higher addressable customer base. However, their share has been on a constant decline over the last few years. With better data availability and credit assessment processes, private banks, SFBs, and non-banks have turned more aggressive towards lending to this segment. Currently, the banks dominate working capital loans, whereas the non-banks have managed to capture a share of asset backed term loans over the past few years. However, the share of long term loans is decreasing compared to working capital loans on account of lower capital expenditure, given the lower capacity utilization levels in the country. In the unsecured segment, banks have witnessed a growth of approximately 24% while non-banks have seen a growth of 27% which has allowed non-banks to marginally increase their share in the overall MSME financing.

Banks dominate MSME lending (FY19)



Note: SFBs are included in Banks

Source: Company Reports, CRISIL Research

Key players in MSME finance

Details of key players (FY 2019)

Players	AUM FY 2019 (Rs. Billion)	AUM growth (FY 2017-FY 2019)	Deposits (Rs. Billion)	Deposit growth YoY (FY 2018-FY 2019)	Credit to deposit ratio	Branches^ (FY 2019)	Number of employees	Capital adequacy ratio (CAR)	States and UTs covered
City Union Bank	326.7	16%	384.4	17.0%	0.84	650	5518	15.5%	5
Shriram City Union Finance	296	13%	31.2	1.5%	9.2	969	27,267	23.1%	NA
DCB Bank	235.6	22%	284.3	18.4%	0.82	333	6134	16.8%	22
MAS Financial	53.3	30%	NA	NA	NA	78	995	29.1%	7

Note: DCB and City Union Bank advances are mentioned; Players are arranged in descending order of AUM. NA - Not available, ^ As per company reports

Source: Company reports, CRISIL Research

Credit Rating of key players

Players	Credit Rating
City Union Bank	ICRA AA- (Oct 2019)
Shriram City Union Finance	CARE AA+ (Aug 2019) CRISIL AA (Sept 2019) ICRA AA (Aug 2019) IND AA (Mar 2019)

DCB Bank	CRISIL AA- (Dec 2018) ICRA A+ (Dec 2018)
MAS Financial	ACUITE AA- (Mar 2019) CARE A+ (Aug 2019) ICRA A (Feb 2019) IND A (Sept 2019)

Source: Company Reports, CRISIL Research

Profitability of players as of FY 2019

Players	Yield on advances (%)	Cost of funds (%)	NIMs (%)	Non-interest income (%)	Opex (%)	Cost to income (%)	PCR (%) ^	GNPA^ (%)	NNPA^ (%)	Credit cost (%)	Post tax-ROA (%)	ROE (%)
City Union Bank	10.5	5.9	3.8	1.2	2.0	41.7	63.0	2.9	1.8	1.3	1.6	15.1
Shriram City Union Finance	20.8	8.9	12.7	0.4	5.0	40.0	NA	8.9	5.0	2.6	3.3	16.1
DCB Bank	11.1	6.6	3.5	1.1	2.6	56.9	78.7	1.8	0.6	0.9	1.0	11.0
MAS Financial	14.2	6.07	7.8	3.2	2.4	22.4	NA	1.2	0.8	1.6	4.5	17.9

Note: ^ As per company reports

Source: Company Reports, CRISIL Research

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 23 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Results of Operations and Financial Conditions" on pages 24 and 308, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Information included in this Prospectus. Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Equitas Small Finance Bank Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of Small Finance Banks and Various Loan Products" dated November 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 20.*

Overview

We were the largest SFB in India in terms of number of banking outlets, and the second largest SFB in India in terms of assets under management and total deposits in Fiscal 2019. (*Source: CRISIL Report*). We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business as compared to other microfinance companies that have converted to SFBs (*Source: CRISIL Report*). We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, with our group beginning operations in 2007 as an NBFC providing microfinance loans through EMFL. We have been providing housing finance since 2011 through EHFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

Our focus customer segments include individuals with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We offer a range of financial products and services that address the specific requirements of these customer segments by taking into account their income profile, nature of business and type of security available. Our asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising LAPs, housing loans, and agriculture loans to micro-entrepreneurs, microfinance to JLGs predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs typically engaged in logistics, MSE loans to proprietorships, and corporate loans. On the liability side, our target customers comprise mass and mass-affluent individuals to whom we offer current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, and issuance of FASTags.

We have witnessed significant growth in our business, and in Fiscal 2019 had a market share of 16% in terms of assets under management in India (*Source: CRISIL Report*). Our Gross Advances (including IBPC issued) have grown from ₹79,370.55 million as of March 31, 2018 to ₹117,028.49 million as of March 31, 2019 and was ₹153,669.37 million as of March 31, 2020, and ₹155,729.14 million as of June 30, 2020. Of our Gross Advances (including IBPC issued), secured advances constituted 66.33% as of March 31, 2018, 70.72% as of March 31, 2019, and increased to 75.39% as of March 31, 2020 and further increased to 75.75% as of June 30, 2020.

In Fiscal 2019, we recorded the fourth lowest yields indicating our diversification away from microfinance (*Source: CRISIL Report*). We also witnessed the second fastest growth in deposits from Fiscal 2018 to Fiscal 2019 (*Source: CRISIL Report*). Our deposits have grown at a CAGR of 38.75% from ₹56,039.73 million as of March 31, 2018 to ₹107,884.05 million as of March 31, 2020. As of March 31, 2019 our CASA ratio was the second highest among SFBs in India, and our retail deposits to total deposits ratio was the third highest among SFBs in India (*Source: CRISIL Report*). As of June 30, 2020, our CASA ratio and retail deposits to total deposits ratio was 19.97% and 37.13%, respectively. Further, our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and non-convertible debentures/ subordinated debt have both been rated CRISIL A+/ Stable. We believe our widespread and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.36%, 8.13%, 7.97% and 7.63% (annualized)/ 1.91% (unannualized) as of March 31, 2018, 2019, 2020 and June 30, 2020, respectively.

Based on our experience, we apply different credit assessment procedures for our product segments, which is guided by our risk management framework, and supervised by our Risk Management Committee. We believe that our risk management framework together with our experience of dealing with unserved and underserved customer segments has helped us contain our NPA levels, and improve our credit ratings, which has allowed us to access capital from banks and financial institutions at competitive rates.

As of March 31, 2019, we had the largest network of banking outlets among all SFBs in India (*Source: CRISIL Report*). As of June 30, 2020, our distribution channels comprised 856 Banking Outlets and 322 ATMs across 17 states and union territories in India. We also distribute products through digital channels, and leverage technology to identify opportunities to better serve our target customer segment. To this end, we have introduced facial recognition features for transaction authentication in our mobile banking application. We have over the years also invested in building a large and trained employee base, and as of March 31, 2019, had the third largest number of employees among SFBs in India (*Source: CRISIL Report*). As our products comprise small ticket loans and retail deposits, our operations require a large number of employees in the field to generate volumes for this business. As a result, we train our employees to undertake assessment and appraisal of customer creditworthiness with limited documented income. As of March 31, 2019, we were third among SFBs in India in terms of advances made per employee and fourth in terms of deposits collected per employee (*Source: CRISIL Report*). As of March 31, 2018, 2019, 2020 and June 30, 2020, our Gross Advances (including IBPC issued) per employee was ₹5.88 million, ₹8.01 million, ₹9.54 million, and ₹9.83 million, respectively, and deposits per employee was ₹4.15 million, ₹6.17 million, ₹6.70 million and ₹7.44 million.

The table below sets forth certain performance metrics of our Bank for the periods and as of the dates indicated:

	As of and for the year ended March 31,			**As of and for the Three Months ended June 30,**	
Metric	**2018**	**2019**	**2020**	**2019**	**2020**
	(₹million, except percentages)				
Total Disbursements	58,087.04	85,783.11	99,110.73	20,083.98	5,642.46
Retail Deposits	6,426.29	16,362.50	38,112.87	22,473.65	43,771.18
CASA(1)	16,378.39	22,742.66	22,082.13	22,369.74	23,540.09
CASA Ratio(2)	29.23%	25.25%	20.47%	24.49%	19.97%
Net profit for the period / year	318.31	2,105.66	2,436.35	570.60	576.71
Net Interest Income(3)	8,605.41	11,517.34	14,953.06	3,371.63	4,042.79
Net Interest Margin(4)	9.02%	8.55%	9.11%	8.88%* [2.22%]	8.63%* [2.16%]
Cost to Income Ratio(5)	79.97%	70.30%	66.38%	69.83%	67.27%
Debt Equity Ratio	5.28	5.76	5.80	5.96	6.18
CRAR	29.60%	22.45%	23.61%	22.03%	22.02%
Common Equity Tier 1 Capital Ratio	27.07%	20.93%	22.44%	20.65%	21.04%
Net worth(6)	20,304.72	22,410.38	27,308.69	22,980.99	27,885.40
GNPA Ratio(7)	2.68%	2.53%	2.72%	2.73%	2.68%
Net NPA to net Advance (%)	1.46%	1.44%	1.66%	1.56%	1.48%
Provision coverage ratio(8)	47.07%	43.38%	45.22%	44.00%	48.79%
Return on Assets	0.30%	1.43%	1.38%	1.43%* [0.36%]	1.12%* [0.28%]
Net Profit as a Percentage of Average Shareholders' Equity	1.57%	9.85%	9.84%	10.00%* [2.50%]	8.32%* [2.08%]

****annualized, and figures in square brackets represent unannualized figures***

Notes: The below are certain non-GAAP financial measures, and reconciliation of these non-GAAP measures to the GAAP measures appearing in our Restated Financial Information is included in "Selected Statistical Information" on page 220. .

1. *Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits.*
2. *CASA ratio is the ratio of CASA to total deposits.*
3. *Net Interest Income is difference of interest earned and interest expended.*
4. *Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average.*
5. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total operating is net of net interest income and non-interest income).*
6. *Net Worth represent sum of capital and reserve excluding capital reserve.*
7. *GNPA Ratio is calculated by dividing Gross NPA by Gross Advances (including IBPC issued).*
8. *Provision held as a percentage of Gross Advances.*

We typically sponsor social initiatives in specific regions and communities. We believe these initiatives, while carried out for the benefit of the communities, tend to foster customer loyalty and improve our visibility in these regions, thereby increasing the likelihood that customers will approach us for their general banking and financial needs. We will continue to build our brand and develop a wide range of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. To achieve this, we intend to increase the use of technology in our operations, by monetizing our back-end banking capabilities and applying data analytics to gather a deeper understanding of the segments we serve. We believe this will supplement our ongoing efforts to reduce costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking.

Strengths

Customer centric organization with a deep understanding of the unserved and underserved customer segments

We are an SFB offering a range of banking services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, beginning from our operations in 2007 as an NBFC providing microfinance loans through EMFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

We have gained a deep understanding of the market over the years that enables us to meet the financing requirements of potential customers. We believe customers prefer a single source for multiple financial services, and have accordingly customized a range of credit and non-credit products and services to address a variety of financing requirements, including through specialized products such as small-ticket recurring deposits to promote savings within these customer segments, and distribution of insurance policies such as 'hospital daily cash benefit', a type of insurance product to cover emergency medical expenses of our customers. We also develop products to match the growth cycle of our target customer base. For instance, our microfinance customers tend to require micro-LAP loans, and as their enterprises mature, will be able to obtain MSE loans/ working capital loans. Our focus on serving the unserved and underserved segments also enables us to comply with RBI's requirements for SFBs including meeting "priority sector" lending requirements. We disbursed "priority sector loans" to 93,196 customers in the three months ended June 30, 2020. Further, as of June 30, 2020, advances to the unserved and underserved segments represented 89.12% of our Gross Advances (including IBPC issued). We undertake research on various segments within these markets to understand their borrowing profile in the absence of formal documentation. For instance, based on our experience in serving the underserved segments we are able to assess the income profile and potential repayment ability of households engaged in carrying out farm work. Factors we consider for this purpose include ownership of land, cattle, and cash flow generation from these resources.

We similarly have a range of savings and investment options for our customers. For instance, our savings options include recurring deposits that can conveniently be encashed to cater to the preferred mode of our customers. Our engagement with our target customer segments and understanding of related socio-economic dynamics allows us to establish effective credit and operational procedures, identify potential market demand, and leverage our existing operating network to introduce new products, increase our customer base, and grow our product portfolio. In particular, our credit analysis and valuation methodology requires market knowledge and practical experience developed over a period of time, which we believe is difficult to replicate.

Among the largest SFBs in India with a well-diversified asset portfolio

We were the largest SFB in India in terms of number of banking outlets, as of March 31, 2019, and in Fiscal 2019 we recorded the fourth lowest yields indicating our diversification away from microfinance (*Source: CRISIL Report*). We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business as compared to other microfinance companies that have converted to SFBs (*Source: CRISIL Report*).

Our asset products include provision of small business loans comprising LAPs, housing loans, agriculture loans, microfinance to JLGs, used and new commercial vehicle loans, gold loans, MSE loans, and corporate loans. The table below sets forth our Gross Advances (including IBPC issued) by product as of March 31, 2018, 2019 and 2020:

	As of March 31,					
	2018		**2019**		**2020**	
	(₹million)	**% of total**	**(₹million)**	**% of total**	**(₹million)**	**% of total**
Small Business Loans (including housing finance)	**26,705.49**	**33.64%**	**45,771.21**	**39.11%**	**62,794.35**	**40.86%**
Small Business Loans	21,134.36	26.62%	36,727.97	31.38%	49,949.12	32.50%
Housing Finance	2,703.87	3.41%	3,765.86	3.22%	6,041.85	3.93%
Agriculture Loans	2,867.26	3.61%	5,277.38	4.51%	6,803.38	4.43%
Micro Finance	**22,573.10**	**28.44%**	**30,696.02**	**26.23%**	**36,161.60**	**23.53%**

	As of March 31,					
	2018		2019		2020	
	(₹million)	% of total	(₹million)	% of total	(₹million)	% of total
Vehicle Finance	**22,378.85**	**28.20%**	**29,511.97**	**25.22%**	**37,599.81**	**24.47%**
Used Commercial Vehicles	19,848.13	25.01%	22,595.51	19.31%	26,251.06	17.08%
New Commercial Vehicles	2,530.72	3.19%	6,916.46	5.91%	11,348.75	7.39%
MSE Finance (Working Capital)	**76.22**	**0.10%**	**1,808.60**	**1.55%**	**6,694.10**	**4.36%**
Corporates	**2,499.05**	**3.15%**	**4,559.65**	**3.90%**	**8,181.19**	**5.32%**
Others*	**5,137.84**	**6.47%**	**4,681.04**	**3.99%**	**2,238.32**	**1.46%**
Total Gross Advances (including IBPC issued)	**79,370.55**	**100.00%**	**117,028.49**	**100.00%**	**153,669.37**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth our Gross Advances (including IBPC issued) by product as of June 30, 2019 and 2020:

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	**49,260.55**	**40.20%**	**64,842.23**	**41.64%**
Small Business Loans	39,442.72	32.19%	51,519.98	33.08%
Housing Finance	4,108.07	3.35%	6,286.42	4.04%
Agriculture Loans	5,709.76	4.66%	7,035.83	4.52%
Micro Finance	**31,237.44**	**25.50%**	**36,178.63**	**23.23%**
Vehicle Finance	**30,554.57**	**24.94%**	**37,764.87**	**24.25%**
Used Commercial Vehicles	22,665.00	18.50%	26,276.26	16.87%
New Commercial Vehicles	7,889.57	6.44%	11,488.61	7.38%
MSE Finance (Working Capital)	**2,800.61**	**2.29%**	**7,118.03**	**4.57%**
Corporates	**5,263.26**	**4.30%**	**7,720.98**	**4.96%**
Others*	**3,397.45**	**2.77%**	**2,104.40**	**1.35%**
Gross Advances (including IBPC issued)	**122,513.88**	**100.00%**	**155,729.14**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Within our credit portfolio, our small business loans (including housing loan) and vehicle finance product segments recorded significant growth with a CAGR of 53.34% and 29.62%, respectively, from March 31, 2018 to March 31, 2020.

We assess the track record of our existing customers to advance higher credit to meet their specific financial requirements, thereby further customizing few of our products. For instance, our used commercial vehicle loan customers can avail top-up loans based on their repayment track record to finance repair work or purchase replacement parts. As a result of our diverse asset product portfolio, we advanced small business loans to 185,128 new customers, microfinance to 2,656,819 new customers, and vehicle finance loans to 132,427 new customers from Fiscal 2018 to Fiscal 2020.

This approach has also resulted in the growth of our gross secured loan product portfolio, which has grown at a CAGR of 48.35% from ₹52,649.54 million as of March 31, 2018 to ₹115,849.63 million as of March 31, 2020, and was ₹117,968.54 million as of June 30, 2020. We provide funding to sectors identified by the government as 'priority sectors' with specific focus on products to the MSE sector. Our priority sector credit portfolio represented 105.51% and 93.00% of our ANBC in Fiscal 2020 and in the three months ended June 30, 2020, respectively, against the mandated 75%, primarily consisting of agriculture, MSE, housing, vehicle finance and micro credit. We believe that owing to our diversified asset base, we are relatively insulated from counter cyclical impacts across economic cycles. We also believe that each of our product lines is well positioned to grow, creating a foundation of stability, sustainability and scalability for our operations.

Strong retail liability portfolio with a strategic distribution network

As of March 31, 2019, we were the second largest SFB in India in terms of total deposits. We also witnessed the second fastest growth in deposits from Fiscal 2018 to Fiscal 2019 (*Source: CRISIL Report*). Our total deposit has grown at a CAGR of 38.75% from ₹56,039.73 million as of March 31, 2018 to ₹107,884.05 million as of March 31, 2020, and was ₹117,871.27 million as of June 30, 2020. We offer a variety of demand deposits and savings bank account options including deposits and other services through which our customers can realize their savings goals. These deposits are primarily sourced from mass and mass-affluent customer segments, which has enabled low cost of funding opportunities and has been a source of strength for our liability portfolio. Our retail deposit has grown at a CAGR of 143.53% from ₹6,426.29 million as of March 31, 2018 to ₹38,112.87 million as of March 31, 2020 and was ₹43,771.18 million as of June 30, 2020. The ratio of our retail deposits to total deposits in Fiscal 2018, 2019 and 2020 and the three months ended June 30, 2020 was 16.20%, 24.30%, 44.42% and 46.40%, respectively. As of March 31, 2019 our retail deposits to total deposits ratio was the third highest among SFBs in India (*Source: CRISIL Report*). We believe that retail deposits have significant advantages including greater customer retention and cross-selling opportunities. Demand deposits, savings account and term deposits represented 2.80%, 17.17%, and 80.03% of our total deposits, respectively, as of June 30, 2020. Our CASA has grown at a CAGR of 16.11% from ₹16,378.39 million as of March 31, 2018 to ₹22,082.13 million as of March 31, 2020, and was ₹23,540.09 million as of June 30, 2020. Our CASA ratio was 29.23%, 25.25%, 20.47% and 19.97% as of March 31, 2018, 2019, 2020 and June 30, 2020. As of March 31, 2019, our CASA ratio was the second highest among SFBs in India (*Source: CRISIL Report*). The number of our CASA customers and term deposit customers has grown from 187,224 and 12,199 as of March 31, 2018, respectively, to 3,09,464 and 537,429 as of March 31, 2020, respectively, and was 3,44,459 and 5,59,745 as of June 30, 2020, respectively. We believe our diversified and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.36%, 8.13%, 7.97% and 7.63% (annualized)/ 1.91% (unannualized) as of March 31, 2018, 2019, 2020 and June 30, 2020, respectively.

As our liability customers predominantly belong to mass and mass-affluent segments, as of June 30, 2020,54.23%, 33.79%, 9.88% and 2.10% of our total deposit were in metropolitan, urban, semi-urban and rural areas, respectively. In order to complement the profile of these customers, certain of our Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs and cash deposit machines. As of June 30, 2020, our deposit base was spread across 17 States and union territories in India, through a network of 856 Banking Outlets, with 37.99%, 41.88%, and 20.14% of our deposits in the Northern, Southern, and Western regions of India, respectively. For further information on our state-wise deposit split, see "*Selected Statistical Information*" on page 192. We believe our strong brand equity associated with our name "Equitas", which we believe translates to fair and transparent, has partially aided the growth of our liability franchise, coupled with our social initiatives and marketing efforts that have improved visibility of our brand. Our distribution network and range of payment and transaction channels, including our network of ATMs and cash recyclers, and digital banking channels enables our mass and mass-affluent customers to use their demand deposits and savings accounts with us as their primary transaction accounts. As of June 30, 2020, we had 856 Banking Outlets and 322 ATMs spread across 17 states and union territories in India. In the three months ended June 30, 2020, we recorded an average of 1,146 transactions per month per ATM, and an average of 78% of such transactions were by customers of other banks. In Fiscal 2019, 2020 and the three months ended June 30, 2020, the average debit card spend was ₹2,718.89 million, ₹1,120.20 million and ₹513.94 million, respectively.

Customized credit assessment procedures for effective credit risk management

We apply different credit assessment procedures based on the products we offer. For instance, sanctioning small business loans involves telephonic checks with the potential customer, followed by in-person meetings by the senior loan officer to understand the business, cash flows and other parameters based on which a proposal is prepared. The senior loan officer's proposal is scrutinized and in certain circumstances, reassessed to check for discrepancies, if any. For vehicle loans, we also undertake inspections of the vehicle through an independent expert, to verify registration information, condition of the vehicle and market value. We additionally apply a proprietary discounted cash flow model, which is adjusted based on the income profile of the customer and type of product. For further information on our differentiated credit assessment approach, see " – *Description of our Business*" on page 130.

We also have a risk management framework to identify, measure, monitor and manage credit, market and operational risks including IT security risk. The framework is aimed at protecting our Bank's financial strength and reputation, and ensures that our risk management operations are independent of our business operations, through various policies, procedures and allocation of responsibilities. The framework is monitored by our Board through its Risk Management Committee, and at the management level by the Asset Liability Committee, Review Committee for Identification of Willful Defaulters, Special Committee for Monitoring High Value Frauds, Credit Risk Management Committee, Operational Risk Management Committee, and the Information and Cyber Security Risk Management Committee, and Executive Risk Management Committee, which are comprised and supported by members of our senior management team.

Our risk management and credit evaluation processes, together with our ability to evaluate risk, have enabled us to contain our level of NPAs, restructured standard asset and special mention accounts category 2 levels. As of June 30, 2020, our Gross NPAs were ₹4,166.65 million, or 2.68% of our Gross Advances (including IBPC issued), and Net NPAs were ₹2,133.71 million, or 1.48% of our net Advances. Information on our product-wise Gross NPAs as of June 30, 2020 is set forth in the table below:

	As of June 30, 2020	
	(₹million)	**Gross NPA as a Percentage of Gross Advances (including IBPC issued)**
Small Business Loans (including housing finance)	1,718.89	2.65%
Small Business Loans	1,358.51	2.64%
Housing Finance	233.12	3.71%

	As of June 30, 2020	
	(₹million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Agriculture Loans	127.26	1.81%
Micro Finance	428.18	1.18%
Vehicle Finance	1,425.93	3.78%
Used Commercial Vehicles	1,275.87	4.86%
New Commercial Vehicles	150.06	1.31%
MSE Finance (Working Capital)	79.68	1.12%
Corporates	64.59	0.84%
Others*	449.38	21.35%
Gross NPA	4,166.65	2.68%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

We believe that our risk management measures as well as strong financial performance have also enabled us to improve our credit ratings, which has allowed us to access capital at competitive rates, as reflected in our credit ratings. Our Certificate of Deposit (CD) programme has the highest rating of CRISIL A1+ and our long-term borrowings and non-convertible debentures/ subordinated debt have both been rated CRISIL A+/ Stable.

Technology as an enabler to drive operating procedures

We leverage technology to identify opportunities, and deliver products and services to our target customer segment. We have created a paperless onboarding process for originating microfinance loans, opening savings bank accounts and fixed deposits. Tablets are used by field teams that enable straight through processing of applications. As of June 30, 2020, 8,083 employees use tablets/ digital services for their savings account customer onboarding operations, and 13,790 savings accounts (including zero balance accounts) were opened using tablets. We also record collections digitally by using pre-printed stickers for evidencing cash receipt, to mitigate the operational risks in our microfinance business. This is followed by SMS based collection tracking processes that enable field staff to update transaction record systems with collections report on a real-time basis.

We have made significant investments in building technology platforms and in Fiscal 2019, 2020 and in the three months ended June 30, 2020, we invested ₹220.39 million, ₹415.30 million and ₹11.97 million, respectively, on technology initiatives. To this end, we have introduced facial recognition features for transaction authentication in our mobile banking application. The facial recognition feature eliminates the use of passwords and other accessibility hindrances that are typically challenging for the customers we cater to, while ensuring security of data and supervised use of the application.

We have also adopted an intuitive approach for our internet banking platform with improved accessibility to enhance user experience. Our internet and mobile banking platforms offer an integrated digital wealth management platform with various investment options and added features to track these investments. We encourage and empower customers to conduct their banking operations through digital channels and in Fiscal 2020 and the three months ended June 30, 2020, 94.00% and 97.00%, respectively, of our overall banking transactions were through digital channels. We also typically install cash recyclers at our Banking Outlets through which customers can withdraw and deposit cash at any time.

Our backend operations including core banking system, customer relationship management systems, anti-money laundering monitoring systems, and loan monitoring systems are also automated and supported by robotic process automation. The use of technology has helped microfinance institutions grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal (*Source: CRISIL Report*). We have also deployed API integration software to increase operating efficiencies between our various applications. As a result, we have been able to collaborate with fintech companies to enable them to provide their services by monetizing our digital assets and back-end operations.

Professional management, experienced leadership and trained employee base

Our senior management team has significant experience in the financial services industry and has been instrumental in developing and implementing our business strategy and commitment to fair and transparent business practices. Our senior management team has a diversified track record in the financial services industry. Our Managing Director and CEO, Vasudevan Pathangi Narasimhan has over two decades of experience in the financial services sector in various capacities, including as head of consumer banking, and vice president and head of vehicle finance in different financial services entities. He has also held the position of chairman of the managing committee of the South India Hire Purchase Association for Fiscal 2006.

Our Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry. Our Board level committees, viz., the Audit Committee, the Risk Management Committee (that monitors the Asset Liability

Committee), Nomination and Remuneration Committee, Stakeholders Relationship Committee, and the Corporate Social Responsibility Committee, work in tandem. Our Board also comprises experienced independent directors who constitute a majority of our Board.

Over the years, we have invested in our employee base through training programs. As a result, our employees are trained to undertake assessment and appraisal of customer creditworthiness with limited documented income. We also train our employees on customer handling and engagement, to improve their dealings with our mass and mass-affluent customers, with an emphasis on marketing and sales knowledge for our liability products. In addition, we regularly educate our employees on our core banking systems so they are updated with the processes we deploy and are able to operate them with minimum intervention. Our employees are trained to exercise operational risk controls in highly decentralized operations. We provide continuous support to our employees through the mobile learning application 'Equitas CLAPP', specifically for our field employees to provide them access with detailed information on our products, processes, incentives and other useful content, to keep them updated at all times. As our products comprise small ticket loans and retail deposits, our operations require a large number of employees in the field to generate volumes for this business. As of March 31, 2019, we were third among SFBs in India in terms of advances made per employee and fourth in terms of deposits collected per employee (*Source: CRISIL Report*). As of March 31, 2018, 2019, 2020 and June 30, 2020, Gross Advances (including IBPC issued) per employee was ₹5.88 million, ₹8.01 million, ₹9.54 million and ₹9.83 million, respectively, and deposits per employee was ₹4.15 million, ₹6.17 million, ₹6.70 million and ₹7.44 million, respectively. As of June 30, 2020, we had a base of 15,843 employees, of which 12,617 had undergone training.

Strategies

Leveraging on our existing network for deepening penetration and driving operational efficiency

We have over the years made significant investments in expanding our network of Banking Outlets and associated support structures, including network of ATMs, technology infrastructure, and employee training activities. These resources have enabled us to gain visibility in certain key regions, establish a trained employee base, and expand our customer base for asset side and liability side products. We now intend to leverage these functions to further grow our banking operations. In order to achieve this, we intend to further cross-sell our liability products such as recurring deposits to our asset side customers primarily comprising microfinance customers. For instance, we offer simplified processes for existing asset side customers to open recurring deposits. We will continue to explore similar incentives to capitalize on such cross-selling opportunities. We also propose to deploy our trained employee base comprising credit, legal and collection teams to support and improve distribution of our recently launched asset products including new commercial vehicle finance loans and working capital loans.

We will primarily focus on improving productivity across all our channels. We seek to improve monthly deposit generation and customer acquisition at our Banking Outlets that we have established with features such as instant account opening, customer service resources, mobile and banking applications with enhanced features and other value added services to attract mass and mass-affluent customers. We also intend to increase distribution of third party products by offering and marketing them across all our channels, including Banking Outlets and digital channels. Our aim is to reduce the Cost to Income ratio which was 66.38% and 67.27% as of March 31, 2020 and June 30, 2020, respectively, by leveraging our existing infrastructure of Banking Outlets and large customer base to cross-sell our range of products. We believe that by deepening penetration in our existing markets, we will be able to cross-sell existing products and launch new products by using limited resources and in relatively short periods, as compared to newer markets.

Strengthen liability franchise and focus on increasing our retail base to further improve cost of funds

As of June 30, 2020, we had a liability customer base of 0.90 million customers. We intend to further strengthen our liability franchise with a focus on growing our retail deposit and CASA deposit to provide us with a stable and low-cost source of funding. We aim to achieve this by attracting greater retail deposits from our customer segments, and particularly the mass and mass-affluent customer segments. For instance, we have recently launched differentiated CASA products for various types of customers, such as the 'Wings Account' for mass-affluent depositors and 'Elite Programme' for higher income households. As of June 30, 2020, our deposit of ₹117,871.27 million represented 68.08% of our overall funding profile. Our retail deposits represented 16.20%, 24.30%, 44.42% and 46.40% of our total term deposits as of March 31, 2018, 2019, 2020 and June 30, 2020, respectively. Our CASA ratio was 29.23%, 25.25%, 20.47% and 19.97% as of March 31, 2018, 2019, 2020 and June 30, 2020, respectively. As a result, our cost of funds were 8.13% and 7.97% in Fiscal 2019 and 2020, respectively, and was 7.63% (annualized)/ 1.91% (unannualized) in the three months ended June 30, 2020.

We intend to further expand our retail deposit base by carrying out marketing and brand building activities, undertaking measured expansion of our Banking Outlets and by offering digital savings and deposit products through internet and mobile banking. For instance, we introduced an online account called 'Selfie Digital Savings Account', which enables potential customers to open a bank account online. Similar such technology solutions for other deposit products will enable us to acquire new customers and also provide our existing customers with a convenient banking experience to meet the needs of their particular demographics. We believe this shift will enable us to access diversified and low cost funds. We have identified the mass and mass-affluent customer segments as our primary sources of deposits, and have developed a range of saving accounts, current accounts, and recurring deposits along with services such as wealth management for facilitating mutual fund investments. We propose to establish specialized teams for our liability products, such as for current accounts and savings accounts, to specifically focus on different customer profiles within our target segments. We believe this together with our personalized customer services will help us increase wallet share from existing customers and gain further recognition in this space.

We also propose to meet a majority of our funding requirements through CASA deposits and recurring and fixed deposits by building a sticky deposit base and attracting new customers whose primary avenues of savings and capital building currently include the unorganized sector and other high-risk savings schemes. We believe that our existing Banking Outlets, as they mature, will continue to be a source of additional new deposits and lead to a diverse funding base.

Leverage data for analytics to drive operational efficiency

The collaboration of microfinance institutions with fintech companies is expected to aid in raising their operational efficiencies and reduce cost (*Source: CRISIL Report*). We therefore intend to continue to invest in technology as a means of improving our customers' banking experience and offer them a range of products tailored to their financial needs. We intend to develop such tailored products with the help of data analytics. The data we have collected over the years and continue to collect relating to cash flows, credit and demographic behaviors of our customer segments can be applied to derive a granular understanding of the banking trends of such customer segments. As a large portion of our customers are first-time borrowers, relying solely on credit bureaus for credit decisions is inadequate, and we are mandated by our internal policies to additionally apply our extensive knowledge of the segment. We therefore intend to increase our focus on applying the data we have gathered over the years by creating customized analytical decision models that leverage machine learning to support underwriting and collection procedures. We are in the process of developing suitable underwriting models to pre-approve certain types of loans that we believe will appeal to customers in the underserved segments with limited access to affordable credit. We intend to develop these capabilities in-house by collaborating with specialists. For instance, we are in the process of building data driven cross-selling models to identify and tap into opportunities within our existing customer base.

Higher mobile penetration, improved connectivity, faster and cheaper data speed, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one (*Source: CRISIL Report*). We therefore propose to capitalize on the opportunity it presents, in terms of aggregating data to derive business intelligence including banking trends in various communities, and leverage this to monitor business performance at a unit level with limited manual intervention. We intend to develop digital dashboards and other tools to efficiently track loans and monitor customer history and potential opportunities. We believe these ongoing efforts will enable quick decision making, further refine our credit policies, and improve overall operational efficiency across our various functions.

Continue to focus on digital products and technology to grow operations

We intend to leverage our front-end technology platforms to further improve customer acquisition and transaction management. We propose to implement initiatives to make it easier for customers to manage their accounts, while facilitating significant cross-selling opportunities for a wider range of products on our digital platform, thereby building on our existing relationship with our customers. For instance, we intend to leverage our technological capabilities to access greater number of mass and mass-affluent customers for retail deposits through our mobile banking application. We also propose to develop products that will be available only on our digital platforms, specifically designed for the younger and technologically advanced customer base. These products will be customized in terms of the user interface to deliver specialized experiences. We are in the process of developing a savings account for children below 18 years of age, as part of these customization efforts. We seek to continue to deliver these and other personalized customer services through our digital platforms. By furthering our digital and technology platform, our endeavor is to empower customers to access various products and services on their own, reduce our operating costs and increase efficiencies. To achieve this, we have put in place technology at the front-end, such as our mobile banking application, internet banking, ATMs and cash recyclers which allow the customers to access banking services at all times as per their convenience. We are also in the process of introducing virtual relationship managers for our MSE finance customers that will be supported by chatbots and instant messaging applications, for more efficient and personalized customer service.

We intend to consistently develop and update various digital offerings in order to establish ourselves as a modern technology enabled bank. In order to achieve this, we may collaborate with fintech companies including by way of white labelling platforms, and SaaS models of engagement. We believe this would also lead to a more targeted and cost-effective approach towards onboarding newer customers. Further, as set out in the CRISIL Report, the lower cost of serving customers, better productivity and lower credit costs through the use of technology are expected to help microfinance institutions improve profitability. We will therefore continue to focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels.

Continue to diversify product offerings and leverage cross-selling opportunities

According to the CRISIL Report, the loan portfolio of SFBs is expected to grow at a CAGR of 25% in the near term, largely supported by introducing new products and capitalizing on cross-selling opportunities. Our primary focus is to diversify our product offerings while growing our secured loan portfolio, comprising vehicle finance, agriculture loans, gold-loans, micro-loans against property, working capital loans, and affordable housing loans. We intend to continue to develop and offer a comprehensive range of products anchored around the unserved and underserved customer segments, that will help us attract new customers and deepen our relationship with our existing customer base. In order to achieve this, we conduct qualitative and quantitative research to understand the changing requirements and expectations of our customers which is key to our product and service development. We will continue to focus on the low and moderate income segment in unserved and underserved areas for increasing our credit portfolio. Our group loan customers are gradually meeting eligibility requirements for individual loan products, based on their group loan repayment track records. We intend to capitalize on this development by diversifying our individual loan products, while focusing on growing our secured portfolio.

In particular, we propose to cross-sell our individual loans to MSE customers by targeting proprietors. We have over the years gained access to MSE proprietors which has enabled us to scale our business through the disbursement of working capital loans followed by overdraft facilities. As the sole banker to these customers, we propose to leverage such access by offering them liability products including current accounts, vendor accounts, cash management services, family accounts and generally deepening our engagement with this customer base. We also propose to focus on wholesale agriculture loans, that will be designed to fund capital expenditure as well as working capital requirements in the food and agriculture based industries. As a result, we aim to increase the proportion of secured to unsecured products, to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. On the liabilities side, we will continue to build our retail liability franchise by offering retail deposits that we believe will further reduce our cost of funding and enable us to introduce more cost effective products for our target segment.

In addition to expanding our product portfolio, we intend to strengthen our alternate delivery channels and increase their adoption by encouraging customers to move from less cash to a cashless environment. We intend to achieve this by focusing on our existing internet banking system and mobile banking platform. We aim to use a combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers. By expanding our range of products and services and by using multiple delivery channels, we endeavor to meet a range of financial needs of our customers which we believe will result in stronger relationships with them.

Increasingly focus on non-interest income sources

An important strategic focus for us is to diversify our fee and non-fund based revenues. We intend to achieve this by further cross-selling existing fee income products like distribution of mutual funds and insurance products, and introducing newer products and services. For instance, we engage with car dealers for issuance of 'FASTag', a self-service application for toll booths. We intend to build on this income source and engage with more number of car dealers across India for issuance of similar products. We intend to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and transfers. For microfinance customers, we aim to market fee and non-fund based products such as health insurance, life insurance and general insurance, and also introduce micro-insurance products. For our MSE and corporate customers, we intend to offer cash management services.

In addition to focusing on our existing commission-based products, we intend to capitalize on our technology infrastructure to introduce new products and services by collaborating with fintech companies. Through API-led banking, we propose to monetize our back-end banking capabilities including our core banking system, performance management system, knowledge database, and regulatory experience, by engaging fintech companies to front new initiatives, on a fee-based model. For instance, we propose to introduce certain prepaid cards for self-employed customers, where the wallet and core banking system will be managed by us, and the functional features of the card will be developed and maintained by the fintech companies.

We also propose to focus on bancassurance channels to distribute various types of insurance products to existing customers, including to families of JLG customers, thereby promoting greater financial inclusion. As of June 30, 2020, we had seven bancassurance relationships including with insurance companies offering general insurance, life insurance and health insurance products. We intend to capitalize on these relationships to diversify and distribute our products by leveraging on our existing network of Banking Outlets to promote newer products to multiple customers. We will also seek opportunities to undertake government banking business such as enrollment of Aadhar, collection and disbursement of gratuity and provident fund, tax collection. On the liability side, we will continue to engage with our mass and mass-affluent customers and promote our wealth management services such as mutual fund investments and PMS products, and strengthen distribution of such products to our existing customer base. We also seek to engage actively with our customer base to drive debit card and online spending behavior through active promotions, in order to drive growth of our transaction fee income.

Recent Development – Impact of COVID-19

An outbreak of COVID-19 was recognized as a pandemic by the WHO on March 11, 2020. In response to the COVID-19 pandemic, the governments of many countries, including India have taken preventive or protective actions, such as imposing country-wide lockdowns, restrictions on travel and business operations. Temporary closures of businesses had been ordered and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited. Since May 2020 some of these measures have been lifted and partial travel has been permitted. Further, the COVID-19 pandemic has caused substantial disruption to the global economy and created significant volatility and disruption in financial markets.

In order to address the financial implications of the COVID-19 pandemic, central banks around the world, including India, have taken monetary, fiscal and administrative measures. The RBI issued guidelines as part of a COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020. In terms of these guidelines, we have granted a moratorium of up to six months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the schemes approved by the Board. For further information on the moratorium benefit that has been extended in accordance with the COVID-19 Regulatory Package issued by the RBI, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268.

Collection Efficiencies and Moratorium Information

The following table sets forth information relating to our collection efficiencies for the months March 2020 through August 2020.

Collection efficiency is calculated as the aggregate EMI amounts collected in the relevant period divided by the total amount due for collection in such period.

However, for purposes of calculation of collection efficiency presented below: (i) while we have taken into account aggregate collection in our micro finance business (including those relating to any micro finance loans disbursed subsequent to April 1, 2020); (ii) we have not taken into account any collection relating to any other loans for disbursements subsequent to April 1, 2020.

Asset Products	**March**	**April**	**May**	**June**	**July**	**August**
Small Business Loans	72.81%	17.03%	15.91%	60.55%	66.27%	105.02%
Micro Finance	77.41%	0.08%	6.57%	42.21%	61.23%	77.09%(2)
Vehicle Finance	80.52%	13.04%	14.11%	42.02%	48.40%	71.52%
MSE Finance(1)	34.50%	21.50%	20.50%	19.50%	21.00%	41.03%(2)
Corporate	99.25%	67.12%	33.33%	91.79%	88.07%	96.26%
Total	**78.13%**	**10.96%**	**12.30%**	**49.38%**	**60.50%**	**83.42%**

Notes:
(1) Excludes working capital loans (CC/OD) and loans classified as others, i.e. loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.
(2) Excludes foreclosures

The following table sets forth information relating to the moratorium option exercised by our customers for the months of June 2020, July 2020 and August 2020.

Moratorium information for a particular month is calculated as the aggregate value of EMIs due in a particular month that have not been repaid, divided by Gross Advances (including IBPC issued) as of the dates indicated below.

Asset Products	**For June 2020**	**For July 2020**	**For August 2020**
	Value of EMIs due that have not been paid in the month of June 2020, as a % of Gross Advances (including IBPC issued) as of March 31, 2020	**Value of EMIs due that have not been paid in the month of July 2020, as a % of Gross Advances (including IBPC issued) as of June 30, 2020**	**Value of EMIs due that have not been paid in the month of August 2020, as a % of Gross Advances (including IBPC issued) as of June 30, 2020**
Small Business Loans	42.06%	39.17%	39.25%
Micro Finance	58.00%	41.60%	24.65%
New Commercial Vehicle Finance	65.82%	53.52%	46.56%

Asset Products	For June 2020 Value of EMIs due that have not been paid in the month of June 2020, as a % of Gross Advances (including IBPC issued) as of March 31, 2020	For July 2020 Value of EMIs due that have not been paid in the month of July 2020, as a % of Gross Advances (including IBPC issued) as of June 30, 2020	For August 2020 Value of EMIs due that have not been paid in the month of August 2020, as a % of Gross Advances (including IBPC issued) as of June 30, 2020
Used Commercial Vehicle Finance	74.40%	58.90%	54.57%
MSE Finance (including Working Capital)(1)	48.25%	40.59%	18.60%
Corporate	12.42%	13.65%	13.69%
Total	**51.17%**	**42.40%**	**36.24%**

Notes:
(1) Moratorium information for our MSE Finance segment (excluding working capital) was 62.40%, 52.12% and 61.03%, for June 2020, July 2020 and August 2020, respectively.

Description of Our Business

Overview

We are the largest SFB in India in terms of number of banking outlets, and the second largest SFB in India in terms of assets under management and total deposits in Fiscal 2019. (*Source: CRISIL Report*). In Fiscal 2019 we had a market share of 16% in terms of assets under management in India (*Source: CRISIL Report*). We commenced operations as an SFB on September 5, 2016, pursuant to receipt of the RBI Final Approval. Prior to commencement of operations as an SFB, we operated as an NBFC – AFC carrying out vehicle finance and MSE finance business as a wholly-owned subsidiary of our Promoter EHL. In compliance with the conditions prescribed in the RBI In-Principle Approval to commence operations as an SFB, the other two erstwhile wholly-owned subsidiaries of EHL, namely EMFL and EHFL, were merged with the Erstwhile NBFC to form the Bank, pursuant to the Amalgamation Scheme. We were included in the second schedule to the RBI Act, as a scheduled bank pursuant to a notification dated December 23, 2016, issued by the RBI and published in the gazette of India dated February 4, 2017 – February 10, 2017.

Product Portfolio

Our product portfolio includes asset products that we advance to unserved and underserved customers largely located in semi-urban and rural areas; and liability products in the form of deposits that we source from mass and mass-affluent customers located in urban and semi-urban areas.

Asset Products

We categorize our asset products into (i) small business loans; (ii) microfinance; (iii) vehicle finance loans; (iv) MSE finance; (v) loans to corporates; and (vi) other loans. Categorization is largely determined by customer profile, type of security and end-use.

The table below sets forth the Bank's Gross Advances (including IBPC issued) by product as of the dates indicated:

	As of March 31,					
	2018		2019		2020	
	(₹million)	% of total	(₹million)	% of total	(₹million)	% of total
Small Business Loans (including housing finance)	26,705.49	33.64%	45,771.21	39.11%	62,794.35	40.86%
Microfinance	22,573.10	28.44%	30,696.02	26.23%	36,161.60	23.53%
Vehicle Finance	22,378.85	28.20%	29,511.97	25.22%	37,599.81	24.47%
MSE Finance (Working Capital)	76.22	0.10%	1,808.60	1.55%	6,694.10	4.36%
Corporates	2,499.05	3.15%	4,559.65	3.90%	8,181.19	5.32%
Others*	5,137.84	6.47%	4,681.04	3.99%	2,238.32	1.46%
Total Gross Advances (including IBPC issued)	**79,370.55**	**100.00%**	**117,028.49**	**100.00%**	**153,669.37**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	49,260.55	40.20%	64,842.23	41.64%
Micro Finance	31,237.44	25.50%	36,178.63	23.23%
Vehicle Finance	30,554.57	24.94%	37,764.87	24.25%
MSE Finance (Working Capital)	2,800.61	2.29%	7,118.03	4.57%
Corporates	5,263.26	4.30%	7,720.98	4.96%
Others*	3,397.45	2.77%	2,104.40	1.35%
Total Gross Advances (including IBPC issued)	**122,513.88**	**100.00%**	**155,729.14**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Small Business Loans (including Housing Finance)

We provide asset-backed financing primarily focused on self-employed individuals operating small enterprises, typically in urban and semi-urban locations. These small business loans are advanced to individuals belonging to low income groups engaged in business activities that do not maintain formal records for credit evaluation. Customers that typically comprise this product segment include mechanics with garages, push-cart owners, and individuals carrying out agri, dairy business, and so on.

We provide Small Business Loans with ticket sizes ranging between ₹50,000 and ₹2 million. In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹502,702.

We typically extend these loans to our existing group loan customers for working capital or capital investment requirements for existing businesses. These loans are typically secured by way of property. As of June 30, 2020, the Gross NPAs for this product segment were ₹1,718.89 million, representing 2.65% of our Gross Advances (including IBPC issued) in this product segment.

As of June 30, 2020, 65% of our small business loans were of ticket sizes of up to ₹500,000, primarily comprising the following types of Small Business Loans, in form of 'loans against property' ("**LAP**"), depending on the end-use and profile of the customers:

Micro-LAP: These secured loans were initially launched to offer our existing group loan customers higher loans for their businesses based on their microfinance loan repayment behavior. Over the years, we have expanded our operations to provide these loans to new customers, instead of restricting it to existing microfinance customers. These loans are typically secured by way of property.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹260,000. These loans are offered at interest rates between 22.00% and 24.00% per annum.

Salaried-LAP: This customer segment comprises salaried individuals in the informal sectors, such as textile, trading and other retail services. Loans are extended to fund personal expenses of these customers. These loans are secured against immovable property owned by the customers.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹1,000,000. These loans are offered at interest rates between 12.00% and 15.00% per annum.

Agriculture-LAP: This customer segment comprises individuals engaged in agricultural businesses for meeting their working capital requirements related to agriculture, purchase of agricultural inputs (like seeds, fertilizers and agro-chemicals) and payment of agricultural expenses and charges. These loans are secured against immovable property owned by the customers.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹285,000. These loans are offered at interest rates between 19.00% and 21.00% per annum.

General- LAP: These secured loans were launched to offer facilities for low-level businesses and service providers for their business requirements primarily comprising small time working capital requirements. These loans are typically secured by way of property.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹700,000. These loans are offered at interest rates between 14.00% and 18.00% per annum.

Business loans Secured: This customer segment comprises traders and service providers in the informal and formal sectors. Loans are extended to fund working capital needs of the businesses which arise from time to time. These loans are secured against immovable property owned by the customers.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹1,500,000. These loans are offered at interest rates between 15.00% and 18.00% per annum.

For each of the LAP products, the value of the property at the time of origination is determined based on valuation reports from a registered valuer. Security interest is created by mortgage through deposit of title deeds, which is registered under applicable law with the sub-registrar having jurisdiction over the immovable property.

Collection

The repayment of loan under this product is primarily through ECS mandates. On the due date of each monthly installment, the ECS mandate is sent to the customer's bank for payment. If any ECS mandate is returned unpaid, the details are sent to the concerned branch, for the branch staff to follow up for field level collections. In addition, as we also advance small business loans to existing microfinance customers, field staff also approaches the referees of such loans to aid in collection of dues.

Housing Finance

Our housing loan offerings are targeted towards self-employed individuals who have limited access to loans from banks and larger housing finance companies. Loans are provided for purchase of plots or house, construction of house, improvement/ restoration/ extension of home. Some of our affordable housing finance products are cross-sell products offered to existing customers with a satisfactory track record. Customers in this segment typically run small enterprises and/ or are employed in the informal segment, or are involved in informal trade or commercial activity where income is not completely documented and requires field based credit assessment. As of June 30, 2020, the Gross NPAs for this product segment were ₹233.12 million, representing 3.71% of our Gross Advances (including IBPC issued) in this product segment.

The loan amounts range between ₹300,000 and ₹1.25 million, and in Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹665,000. Repayment tenures for these loans range between 10 years and 20 years. These loans are offered at interest rates between 11.00% and 13.00% per annum.

Collection

Repayments in all cases are either through post-dated checks or ECS mandates. On the due date of each monthly installment, such ECS mandates are sent to the banker of the customer. Any default is intimated to the concerned branch and a dedicated staff is assigned for field level follow up and collection. If the account becomes an NPA, in addition to field level follow up, the case is transferred to the legal team for appropriate legal action including initiation of recovery proceedings.

Microfinance

Under our microfinance business, we provide group loans with ticket sizes ranging between ₹5,000 and ₹35,000 to our women customers, depending on their loan cycle, and in Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹14,500.

The primary target customer segment for our microfinance business are micro-entrepreneurial women with limited access to formal financing sources. These loans are provided essentially for use in their small businesses or other income generating activities. These loans have a tenure of up to two years and are offered at interest rates between 23.00% and 24.00% per annum. Our group loan products are built on the peer-guarantee loan model, which enables individuals to take loans without having to provide collateral or security on an individual basis, while promoting credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans.

Typically repayments are made at group meetings, which are held at intervals of 28 days. At these meetings, if any member defaults in making payments to the group leader or is absent, the other group members are responsible for such amount. The member is subsequently required to repay such amount to the group. As of June 30, 2020, the Gross NPAs for this product segment were ₹428.18 million, representing 1.18% of our Gross Advances (including IBPC issued) in this product segment.

We offer group loan products to groups of seven to 30 members, based on the knowledge of each other's credit worthiness. These groups typically comprise individuals who live in the same area and within the operating radius of the same branch, and whose annual household income is not more than ₹200,000. While new customers become eligible for loans after they pass the group recognition test, existing customers are granted repeat loans on the basis of their prior track record.

Collection

The collection process is a critical part of our microfinance business operations. Repayments are collected in cash at centre meetings. Passbooks are issued to customers and in order to minimize fraudulent activities, we use pre-printed stickers for each microfinance loan account evidencing cash receipt. These stickers are centrally issued and dispatched to Banking Outlets prior to the centre meeting. The sticker contains the loan identification number, installment amount and date of the centre meeting. In case of shortfall in collection from borrowers, the collection personnel are required to account for the relevant unused sticker receipt, which is required to be returned to the head office. In addition, we also have SMS based processes to track collections. After every centre meeting, the relationship officer is required to send an SMS to a central server indicating the amount collected, the time at which the meeting was completed and the members present at the meeting, which enables us to effectively track collection from across the country on a timely basis. Any shortfall in collection can therefore be highlighted and addressed immediately.

Vehicle Finance

Our vehicle finance customers are typically first-time formal financial channel borrowers purchasing used commercial vehicles, with significant experience in hyperlocal logistics. Our vehicle finance customers also include small fleet operators. Our vehicle finance operations are conducted based on our extensive experience of working with customers without sufficient credit history, and our ability to effectively assess risks associated with financing such customers with no access to formal credit. Minimum requirements for such customers include possessing a valid driving license and commercial knowledge of the vehicle being purchased. While such customers typically have limited access to bank loans for commercial vehicle financing and mostly have limited or no credit history, they should otherwise own assets such as a house or property or vehicle.

We have also recently commenced advancing loans for the purchase of new commercial vehicles.

In the three months ended June 30, 2020, the ticket size for loans for used commercial vehicles was between ₹200,000 to ₹500,000. These loans have a tenure of 2.5 years to 3.5 years, and are offered at interest rates ranging between 21.00% and 23.00% per annum.

In the three months ended June 30, 2020, the ticket size for loans for new commercial vehicles was between ₹300,000 to ₹700,000. These loans have a tenure of three years to 4.5 years, and are offered at interest rates ranging between 13.50% and 15.00% per annum.

Prior to the Amalgamation Scheme, we carried out the business of vehicle finance loans through the Erstwhile NBFC, for over 7.5 years. Based on our extensive experience in the business of vehicle loans, we segregate our customers into five categories based on their profile. Key terms of the loan are determined based on the category of the customer, with Category A being the most credit worthy, descending through to Category E. The minimum requirement for a customer to be in Category E is possession of valid driving license, while the minimum criteria for Category A customers is prior ownership of a commercial vehicle along with repayment track-record. As of June 30, 2020, the Gross NPAs for this product segment were ₹1,425.93 million, representing 3.78% of our Gross Advances (including IBPC issued) in this product segment.

Collection

All accounts are reviewed periodically, with a higher frequency reviews for larger loans and delinquent customers. The managers review collections and other operations regularly, and may personally contact customers who default on loan payments. They are assisted by loan officers in their daily operations, who are responsible for collection of installments from customers.

As our vehicle finance business involves on-demand receipts, in order to reduce risk of fraudulent activities, our employees are provided a mobile application to immediately issue receipt for repayment. The collection operation is administered by our own employees and we do not outsource loan recovery and collection operations.

In the event of default, the reasons for default are identified and appropriate action is initiated, such as requiring partial repayment and/ or providing additional repayment period under certain emergency circumstances faced by the customer. In certain cases, in case of willful default by customer, following due notice, the hypothecated vehicle is repossessed. In the event of any shortfall in recovery of outstanding amount, we may initiate legal proceedings against the customer.

Micro and Small Enterprise ("MSE") Finance

We previously provided MSE finance as part of our small business loans product segment. We have subsequently differentiated these offerings based on the profile of the customer. We provide MSE finance to enterprises engaged in business activities that maintain formal records for credit evaluation, primarily in urban and semi-urban areas. Customers that comprise this segment typically undertake manufacturing and trading activities.

Under this product segment, we offer working capital loans in the form of (a) fund based facilities including cash credit limits, overdraft limits; and (b) non-fund based facilities like bank guarantees and letters of credit. We also offer term loans for specific business purposes.

These facilities are predominantly secured by primary and collateral security in the form of stock, book debts, machinery, commercial or industrial premises and residential properties of promoters/ proprietors. Our MSE products are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets and meeting working capital needs.

Our Bank classifies MSEs as per the 'Compendium of Guidelines for Small Finance Banks' issued by the RBI. We have strategically focused on developing our MSE business to ensure diversity in our customer base. We have developed a wide range of products and customized services including overdraft facility and corporate internet banking to suit specific needs of our MSE customers. As the sole banker to these MSEs, we are focused on building a long-term relationship driven primarily through technology to deliver superior banking services. In addition, our MSE relationship managers provide a wide range of banking services through our branch-banking network.

Set forth below is certain information on MSE loans advanced to customers, based on type of activity carried out by these customers:

Type of Activity	**Advances as of June 30, 2020**	
	Amount (₹million)	**(As a % of total advances)**
Trading	2,744.72	38.56%
Manufacturing	2,548.25	35.80%
Services	1,825.06	25.64%
Total	7,118.03	100.00%

We typically assess eligibility of these customers based on turnover thresholds. The ticket size for MSE loans ranges between ₹1 million and ₹50 million, in order to diversify the risk within the product segment, and in Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹3.28 million. The repayment tenure for such loans is between one year and five years. These loans are offered at interest rates between 10.50% and 12.00% per annum.

Corporates Loans

We extend term loans to NBFCs that further lend to retail customers in the form of microfinance, vehicle finance, housing finance and similar sectors, and to certain corporates. We typically lend to these entities that are predominately rated BBB from a recognized credit rating agency. Average ticket size of loans is in the range of ₹150 million to ₹500 million.

In Fiscal 2020 and the three months ended June 30, 2020, the average ticket size of these loans was ₹190 million. The repayment tenure for such loans is between two years and five years. These loans are offered at interest rates between 10.50% and 13.00% per annum.

Set forth below is certain information on corporate loans advanced:

NBFC activity	**Advances as of June 30, 2020**	
	Amount (₹million)	**(As a % of total advances)**
Microfinance	2,805.80	36.34%
Housing finance	1,836.82	23.79%
Other NBFC's	2,152.61	27.88%
Other Corporate (Non NBFC)	925.75	11.99%
Total	**7,720.98**	**100.00%**

Others

Products include loans against gold, overdraft facilities against fixed deposits, and unsecured business loans.

Loan against Gold: Loans secured by gold jewelry of customers, repayable by monthly instalments or interest modes scheme rather than on one-time repayment basis only. Average ticket size of loans is in the range of ₹30,000 to ₹4 million. The repayment tenure for such loans is generally in the range of two years.

The gold loan market is likely to witness growth in the coming years, as it enables customers to meet their immediate financial requirements (*Source: CRISIL Report*). The gold loan market is further expected to grow at a CAGR of approximately 10% over the next three years to ₹3.8 trillion by Fiscal 2022 (*Source: CRISIL Report*). Stable demand and initiatives to increase awareness are expected to help the industry grow moderately along with geographic diversification and rising interest from the northern, western and eastern regions (*Source: CRISIL Report*).

Overdraft facilities against Fixed Deposits: Extended to individuals, proprietorships, private limited companies that have open fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest rates between 8.50% and 11.50% per annum.

Unsecured Business Loans: We previously extended unsecured business loans under MSE finance, and have subsequently discontinued providing such loans.

<u>Liability Products</u>

We meet our funding requirements primarily through the following retail deposits that we source from mass and mass-affluent customer segments:

Current Accounts

We offer various types of current account options that provide customers the ability to manage their business transactions with higher daily transaction limits and access to funds at a wide network of Banking Outlets, ATMs and via net banking, mobile applications and SMS banking channels.

We offer the following current accounts to our customers:

Wings Current Account: This account comprises business privileges, for the affluent and large-scale businesses. Transactional flexibility is a key feature that includes 20 free cheque books per month; free cash deposit up to 15 times the previous month's average balance; the Wings Platinum debit card with multiple privileges; doorstep banking facility of up to ₹400,000 twice a week; and 25 free demand drafts per month.

Business Account: An account for small businesses with features to support growth. This account requires an average monthly balance of ₹10,000 in metro and urban branches and ₹5,000 in semi-urban and rural branches; and allows cash deposits of up to 10 times the previous month's average balance up to a maximum amount of ₹300,000.

Business Prime Current Account: This account provides transaction based banking solutions to small and medium enterprise, contractors and supply vendors. For women proprietors, the average monthly balance maintenance requirements is half the stipulated requirement in metro and urban branches. The account also permits cash deposits of up to 10 times the previous month's average balance up to a maximum amount of ₹1 million.

Advance Current Account: A current account for manufacturers, medium enterprises and traders, with permitted monthly cash deposits up to ₹2.5 million; free RuPay/ Visa Classic debit card; average monthly balance of ₹40,000 in metro and urban branches, and ₹20,000 in semi-urban and rural branches; for women proprietors, the average monthly balance maintenance requirement is half the stipulated requirement in metro and urban branches.

Trade-In Current Account: This is a composite business solution for large scale businesses with a digital banking platform and cash deposit solution. Average monthly balance ₹100,000 and ₹50,000 for women proprietors; six check books are offered free per month; cash deposits of up to 12 times the previous month's average balance is allowed; RuPay/ Visa Classic debit cards are free and a RuPay Platinum debit card is offered at no cost for the first year.

My Business Account. With no monthly average balance requirements, this account is offered to our first time asset customers. The account offers two demand drafts free per month; cash deposits of the lower of ₹100,000 and ten times the previous month's average balance; and the RuPay Classic debit card at an annual fee of ₹100.

Government – Trust, Association, Society and Club (TASC) Current Account. We have recently launched this for institutional customers, comprising government entities and TASC. This is primarily aimed at meeting the requirements of central and state governments and governmental organizations, religious trusts, charitable trusts, NGOs, hospitals, educational institutes, commercial associations, social associations, charitable societies, Section 8 Companies, co-operative societies, housing societies, commercial/ charitable/ social clubs.

Savings Accounts

As of June 30, 2020, we had 293,657 savings account holders. We offer the following types of savings account to our customers:

Wings Savings Account: This account is specifically targeted at affluent customers, with multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the VISA Signature Debit Card with features such as unlimited withdrawals at non-Bank ATMs, home insurance, personal accident and air accident insurance.

Value Plus Savings Account: This account is suited for mass and mass-affluent customers, with flexibility in terms of transactions and banking options including family banking at differential interest rates. Benefits include up to four free cash withdrawals per month at other bank ATMs in metro locations and up to six free cash withdrawals per month at other bank ATMs in non-metro locations, and free RuPay Debit Card issued in the first year of opening the account.

Regular Savings Account: Customers in metro and urban areas; semi-urban areas; and rural areas, are required to maintain an average monthly balance of ₹10,000, ₹5,000 and ₹2,500, respectively. Customers may also maintain fixed deposits or use platinum/ signature debit cards linked to the account in lieu of the monthly balance requirements.

My Savings Account: This account is typically suited to meet the requirements of our microfinance customers with no average monthly balance requirements. It includes a RuPay classic debit card at a nominal annual fee of ₹100.

Basic and Small Savings Account: This is aimed at furthering financial inclusion and comprises all the basic banking facilities. It includes a free RuPay/ VISA classic debit card with personal accident insurance. No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance.

EDGE: The product is offered with the help of select asset management companies and added privileges include complementary access to the 'Equitas Online Wealth Management System'. Customers can avail the EDGE facility through any of our distribution channels. We have also tied up with an asset management company to share our KYC platform on the Bank website that customers can use to complete their one-time KYC registration requirements in paperless manner. We promote the EDGE account as a relationship account through which we also assist customers with other savings products and guide them on available investment opportunities, including systematic investment plans of mutual funds with insurance cover.

NRE Rupee Savings Account: Non-resident external (NRE) rupee savings and deposit accounts are held by non-resident Indians for investing their foreign earnings in Indian Rupees. We offer competitive interest rates on these accounts, and as interest earned on these accounts is not taxable in India, the interest income passes through to the non-resident Indian. We offer two types of accounts, regular NRE deposit accounts and elite NRE deposit accounts. Both accounts offer multiple payment solutions through platforms including VISA, Mastercard and RuPay; access to technology channels like internet banking and mobile applications and even foreign exchange services (in alliance with an AD1 Bank) for conversion of foreign currency into Indian rupees.

NRO Rupee Savings Account: Non-resident ordinary (NRO) rupee savings accounts are held by non-resident Indians for managing any income generated in India, including rent and dividends.

ELITE: This is a savings account for mass-affluent customers under the brand 'ELITE', specifically to cater to families with higher savings requirements. This product is available to select clients through all banking channels including Banking Outlets, card solutions, customer service, and internet and mobile banking. We have collaborated with payment companies to provide a specialized 'World Debit Card' variant for customers under this segment, with privileges including access to airport lounges and golf clubs, and discounts at various merchant establishments. This product also has additional features including higher interest rates of up to 7.5% on savings accounts, product and pricing benefits, and certain complementary services such as a wealth management system, dedicated relationship managers, and priority processing. We also offer a loyalty reward program as part of this product. Customers eligible for this product are required to maintain either, (i) combined family total relationship value of ₹2.5 million with minimum savings average monthly balance of ₹100,000 or (ii) a combined family savings average monthly balance of ₹500,000. Customers are also offered certain waivers on locker fees. We may extend this offering to other customer segments as well.

Government – Trust, Association, Society and Club (TASC) Savings Account. We have recently launched this for institutional customers, comprising government entities and TASC. This is primarily aimed at meeting the requirements of central and state governments and governmental organizations, religious trusts, charitable trusts, NGOs, hospitals, educational institutes, commercial associations, social associations, charitable societies, Section 8 Companies, co-operative societies, housing societies, commercial/ charitable/ social clubs.

Selfe Savings Account: We have recently launched the 'Selfe Savings Account', a digital bank account that can be opened with a web based interactive video form on registration using credentials such as the Aadhaar number, PAN and other basic details. Customers can set up a mobile banking PIN and start using their account immediately. Account holders are also eligible to operate a virtual debit card. The Bank also supports its customers through their chat bot Aidy to address customer queries.

Interest rate for our savings accounts ranges between 3.50% and 8.00% per annum. We have also recently waived non-maintenance charges payable by customers of our savings accounts.

Salary Accounts

Universal Salary Account: An account with no minimum balance requirement. A family member may be grouped within this account, which also provides a free RuPay/ Visa Classic debit card with personal accident insurance. Other features include up to five free transactions per month.

Silver Salary Account: Similar to the universal salary account, this account has the added feature of eight free transactions per month.

Premium Salary account: Similar to the universal salary account, this account has the added feature of 15 free transactions per month.

Term Deposits

As of June 30, 2020, 559,745 customers had maintained term deposits with us. We offer the following types of deposits to our customers:

Fixed Deposits: The minimum amount that can be deposited is ₹1,000. Fixed deposits can be opened for a minimum period of seven days to a maximum of 10 years. Interest payment options are monthly, quarterly, half yearly, annually and at maturity. The rate of interest paid for fixed deposits varies according to tenure and amount and higher interest rates are offered to senior citizens. Premature closure and partial withdrawals are permitted. We have also recently launched a digital product 'Selfe Fixed Deposit' through which customers can open fixed deposits online with transactional convenience.

Recurring Deposits: The minimum amount that can be deposited is ₹1,000. Recurring deposits can be opened for a minimum period of one year to a maximum of 10 years. Interest payment is quarterly compounded and paid at maturity. The rate of interest paid for recurring deposits varies according to tenure and amount and higher interest rates are offered to senior citizens. Premature closure and partial withdrawals are permitted.

Sweep-in and Sweep-out Fixed Deposits – We have recently launched 'sweep-in and sweep-out fixed deposits' that we propose to offer together with select current accounts to enable current account customers to earn interest on their idle funds. Funds beyond specified thresholds will be transferred into a fixed deposit for up to 90 days every week, and in case of a shortfall in the threshold of current account, amounts will be transferred back from the fixed deposit into such account on a last-in first-out basis.

Institutional Products

We receive deposits in the form of certificate of deposits from various mutual funds, banks and from cooperative banks, insurance companies, NBFCs/ MFIs and other financial institutions. We also typically fund our operations through term loans, refinance, and subordinated debt.

Other Products and Services

As of June 30, 2020, we offered a range of third-party products, including insurance products, FASTag for toll plazas, and asset management in mutual funds and PMS.

The insurance products we offer include property insurance for housing, endowment policy, term insurance, unit linked plans, motor insurance and personal accident cover policies for customers across segments. To provide insurance products we have bancassurance relationships with life insurance companies, general insurance companies and health insurance companies to distribute their insurance products. Under these agreements, we generate income in the form of commission and in the form of new business premium for such insurance companies.

FASTag is a card we issue for use at toll plazas. We engage with car dealers for issuing these cards.

We are empaneled with asset management companies to distribute their mutual fund products through our branch network. We receive commissions from the asset management companies for the sale of their products.

Distribution Channels

As of June 30, 2020, we carried out our operations through Banking Outlets, ATMs, POS terminals, and various digital channels including internet banking through our website, phone banking through our call center, and mobile banking through the application.

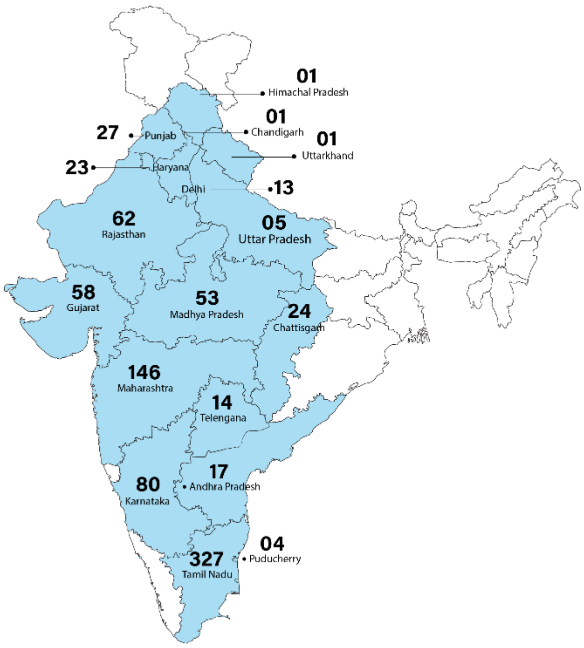
Network of Banking Outlets

Our branch network comprises liability/ deposit accepting branches and asset centers (together referred to as 'Banking Outlets').

Our rural Banking Outlets used primarily for distribution of asset products are located in areas that, we believe, also have growth potential. We also engage business correspondent partners to enhance our reach in unserved and underserved locations for the sale of our asset products.

We distribute our liability products through Banking Outlets located at urban and semi-urban areas. In order to attract our target liability customers, i.e. mass and mass-affluent customers, these Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs.

The map below sets out certain information on our Banking Outlets as of June 30, 2020:



Note: Map not to scale

Region	Banking Outlets	Business Correspondents	Number of States/ Union Territories
North(1)	210	-	10
West(2)	204	10	2
South(3)	442	242	5
East(4)	-	-	-
Total	**856**	**252**	**17**

Notes

(1) Northern region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand

(2) Western region comprises Gujarat and Maharashtra

(3) Southern region comprises Goa, Karnataka, Kerala, Pondicherry, Andhra Pradesh, Telangana and Tamil Nadu
(4) Eastern region comprises Assam, Bihar, Jharkhand, Meghalaya, Odisha, Tripura and West Bengal

For further information on our state-wise deposit mix, see "*Selected Statistical Information*" on page 192.

ATMs and Debit Cards

We typically deploy onsite ATMs and cash recyclers at our Banking Outlets for the convenience of our customers. All our ATMs are biometric enabled. A customer can perform cash withdrawal, fast cash services, mini-statements, balance enquiry, PIN change at our ATMs. Our Bank has deployed 322 ATMs as of June 30, 2020, and in the three months ended June 30, 2020, we recorded an average of 1,146 transactions per month per ATM, and an average of 78% of such transactions were by customers of other banks. Further, in Fiscal 2019 and 2020, and in the three months ended June 30, 2020, average debit card spend was ₹2,718.89 million, ₹1,120.20 million and ₹513.94 million, respectively.

Our customers can use the VISA Debit, MasterCard Debit, and RuPay Debit ATM-cum-debit cards at the ATMs, POS terminals and for online transactions. Of our total debit card transactions, since commencement of our operations as an SFB and as of June 30, 2020, 61.70% and 36.80% of the aggregate value of transactions were through VISA cards and RuPay cards, respectively.

Digital Channels

Internet Banking

Our internet banking platform is equipped to handle basic remittance services like IMPS, NEFT and RTGS. In addition, we have also extended UPI and bill payment services to aid digital transactions. In Fiscal 2020 and in the three months ended June 30, 2020, transactions carried out through retail internet banking amounted to ₹38,015.90 million and ₹4,580.50 million, respectively.

Mobile Application

The Equitas Mobile Banking application is available in Android and iOS operating systems. In Fiscal 2020 and in the three months ended June 30, 2020, transactions carried out through mobile banking amounted to ₹70,615.70 million and ₹7,542.20 million, respectively.

Phone Banking

Our phone banking facilities provide customers access to reset ATM pins, block debit, and prepaid cards. Our phone banking operations are carried out by a call center with multi lingual communication capabilities to service customers across the country. We also have facilities with added features for immediate access to our phone banking officers for our high-networth individual customers and senior citizens.

Loan Pricing

Our Asset Liability Committee ("ALCO") reviews and approves our loan pricing framework, which is either based on (a) internal marginal cost of funds known as marginal cost of funds based lending rate ("MCLR"); or (b) external market benchmarks. Internal MCLR are reviewed every month by the ALCO depending on prevailing market conditions and our operating and funding costs at that time. The ALCO also reviews the tenure premium for tenure based MCLR. Rates for customers are benchmarked to MCLR or external benchmark by adding the required spreads, determined based on a number of factors. For the MCLR framework, spreads are considered for credit risk, liquidity and business strategy; and for external benchmark, spreads additionally factor in our own funding spread over the market benchmark, operating expenses, and cost of capital.

All of our loans are denominated in Indian Rupees, and comprise a mix of fixed, floating and hybrid interest rates. Hybrid loans are fixed for the first few years before converting into floating rates.

Treasury Department

Our treasury operations are located at our office in Chennai. The treasury team focuses primarily on the management of our funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. We have a Board-approved 'Treasury and Investment Policy' framed in accordance with RBI guidelines, to ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

We maintain adequate liquidity to meet customer requirements, and manage liquidity through various routes including borrowing/ deployment though call market, tri-party repo, market repo, and liquidity adjustment facilities provided by the RBI.

We raise funds through various money market instruments such as certificates of deposit, term money, and inter-bank participation certificates. In addition, we access funds by way of refinancing from various financial institutions.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15% of credit risk weighted assets only, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer.

Our CRAR was 29.60%, 22.45% and 23.61%, as of March 31, 2018, 2019 and 2020, respectively, and was 22.02% as of June 30, 2020. Our Tier I capital ratio was 27.07%, 20.93%, 22.44% and 21.04% as of March 31, 2018, 2019 and 2020, and June 30, 2020, respectively. For further information, see "*Selected Statistical Information*" on page 192.

Compliance

The Bank's compliance team is headed by the Chief Compliance Officer and functions as an independent unit to assist the senior management in the identification of compliance risks.

We have established a KYC/ AML/ Combating the Financing of Terrorism policy, which is prepared in line with the guidelines issued by the RBI on KYC norms, AML measures and CFT obligations from time to time. The policy covers guidance for matters including customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objectives of the policy include (i) enabling the Bank to conduct clean, commercial business conforming to standards set by the banking industry within the framework of the relevant regulations and laws; (ii) preventing the Bank's business channels/ products/ services from being used as a channel for money laundering; (iii) establishing a framework for adopting appropriate AML procedures and controls in the operations/ business processes; (iv) reporting and taking suitable action, on detecting the suspicious activity involving money laundering as directed by regulators and the head office from time to time; and (v) complying with applicable laws in India and adhering to standards accepted internationally by the financial sector on KYC/ AML and CFT. The policy applies to all related activities of all branches/ offices of the Bank.

Risk Management

The key risks we are exposed to include: (i) credit risk; (ii) interest rate risk; (iii) liquidity risk; (iv) operational risk; (v) cash management risk; (vi) market risk; (vii) information security and cyber risk; and (viii) reputational risk.

Credit Risk

Credit risk is the risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. We manage credit risk that is inherent in our entire portfolio as well as risk in individual credits or transactions. Credit risk management is a critical component of a comprehensive approach to risk management by defining lending and risk policies that set out the principles and control requirements, under which we extend credit to customers. We have a delegation matrix and committee approach for approval of credit considering the risk and exposure involved in respect of each credit proposal. In the retail loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structures are specified. Given the granular nature of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. For corporate and commercial credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification, prudential limits across various dimensions, security structures and periodic reviews facilitate credit risk management. Our credit teams track cases for early signs of stress, so that corrective action is taken in the case of non-starter or early delinquency cases. We have set-up collections management system, which includes a collection control room that centrally manages allocations between collection agents and we use analytics for the optimum allocation of cases to the collections team.

Interest Rate Risk

Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. We assess and manage interest rate risk in our banking book as well as our trading book. The ALCO governs management of interest rate risk, and sets the risk management strategy and risk limits. As interest rate risk can affect both net interest income and value of capital, it is assessed and managed from both earnings and economic perspectives. See "*Risk Factors – Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.*" on page 29.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management, due to a deterioration of market conditions or our financial conditions, compelling us to raise funds at a higher rate of interest. Market liquidity risk is the risk that we cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption.

The framework for liquidity and interest rate risk management is established in the Asset Liability Management policy and the ALCO defines liquidity risk management strategies and risk thresholds. Funds management team under the treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Liquidity risk is assessed using both structural and dynamic perspectives and we use various approaches to assess it. We have also set prudential internal limits in addition to regulatory limits on liquidity mismatches, borrowings, placements, and so on. We conduct liquidity stress testing to evaluate the impact of stress on the liquidity position. The LCR measures the extent to which high-quality liquid assets are sufficient to cover short-term cash outflows under stress conditions. See "*Risk Factors – We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.*" on page 41.

Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. We have a Board approved operational risk management policy, which is implemented by a dedicated operational risk management function. The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures, and operational risk management framework laid down by the independent operational risk management function. We have a comprehensive framework for approval of new products and processes along with detailed operating guidelines for risk management. We have an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. We have a whistle-blower policy, for employees to raise their concerns, on a confidential basis, on any fraud, malpractice or any other untoward activity or event. Disaster recovery centres and business continuity plans have been established to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness. See "*Risk Factors – Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.*" on page 47.

Cash Management Risk

Our officers collect and deposit a large amount of cash through a high volume of transactions taking place in our network. To address the cash management risks, we have developed cash management checks that we employ at every level to track and tally accounts. We ensure that cash collected up to a certain time is deposited at local Banking Outlets on the same day. Cash that is to be deposited is accounted for at the Banking Outlet level to avoid discrepancies. Moreover, we conduct regular internal audits to monitor compliance with our cash management systems. See "*Risk Factors – Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.*" on page 38.

Market Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. The Board approved Investment Policy and Market Risk Policy sets out the 'investment philosophy' of the Bank and our approach to market risk management. The investment committee and ALCO oversee the investment and market risks and approve the framework for market risk and its thresholds.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our Information and Cyber Risk Committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. Periodical awareness exercise is ensured to update employees on information security practices. We have also recently obtained a cyber-risk policy.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by customers, counterparties, investors or regulators. This is particularly relevant as our business involves comforting customers that we are credible and can offer basic, secure services expected by the customers. This risk is typically viewed as a knock-on effect of other risks materializing. It compounds the effect of other risks, such as strategy, fraud and regulatory risk. Reputational risk has not been modelled in isolation but is considered throughout our ongoing risk review process and is built into the assessment of other risks.

Risk Management Architecture

Risk management is fundamental to our operations and is critical to ensure sustained profitability and stability. We have an independent integrated risk management function to identify, measure, monitor and manage credit, market and operational risks including IT security risk.

We have an established Risk Management Framework to ensure that our risk management operations are independent of our business operations, through various policies, procedures and allocation of responsibilities. The Risk Management Framework is monitored by the Board through its Risk Management Committee, and at the management level by the ALCO, Credit Risk Management Committee ("CRMC"), Operational Risk Management Committee ("ORMC") and the Information Security and Cyber Risk Committee, and Executive Risk Management Committee which are comprised and supported by members of our senior management team. Set out below is a description of the functions of each of these committees:

Credit Risk Management Committee: The CRMC was formed to review and monitor the adequacy and effectiveness of credit risk management framework, which includes policies, procedures, processes, compliance, review of concentration risk and monitoring of prudential limits and portfolio management.

Asset Liability Committee: The ALCO is responsible for overseeing liquidity management, fund management, monitoring prudential limits and review of concentration of funding sources.

Operational Risk Management Committee: The ORMC reviews risks related to people, process and systems and monitors key risk through key risk indicators and analyses causative factors for operational loss events.

Information Security and Cyber Risk Committee: The role of this committee is to review and provide recommendations on technology, information security and cyber security risks. The committee considers directions from the Risk Management Committee of the Board while providing recommendations on the Bank's related risk appetite. The committee is also responsible for assessing information and cyber security risks on behalf of the Risk Management Committee.

Executive Risk Management Committee: The committee comprises senior management and is responsible for oversight of credit, market, operational risks at an enterprise level. It is mainly required to assess the risk profile at an integrated level; recommend the risk appetite limit to the Risk Management Committee on a quarterly basis; assess the external and internal risk environment in which we operate an provide suitable direction; review and recommend to the Risk Management Committee main risk factors that could affect our portfolio that require attention; and also recommend stress tolerance limits to the Risk Management Committee.

The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk we can be exposed to. The risk appetite statements cover all key risk factors, define the boundaries of risk taking, and sets the tone of our risk management culture and risk management framework. The risk appetite statements are annually reviewed and operations are tested against the risk appetite to ensure alignment. Regular monitoring of risk exposures is carried out to ensure that risk taking activity remains within the risk appetite. Our Risk Management Committee is responsible for deciding risk policies and strategy for integrated risk management containing various risk exposures. It is also responsible for overseeing implementation of the Risk Management Framework.

Based on our research on the customer segments we cater to, we apply different credit assessment models depending on the product segment. The business lines assume certain risk positions on a daily basis within the approved framework, through executives/ risk control units engaged for this purpose. Our business lines have defined product policies and a separate set of credit policies that outline a standardized approach for credit underwriting and approval. We have also developed retail scorecards to assess the credit worthiness of our customers. For term loans and working capital loans, we carry out detailed analysis of audited accounts to ascertain the movement in key ratios and credit officers may conduct on-site inspection of the applicants to establish the cash flows and the ability to service the loan applied for. Our internal audit department provides an assessment of the design and operational effectiveness of our overall credit risk management framework. The credit risk team monitors cases for early signs of stress for appropriate corrective action. We believe this mitigates, to an extent, the operational risk that banks typically face. We have also set up suitable processes and systems through our customers' liability policy to prevent unauthorized electronic banking transactions, which ensures safety and security of electronic banking transactions.

Information Technology

Over the years, use of technology has enabled us to scale up our operations in an efficient manner. We have automated our backend operations, supported by a core banking system, customer relationship management system, collection management system and document management system. The use of technology has helped microfinance institutions grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal (*Source: CRISIL Report*). We also capitalize on our knowledge of the industry and leverage technology for creating underwriting and credit models to ascertain credit behavior of various customer segments.

With the use of technology we have created a paperless onboarding process for originating microfinance loans and opening bank accounts. We manage various stages of our customers' banking transactions, from onboarding to customer management, through our various technology platforms. Tablets are used by the field teams which enable straight through processing of applications and as of June 30, 2020, 8,083 employees use tablets/ digital services for carrying out their savings account customer onboarding operations. In Fiscal 2020 and the three months ended June 30, 2020, 94.00% and 97.00%, respectively, of our overall banking transactions were through digital channels. We have also recently revamped our mobile bank application to deliver more number of services through the application. This also enables opening of savings accounts with KYC checks through video conferencing with our employees.

We also have added features for the benefit of our customers. For instance, we have introduced facial recognition features for transaction authentication in our banking mobile application. The facial recognition feature eliminates the use of passwords and other accessibility hindrances that are typically challenging for the customers we cater to, while ensuring security of data and supervised use of the application. We have also initiated engagements with fintech partners for 'API banking', with an aim to provide additional technology features to our customers. Our internet and mobile banking platform also provides access to a digital wealth management platform for customers to invest in mutual funds with additional features to track their investments. The digital wealth platform provides customers with a snapshot of their mutual fund portfolio, asset allocation and transaction history with a convenient and rich customer experience to invest in mutual funds.

Intellectual Property

We are currently using the brand name, '*Equitas*', pursuant to a no-objection letter dated November 8, 2019 granted by our Promoter, EHL, the owner of the trademark, to our Bank.

We have registered our logo with the trademark registry under class 36. We have also registered our corporate logo in our name with the trademark registry under class 36, which is valid up to November 18, 2029.

We are also in the process of obtaining certain patents for our processes and have filed provisional applications for three patents in Fiscal 2021, in the following areas of invention: (i) System for Blockchain Based Investment Gifting Platform and Method Thereof; (ii) A System for Rentassure Deposit Plans and Method Thereof; and (iii) System and Method for Workflow Management, an in-house custom built CRM customized based on the customer segments we cater to and product offerings.

For further information on our intellectual property, see "*Government and Other Approvals*" on page 352.

Marketing

Our marketing strategy is focused on creating a strong community connect and encouraging the local neighborhood to visit the newly set up Banking Outlets. We have launched several initiatives in recent years to build the brand of our Bank and increase recognition in the communities we serve. These initiatives include "Equitas Gurubhyo Namah", "Equitas Tour A Bank", "Equitas Go Green", "Equitas Banking Golu", and "One India One Bank", and have typically been centered on religious festivities and other occasions. In addition, we believe our ongoing social initiatives in certain communities have resulted in strong brand equity for the 'Equitas' brand.

We carried out a print campaign in some of the leading Indian newspapers advertising our presence, spread and size of our operations to mark completion of three years of banking operations. We also have social media channels for better reach and connect to the youth and working professionals. We are active on various social media platforms and publish content that we believe is relevant and helps build engagement with our target customer base.

We use our digital marketing channels to acquire customers, and have utilized multiple channels for digital communication to gain visibility and acquire customers across geographies. Our digital marketing efforts include affiliate marketing, search engine optimization, search engine marketing and social media. The increased engagement on social media has increase visitors on our website.

We have also implemented marketing automation for customer on boarding through mass communication modes such as emails and SMS. This automation helps us identify products suited for each individual based on their lifecycle, behavior and relationship with the Bank. We aim to continue to use digital channels, and focus on local and niche areas through our branch locations. We are also working on creating more vernacular communication, visuals and multimedia content to drive engagement on our social platforms. To supplement our print media presence, we intend to create videos to capture our customer's journey with us, to improve relatability of our brand and products with our core customer segments.

Competition

We face significant competition from unorganized, small participants in the market across all our product segments in addition to other small finance banks, scheduled commercial banks and NBFCs as well as local moneylenders. There are several successful microfinance institutions functioning in India, and we regularly compete with them for business throughout India.

If the number of scheduled commercial banks including small finance banks, public sector banks, private sector banks, payment banks, and foreign banks with branches in the country increases, or if such existing entities expand their operations, we will face increased competition across product segments, which could have a material adverse effect on our financial condition and results of operations.

Insurance

We maintain insurance policies that we believe is customary for banks. These include combined fire and burglary policy, all risk policy for laptop, cyber risk policy, banker indemnity policy, commercial general liability insurance, and directors' and officers' liability policy.

Employees

As of June 30, 2020, we had 15,843 employees, as set forth below:

Function/ Department	Number of Employees
Sales	8,254
Collection	3,266
Operations	953
Credit	1,179
Customer Service Officer	823
Risk	516
Legal	326
Information Technology	129
HR	133
Finance & Accounts	43
Internal Audit	35
Risk Management	36
Compliance	35
Infrastructure & Facilities Management	30
Treasury	10
Others	75
Total	15,843

Corporate Social Responsibility

We have adopted a board approved Corporate Social Responsibility ("**CSR**") policy that is focused on our core objective of financial inclusion for unbanked and underbanked income groups.

As part of our CSR activities: (i) we contribute 5.00% of our profits after tax for initiatives primarily carried out by the 'Equitas Development Initiatives Trust' and Equitas Healthcare Foundation; (ii) we engage a CSR team to ensure the management of these social activities; and (iii) certain funds are deployed for creating infrastructure for schools which would be run by EDIT.

Activities carried out by EDIT include, operating schools in Tamil Nadu for children from low-income families; development of women through training in vocational skills; pavement dwellers rehabilitation programs; placement coordination for unemployed youth of low income communities by networking with employers through job fairs; and conducting primary health camps through tie-ups with hospitals.

Properties

Our Registered and Corporate Office is situated at 4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai 600 002, and is held by the Bank on leasehold basis from a third-party. As of June 30, 2020, our operations were spread across 17 states and union territories, and through 856 Banking Outlets, all of which are located on leased premises.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations and their descriptions set out below may not be exhaustive, and are only intended to provide general information to the bidders and are neither designed nor intended to substitute for professional legal advice. Judicial and administrative interpretations are subject to modification or clarification by subsequent legislative, judicial or administrative decisions.

Our Bank is engaged in the business of banking, accepting deposits from and lending to underserved and unserved segments. Under the provisions of various Central Government and State Government statutes and legislations, our Bank is required to obtain and regularly renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For information regarding regulatory approvals obtained by our Bank, see *"Government and Other Approvals"* on page 349.

The following is an overview of some of the important laws and regulations, which are relevant to our business as an SFB.

BANKING RELATED LEGISLATIONS

Banking Regulation Act, 1949 ("Banking Regulation Act")

Banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions some of which include that: (i) the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) the bank has adequate capital structure and earnings prospects; (iv) public interest will be served if such a license is granted to the bank; and (v) the general character of the proposed management of the company will not be prejudicial to public interest or the interests of the depositors. The RBI has the power to cancel the license if a bank fails to meet the conditions or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company, or in the interest of its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue perpetual, redeemable or irredeemable preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act, requires any person to seek prior approval of the RBI, to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person or persons acting in concert with him, holding more than 5% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not fit and proper to hold shares or voting rights, by the RBI. Under the RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, an existing shareholder who has already obtained prior approval of RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, the prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. If there is an appropriation from this account or the share premium account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', which will take over any credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairman, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the prior approval of the RBI. Further, no amendment in relation to the maximum number of permissible directors, remuneration of the chairman, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairman, managing director and whole-time directors from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors. Banking companies are restricted from granting loans or advances on the security of its own shares, enter into any commitment for granting any loan or advance to or on behalf of (i) any of its directors; (ii) any firm in which any of its directors is interested as partner, manager, employee or guarantor or (iii) any company (not being a subsidiary of the banking company, or a company registered under Section 25 of the Companies Act, 1956, or a government company) of which, or the subsidiary or the holding company of which, any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest; or (iv) any individual in respect of whom any of its Directors is a partner or a guarantor.

The RBI may impose penalties on banks, directors and its employees in case of infringement of provisions under the Banking Regulation Act. Such penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment of the concerned director or employee. Banking companies are also required to disclose the penalty in their annual report.

The RBI Act, 1934 ("RBI Act"), as amended

The RBI Act provides a framework for supervision of banking firms in India. The RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country. RBI may, subject to certain conditions, direct the inclusion or exclusion of any bank from the second schedule of the RBI Act. Scheduled banks are required to maintain cash reserves with the RBI. In this regard, RBI may stipulate an average daily balance requirement to be complied with by such banks and may direct that such banks regard a transaction or class of transactions as a liability. Further, RBI may direct any banking company to submit returns for the collection of credit information and may also furnish such information to a banking company upon an application by such company. RBI has the power to impose penalties against any person for, *inter-alia*, failure to produce any book, account or other document or furnish any statement, information or particulars which such person is duty-bound to produce or furnish under the RBI Act, or any order, regulation or direction thereunder.

Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. **Registration, licensing and regulations**: An SFB is required to be registered as a public limited company under the Companies Act and will be licensed under Section 22 of the Banking Regulation Act. An SFB will be required to use the words "Small Finance Bank" in its name. It will be governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, Deposit Insurance and Credit Guarantee Corporation Act, 1961, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. SFBs will be given scheduled bank status once they commence their operations, and are found suitable as per Section 42(6)(a) of the RBI Act.

2. **Eligible promoters**: Resident individuals/professionals with ten years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs MFIs and local area banks that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoter/ promoter groups should be 'fit and proper', on the basis of their past record of their sound credentials and integrity; financial soundness and successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote SFB.

3. **Scope of activities**: An SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of RBI and after complying with the requirements of the sectoral regulator for such products. An SFB can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements. It cannot set up subsidiaries

to undertake non-banking financial services activities. Further, the other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. As per 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms' dated March 28, 2020, RBI has granted a general permission to all existing SFBs to open banking outlets subject to adherence with unbanked rural centre norms as per RBI circular on 'Rationalisation of Branch Authorisation Policy - Revision of Guidelines' dated May 18, 2017, as amended. The annual branch expansion plans should be compliant with the requirement of opening at least 25% of its branches in unbanked rural centres ("**URC**") (having population of up to 9,999 as per the latest census). Further, there shall not be any restriction in the area of operations of an SFB, however, preference will be given to SFBs who in the initial phase to set up the bank in a cluster of under-banked states/ districts, such as in the North-East, East and Central regions of India. Such SFBs shall not have any hindrance to expand to other regions in due course. It is expected from SFBs that it shall be primarily responsive to local needs.

4. **Capital requirement**: The minimum paid-up equity capital of an SFB is required to be ₹1,000 million. It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time. The tier I capital should be at least 7.5% of the risk weighted asset. The tier II capital should be limited to a maximum of 100% of the tier I capital. Further, the capital adequacy ratio should be computed as per the Basel committee's standardised approaches.

5. **Promoter's contribution**: The promoter's minimum initial contribution to the paid-up equity capital of an SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of an SFB. However if an existing NBFC, MFI or local area bank has diluted the promoter's shareholding to less than 40% but above 26%, due to regulatory requirements or otherwise, the RBI may not insist on the promoter's minimum initial contribution. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of an SFB. Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within three years of reaching that net worth.

6. **Foreign shareholding**: Foreign shareholding would be as per the FDI Policy for private sector banks, as amended from time to time. As per the current FDI Policy, foreign direct investment is permitted up to 49% under the automatic route and up to 74% under government route in a private sector Indian bank.

7. **Voting rights and transfer/ acquisition of shares**: As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. This will also apply to SFBs.

8. **Prudential norms**: The SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, the SFB will have to comply with additional conditions/ norms such as extending 75% of its adjusted net bank credit to sectors eligible for classification as priority sector lending by RBI, while 40% of its adjusted net bank credit shall be allocated to different sub-sectors under priority sector lending as per the extant priority sector lending prescriptions, the SFB can allocate the balance of 35% to any one or more sub-sectors under priority sector lending where it has competitive advantage, the maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, and further at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.5 million, etc. However, after the initial stabilisation period of five years, and after a review, RBI may relax the above exposure limits. The SFB is also precluded from having any exposure to its promoters, major shareholders (who have shareholding of 10% of paid-up equity shares in the bank), and relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made thereunder) of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards AS 21 and AS 23).

9. **Corporate Governance**: The Board of the SFB should have a majority of independent directors. Further, the SFB will have to comply with the corporate governance guidelines including 'fit and proper' criteria for directors as issued by RBI from time to time.

10. **Others**:

- Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10% of the paid-up equity capital. In case of NBFCs or MFIs converting to an SFB, if shareholding of entities (other than the promoters) in the NBFC is in excess of 10% of the paid-up equity capital, RBI may consider providing time up to 3 years for the shareholding to be brought down to 10%.

- The SFB cannot be a Business Correspondent ("**BC**") for another bank. However, it can have its own BC network.

- A promoter of an SFB cannot be granted licenses for both universal bank and small finance bank even if the proposal is to set them up under the non-operative financial holding company structure.

- If the SFB wishes to transit into a universal bank, it would have to apply to the RBI for such conversion and fulfilling minimum paid-up capital / net worth requirement as applicable to universal banks and comply with certain other prescribed criteria.

- The operations of the bank should be technology driven from the beginning, conforming to generally accepted standards and norms; while new approaches (such as for data storage, security and real time data updating) are encouraged, a detailed technology plan for the same shall be furnished to RBI.

- The compliance of terms and conditions laid down by RBI is an essential condition of grant of licence. Any non-compliance will attract penal measures including cancellation of licence of the bank.

Reserve Bank of India's Operating Guidelines for Small Finance Banks dated October 6, 2016 ("SFB Operating Guidelines")

The SFB Operating Guidelines are supplementary to SFB Licensing Guidelines. The SFB Operating Guidelines came into force considering the differentiated nature of business and financial inclusion focus of small finance banks. The SFB Operating Guidelines set out the following:

1. **Prudential Regulation**: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:

   a) **Capital adequacy framework**: The minimum capital requirement is 15%;

   b) **Leverage ratio**: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and

   c) **Inter-bank borrowings**: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks. However, the borrowings made by the SFBs after the commencement of its operations shall be subject to inter-bank borrowing limits.

2. **Corporate governance**:

   a) **Constitution and functioning of board of directors:** The extant provisions as applicable to banking companies shall be applicable to SFBs as well. Specifically in case of converting entities, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and

   b) **Constitution and functioning of committees of the board, management level committees, and remuneration policies:** The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.

3. **Banking Operations**:

   a) **Branch authorization policy**: SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017. SFBs are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of business. The SFBs are given three years from the date of commencement of the business to align with this requirement, however, during these three years, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.

   b) **Regulation of Business Correspondents:** The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents ("**BC**"). These BCs can have their own branches managed by their employees operating as "access points" or may engage other entities/persons to manage the "access points" which could be managed by the latter's staff. In such cases, from the regulatory perspective, the SFB will be responsible for the business carried out at the 'access points' and the conduct of all the parties in the chain regardless of the organizational structure including any other intermediaries inserted in the chain to manage the BC network.

Further, the Operating Guidelines also provide that the BCs must be doing online transactions/using point of sale terminals for doing transactions; and

c) **Bank charges, lockers, nominations, facilities to disabled persons:** The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

4. **KYC requirements:** At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Reserve Bank of India Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification dated July 29, 2019 ("SFB Priority Sector Lending Regulations")

The SFB Priority Sector Lending Regulations apply to every SFB licensed to operate in India by the RBI. In terms of these regulations, the sectors categorised as priority sectors are agriculture, micro, small and medium enterprises ("**MSME**"), export credit, education, housing, social infrastructure, renewable energy and other sectors. Further, the SFB Priority Sector Lending Regulations requires SFBs have a target of 75% for PSL of their adjusted net bank credit. While 40% of adjusted net bank credit should be allocated to different sub-sectors under PSL, the balance 35% can be allocated to any one or more sub-sectors under the PSL, where banks have competitive advantage. Further, for agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 10% of the adjusted net bank credit respectively.

The SFB Priority Sector Lending Regulations provides conditions, thresholds and requirements for determining agriculture, micro, MSME, export credit, education, housing, social infrastructure, renewable energy and other sector.

Reserve Bank of India's Compendium of Guidelines for Small Finance Banks – Financial Inclusion and Development dated July 6, 2017

Considering the differentiated nature of business and financial focus of the SFBs and taking into account the important role that SFBs can play in the supply of credit to micro and small enterprises, agriculture and banking services, the RBI issued a specific compendium of guidelines for SFBs on areas relating to financial inclusion and development. SFBs are required to open at least 25% of its branches in unbanked rural centres. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein. SFBs will have a target of 75% for priority sector lending of their adjusted net bank credit.

Reserve Bank of India's Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff dated November 4, 2019

The Financial Stability Board Principles for Sound Compensation Practices ("**FSB Principles**") aim to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation. The FSB Principles provides for, *inter alia,* the (i) effective governance of compensation of the directors; (ii) alignment of compensation with prudent risk taking; (iii) effective supervisory oversight and engagement by stakeholders. In line with the FSB Principles banks are required to take steps to implement certain guidelines by putting in place necessary policies/systems. These guidelines include, *inter alia*, formulation of a compensation policy, constitution of nomination and remuneration committee, alignment of compensation of whole-time directors / chief executive officers and material risk takers with prudent risk taking etc.

Reserve Bank of India's Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015

The board of directors of a private sector bank, in consultation with its remuneration committee, is required to formulate and adopt a comprehensive compensation policy for non-executive directors (other than part-time non-executive Chairman), subject to the requirements prescribed under the Companies Act, 2013. The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors, subject to bank making profits. Such compensation, however, shall not exceed ₹1 million per annum for each non-executive director. In addition to the directors' compensation, the bank may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the board. Further, all private sector banks are required to obtain prior approval of RBI for granting remuneration to the part-time non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act.

Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016 ("Mobile Banking Transaction-Operative Guidelines")

The Mobile Banking Transaction Operative Guidelines contains all rules, regulations and procedures prescribed to be followed by banks for operationalizing mobile banking in India. Banks which are licensed, supervised and having physical presence in India are permitted to offer mobile banking services after obtaining, one time RBI approval. Only banks who have implemented core banking solutions are permitted to provide mobile banking services. Banks are required to put in place a system of registration of customers for mobile banking. Further, to meet the objective of a nation-wide mobile banking framework, facilitating inter-bank settlement, a robust clearing and settlement infrastructure operating on a 24x7 basis is mandated. Bank and non-bank entities putting such systems in place, bilateral or multilateral need authorisation from RBI under the Payment and Settlement Systems Act, 2007.

Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as amended on May 29, 2019 ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements (such as the details of the person designated by the board of directors as a designated director etc.) to Financial Intelligence Unit – India.

Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated July 1, 2015 ("Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on July 1, 2015, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. However, as per SFB Operating Guidelines, while SFBs are permitted to sell NPAs, they are not permitted to purchase NPAs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale.

Reserve Bank of India's Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions dated May 30, 2013.

The RBI revised the "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Banks are required to make a provision of certain per cent on restructured standard accounts for different periods depending on the way an account is classified as restructured standard account, i.e. either *ab initio* or on upgradation or on retention of asset classification. Pursuant to the revised guidelines the provisioning requirement has been increased to 5% in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and in a phased manner for the stock of restructured standard accounts as of March 31, 2013 as follows:

a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);

b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and

c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Reserve Bank of India's circular on Declaration of Dividends by Banks dated March 4, 2005

All scheduled commercial banks can declare dividends subject to certain conditions which include, *inter alia,* maintenance of a capital to risk weighted assets ratio of at least 9% for the preceding two completed years and the accounting year for which the bank proposes to declare dividend; it must have a net NPA ratio of less than 7%; it should comply with the provisions of Section 15 and Section 17 of the Banking Regulation Act; it should comply with the prevailing regulations issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves etc. Further, the proposed dividend should be payable out of the current year's profit and RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

In case a banking company does not meet the above capital to risk weighted assets norm, but has a capital to risk weighted assets ratio of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

Any banking company declaring dividends shall report details of the declared dividend during the accounting year as per the format prescribed by the RBI. The report shall be furnished within a fortnight to RBI, after declaration of dividends.

Master Direction – Ownership in Private Sector Banks, Directions, 2016 dated May 12, 2016

The Reserve Bank of India issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government undertaking, a limit of 40% is prescribed, and (iv) higher stake/strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters, rehabilitation/ restructuring of problem/ weak banks/ entrenchment of existing promoter or in the interest of the bank or in the interest of consolidation in the banking sector

A period of 12 years from the date of commencement of business of the bank shall be available for the promoter and promoter group in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the Government of India for private sector banks, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc. along with a copy of the board/ annual general meeting resolution and prospectus/ offer document in the prescribed format.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹two million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any securitization or reconstruction company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of the debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the securitization/reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitization/reconstruction company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest Enforcement Rules, 2002.

The Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("Repo Directions")

The Repo Directions are applicable to repurchase transactions undertaken on stock exchanges, electronic trading platforms authorised by the RBI and over-the-counter market. The securities eligible for repurchase under the Repo Directions are government securities, listed corporate bonds and debentures subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity, commercial papers, certificate of deposits and other such securities of a local authority as prescribed by the Central Government. Eligible participants include any regulated entity, listed corporate, unlisted company which has been issued special securities by the Government of India, using only such special securities as collateral, All India Financial Institution viz. Exim Bank, NABARD, NHB and SIDBI and any other entity approved by the RBI from time to time for this purpose. The Repo Directions prescribes the eligibility criteria, roles and obligations, application procedure for authorisation and exit procedure for tri-party agents. The Repo Directions provide that a repo shall be undertaken for a minimum period of one day and a maximum period of one year.

The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017 ("Ombudsman Scheme")

The Ombudsman Scheme provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. All scheduled commercial banks, regional rural banks and scheduled primary co-operative banks are covered under the Ombudsman Scheme. On July 1, 2017, the Ombudsman Scheme was amended to widen the scope of the scheme, inter alia, to deficiencies arising out of sale of insurance/mutual fund/ other third party investment products by banks and now permitted customer to lodge a complaint against the bank for non-adherence to RBI instructions with regard to mobile banking/electronic banking services. The amended Ombudsman Scheme also provided for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme and increased the pecuniary jurisdiction of the Banking Ombudsman. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 of the Ombudsman Scheme and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Ombudsman Scheme.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities the PMLA was enacted which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in relation to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of section 12 of the PMLA.

RBI Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("On-Tap Licensing Guidelines")

The RBI has, post review of the draft guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated September 13, 2019 and performance of existing small finance banks, issued the On-Tap Licensing Guidelines to encourage competition amongst small finance banks. Pursuant to the On-Tap Licensing Guidelines, the following are eligible promoters: (i) resident individuals/ professionals (Indian citizens) with 10 years of experience in banking and finance at a senior level; and (ii) companies and societies in the private sector, that are owned and controlled by residents (as defined in FEMA Regulations, as amended), and have a successful track record of running their businesses for at least a period of five years, were eligible as promoters to setup an SFB. Further, existing NBFCs, micro finance institutions and local area banks in the private sector that are controlled by residents (as defined in FEMA Regulations, as amended), and have a successful track record of running their businesses for at least a period of five years, can opt for conversion into SFBs after complying with applicable law. Promoter/promoter groups should be 'fit and proper' with, amongst other things, past record of sound credentials and integrity, financial soundness, a successful track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote an SFB. An SFB is required to be registered as a public limited company under the Companies Act and licensed under the Banking Regulation Act. The minimum net worth of such small finance banks shall be ₹1000 million from the date of commencement of business. However they will have to increase their minimum net worth to ₹2000 million within five years from the date of commencement of business.

The SFB Licensing Guidelines have been modified by the circular on 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms' on March 28, 2020 and the RBI in order harmonise the instructions for existing SFBs with those SFBs to be licensed under 'On-Tap Licensing Guidelines' has granted certain general permissions and exemptions to all existing SFBs and has provided certain clarifications.

Further, promoters are required to hold a minimum of 40% of the paid-up voting equity capital of an SFB, which shall be locked-in for a period of five years from the date of commencement of business of the bank. Such shareholding is required to be reduced to a maximum of 30% and 15% of the paid-up voting equity capital within 10 years and 15 years, respectively, from the date of commencement of business of SFB.

Further, pursuant to the Banking Regulation Act read with the read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, any shareholder's voting right in private sector banks is currently capped at 26% of the total voting rights of all shareholders of a SFB. Further, pursuant to the Banking Regulation Act, any acquisition of 5% or more of paid-up share capital in a private sector bank or voting rights therein will require prior approval of the RBI. Further, SFBs are required to be mandatorily listed within three years of reaching a net worth of ₹5,000 million. The SFB will be subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks.

Ministry of Finance circular dated October 23, 2020 in relation to scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts

In view of the COVID-19 pandemic, the Ministry of Finance, Government of India has, pursuant to circular dated October 23, 2020, approved a scheme for grant of *ex-gratia* payment of difference between compound interest and simple interest by way of reliefs for the six months period from March 1, 2020 to August 31, 2020, to borrowers in specified loan accounts ("**Scheme**"), benefits of which would be routed through lending institutions. The Scheme is applicable to all lending institutions, including, *inter alia*, banking companies, public sector banks, NBFCs and housing finance companies. Borrowers in the following segments, who have loan accounts having sanctioned limits and outstanding amount not exceeding Rs. 2 crore as on February 2, 2020 shall be eligible under the Scheme, subject to certain conditions, namely (i) MSME loans; (ii) education loans; (iii) housing loans; (iv) consumer durable loans; (v) credit card dues; (vi) automobile loans; (vii) personal loans of professionals; and (viii) consumption loans. Under the Scheme, lending institutions can claim reimbursement in respect of the amounts credited to the accounts of the eligible borrowers, in the manner set out under the operational guidelines of the Scheme.

RBI Regulatory Framework in light of COVID-19

In view of the recent outbreak of the COVID-19 pandemic, the RBI has issued various circulars and other regulatory frameworks and relaxations to taken / to be availed by the respective banks to deal with the disruptions caused by the COVID-19 pandemic.

The RBI *vide* its circular dated March 16, 2020, has provided an indicative list of actions to be taken by the banks as part of their operations and business continuity plans including *inter alia* take steps of sharing important instructions/ strategy with the staff members at all levels and sensitizing the staff members about preventive measures/steps to be taken in suspected cases, based on the instructions received from health authorities, from time-to-time, encourage their customers to use digital banking facilities, as far as possible, take stock of critical processes and revisiting business continuity plan ("**BCP**") in the emerging situations/scenarios with the aim of continuity in critical interfaces and preventing any disruption of services, due to absenteeism either driven by the individual cases of infections or preventive measures.

The RBI *vide* its circular dated March 27, 2020, announced certain regulatory measures *inter alia* to mitigate the burden of debt servicing brought about by disruptions on account of the COVID-19 pandemic and to ensure the continuity of viable businesses. In furtherance of the same, lending institutions were permitted to grant a moratorium of three months on payment of all instalments (including all (i) principal and/or interest components; (ii) bullet repayments; (iii) equated monthly instalments; (iv) credit card dues) falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans) ("**Moratorium Period**"). Additional relaxations have been granted in relation to the calculation of 'drawing power' in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("**CC/OD**") to borrowers. Such measures will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 ("**Prudential Framework**") and availing of such measures, by itself, shall not result in asset classification downgrade. The rescheduling of payments, including interest, will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies ("**CICs**") by the lending institutions. CICs have been instructed to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. The circular also lays down that wherever the exposure of a lending institution to a borrower is ₹50 million or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall, *inter alia,* include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

The RBI *vide* its circular dated May 23, 2020 has permitted the lending institutions to extend the Moratorium Period on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans) by another three months i.e. from June 1, 2020 to August 31, 2020. In relation to working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, on recovery of interest applied in respect of all such facilities. In respect of such working capital facilities, lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020, into a funded interest term loan which shall be repayable not later than March 31, 2021. As mentioned above, such changes will not be treated as concessions granted due to 'financial difficulty' of the borrower under the Prudential Framework and consequently, availing such a measure, will not, by itself, result in asset classification downgrade.

In respect of such working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure,

(i) recalculate the 'drawing power' by reducing the margins till August 31, 2020. However, in all such cases where such a temporary enhancement in drawing power is considered, the margins shall be restored to the original levels by March 31, 2021; and/or,

(ii) review the working capital sanctioned limits upto March 31, 2021, based on a reassessment of the working capital cycle.

The above measures under the RBI circular dated May 23, 2020, shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

Further, the RBI through its 'Statement on Developmental and Regulatory Policies' dated August 6, 2020, stated that with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as standard (as set out under the Prudential Framework) subject to specified conditions. The RBI has also issued a notification on August 6, 2020 titled 'Resolution Framework for COVID-19-related Stress' ("**Covid-19 Resolution Framework**"). Under the Covid-19 Resolution Framework, lending institutions are required to frame policies, as approved by their board of directors, for implementation of viable resolution plans for eligible borrowers pursuant to the Covid-19 Resolution Framework and ensure that the resolution plans under this facility are extended only to borrowers bearing stress on account of the COVID-19 pandemic.

The RBI vide its circular dated August 6, 2020, with a view to continue the need to support the viable MSME entities on account of the fallout of COVID-19 and to align these guidelines with the Covid-19 Resolution Framework announced for other advances, decided to extend the scheme permitted in terms of the aforesaid circular. Accordingly, existing loans to MSMEs classified as 'standard' can be restructured without a downgrade in the asset classification, subject to certain conditions.

The above measures under the RBI circular dated May 23, 2020, shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures.

The RBI *vide* its circular dated April 17, 2020 on "COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets", provided detailed instructions in relation to the extension of resolution timelines under the Prudential Framework on Resolution of Stressed Assets. In respect of accounts which were within the review period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 shall be excluded from the calculation of the 30-day timeline for the review period. In respect of all such accounts, the residual review period shall resume from June 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the review period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 90 days from the date on which the 180-day period was originally set to expire. Further the RBI *vide* its circular on "COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets" dated May 23, 2020, has further extended this period by another three months i.e. June 1, 2020 to August 31, 2020. In respect of accounts which were within the review period as on March 1, 2020, the period from March 1, 2020 to August 31, 2020 shall be excluded from the calculation of the 30-day timeline for the review period. In respect of all such accounts, the residual review period shall resume from September 1, 2020, upon expiry of which the lenders shall have the usual 180 days for resolution. In respect of accounts where the review period was over, but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution shall get extended by 180 days from the date on which the 180-day period was originally set to expire.

The RBI *vide* its circular dated April 17, 2020 on "COVID-19 Regulatory Package - Asset Classification and Provisioning" has *inter alia* specified instructions in relation to asset classification and provisioning of all terms loans and working capital facilities where the asset classification benefit has been extended in terms of the RBI circular dated March 27, 2020. The Moratorium Period shall be excluded by the banks for calculating the number of days past-due (out of order status for working capital facilities) for the purpose of asset classification under the Income Recognition and Asset Classification norms in respect of all accounts classified as standard or SMA as on February 29, 2020.

In light of the recent COVID-19 situation, the RBI has, *vide* its circular issued on April 17, 2020, mandated that the banks shall not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further instructions. This restriction shall be reassessed by the RBI based on the financial results of banks for the quarter ending September 30, 2020.

In order to accommodate the burden on banks' cash flows on account of the Covid-19 pandemic, the RBI *vide* its circular dated April 17, 2020, has permitted banks to maintain liquidity coverage ratio as under: (i) April 17, 2020 to September 30, 2020 – 80%; (ii) October 1, 2020 to March 31, 2021 – 90%; and (iii) April 1, 2021 onwards – 100%.

The RBI *vide* its circular dated April 29, 2020 has extended the timelines for submission of various regulatory returns by RBI regulated entities to the Department of Regulation by a period of 30 days from the due date in lieu of the disruptions caused by the pandemic. The extension will be applicable to regulatory returns required to be submitted upto June 30, 2020. No extension in timeline is permitted for submission of statutory returns i.e. returns prescribed under the Banking Regulation Act, 1949, RBI Act, 1934 or any other act (for instance, returns related to CRR/SLR). Further, all communication to the Department of Regulation should be through corporate e-mail to the extent possible (i.e., without involving physical movement of papers) until further notice.

FOREIGN EXCHANGE LAWS

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the FEMA Regulations , the FEMA Non-debt Instruments Rules and the Consolidated FDI Policy Circular of 2017 ("**FDI Policy**") effective from August 28, 2017, issued and amended by way of press notes.

Foreign investment in private sector banks, carrying on activities approved for FDI, will be subject to the conditions specified in paragraph 5.2.18 read with annexure 9 of the FDI Policy.

As per the FDI policy, the aggregate foreign investment in a private sector bank from all sources will be allowed up to a maximum of 74% of the paid-up capital of the bank (automatic up to 49% and government route beyond 49% and up to 74%). This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by FIIs/FPIs, NRIs. At all times, at least 26% of the paid-up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

In case of NRIs, individual holdings is restricted to 5% of the total paid up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10% of the total paid up capital both on repatriation and non-repatriation basis. However, NRI holdings can be allowed up to 24% of the total paid up capital both on repatriation and non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.

Further, in the case of Foreign Institutional Investors (FIIs)/ FPIs, individual FII/ FPI holding is restricted to below 10% of the total paid-up capital of the company, aggregate limit for all FIIs/ FPIs cannot exceed 24% of the total paid-up capital of the company, which can be raised to the sectoral cap/statutory ceiling, as applicable (in case of private sector banks it can be raised up to 49% of the total paid-up capital of the bank) through a resolution by its board of directors followed by a special resolution to that effect by its General Body, and subject to prior intimation to RBI.

The FEMA Non-debt Instruments Rules was enacted on October 17, 2019 in supersession of the FEMA Regulations 2017, except for things done or omitted to be done before such supersession.

All investments shall be subject to the guidelines prescribed for the banking sector under the Banking Regulation Act and the RBI Act. The RBI guidelines relating to acquisition by purchase or otherwise of capital instruments of a private bank, if such acquisition results in any person (along with relative, associate enterprises or persons in concert) owning or controlling 5% or more of the paid up capital of the private bank will apply to foreign investment as well. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks, and this should be noted by potential investors.

TAX LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the tax legislations that may be applicable to the operations of our Bank include:

- Central Goods and Service Tax Act, 2017 and various state-wise legislations made thereunder;
- Income Tax Act 1961, as amended by the Finance Act in respective years;
- Indian Stamp Act, 1899 and various state-wise legislations made thereunder; and
- State-wise legislations in relation to professional tax.

LABOUR LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the labour legislations that may be applicable to the operations of our Bank include:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Employee's Compensation Act, 1923;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Employees' State Insurance Act, 1948;
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- Equal Remuneration Act, 1976;
- Industrial Disputes (Banking and Insurance Companies) Act, 1947;
- Maternity Benefit Act, 1961, as amended;
- Minimum Wages Act, 1948;

- Payment of Bonus Act, 1965;
- Payment of Gratuity Act, 1972;
- Payment of Wages Act, 1936;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013;
- Shops and Establishment Act 1963, the state-wise acts and rules made thereunder; and
- The Industrial Employment (Standing Orders) Act,1946;

The Government of India enacted 'The Code on Wages, 2019' (the "**Code**") which received the assent of the President of India on August 8, 2019. The provisions of the Code will be brought into force on a date to be notified by the Central Government. The Code proposes to subsume four separate legislations, namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976.

OTHER LEGISLATIONS

In addition to the aforementioned material legislations, our Bank is governed by the provisions of the Companies Act, SEBI Act, SCRA along with the rules, regulations and guidelines made thereunder and other key circulars and regulations as provided below:

- Central KYC Registry Operating Guidelines 2016;
- Government Securities Act, 2006;
- Master Circular - Disclosure in Financial Statements - Notes to Accounts dated July 1, 2015;
- Master Circular - Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002;
- Master Circular on Customer Service in Banks (2015);
- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016;
- Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016;
- Master Direction on Frauds - Classification and Reporting by commercial banks and select FIs dated July 1, 2016 (updated as on July 3, 2017);
- Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;
- Rationalisation of Branch Authorisation Policy- Revision of Guidelines (May 2017); and
- Unique Identification Authority of India (Authentication Division) circular number 1 of 2018, dated January 10, 2018 on Enhancing Privacy of Aadhaar Holders – Implementation of Virtual ID, UID Token and Limited KYC, and other applicable circulars.

Our Bank is also required to comply with Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, Negotiable Instruments Act, 1881, Payment and Settlement Systems Act, 2007 and various intellectual property and environment protection related legislations and other applicable statutes for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

Our Bank was originally incorporated as 'V.A.P. Finance Private Limited' on June 21, 1993 at Madras, Tamil Nadu, as a private limited company under the Companies Act, 1956, and was granted a certificate of incorporation by the RoC. Our Bank became a deemed public limited company under Section 43A of the Companies Act, 1956 on March 5, 1994 and the name of our Bank was changed to V.A.P. Finance Limited and the certificate of incorporation was endorsed by the RoC to that effect. Our Bank thereafter became a private limited company under Section 31(1) of the Companies Act, 1956 and a fresh certificate of incorporation dated March 30, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Limited to V.A.P. Finance Private Limited due to conversion of our Bank from a public limited company to a private limited company. A fresh certificate of incorporation dated August 12, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Private Limited to Equitas Finance Private Limited in order to identify Equitas Finance Private Limited as a subsidiary of Equitas Micro Finance India Private Limited. A fresh certificate of incorporation was issued by the RoC on September 29, 2015 consequent upon change of name from Equitas Finance Private Limited to Equitas Finance Limited pursuant to conversion to a public limited company from a private limited company. Our Promoter, EHL was granted the RBI In-Principle Approval and RBI Final Approval on October 7, 2015 and June 30, 2016, respectively, to establish an SFB. Subsequently, our Bank was converted in to an SFB and we commenced operations on September 5, 2016 as an SFB. A fresh certificate of incorporation dated September 2, 2016 was granted by the RoC consequent upon change of name of our Bank to Equitas Small Finance Bank Limited.

Pursuant to the Amalgamation Scheme, EMFL and EHFL amalgamated with and into our Bank (described in more detail below). Pursuant to a notification dated December 23, 2016 issued by the RBI and published in the Gazette of India dated February 4 – February 10, 2017, our Bank was included in the second schedule to the RBI Act.

Changes in the Registered Office

Except as disclosed below, there has been no change in the Registered Office of our Bank since the date of incorporation.

Date of Change of Registered Office	Details of change of Registered Office	Reasons for change in the Registered Office
June 16, 2014	From "4th Floor, Temple Towers, 672, Anna Salai, Nandanam, Chennai – 600 035, Tamil Nadu, India" to "4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai - 600 002, Tamil Nadu, India"	Operational efficiency
March 21, 2011	From "16, Kapali Koil Sannathi Street, Mylapore, Chennai – 600 004, Tamil Nadu, India" to "4th Floor, Temple Towers, 672, Anna Salai, Nandanam, Chennai – 600 035, Tamil Nadu, India"	Operational efficiency

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

"*1)* *To carry on the business of banking that is to say to accept, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft, order or otherwise, in any part of India or outside India.*

2) *In addition to the business of banking to carry on the business of:*

(a) *borrowing, raising or taking up of money;*

(b) *lending or advancing of money by way of a loan, overdraft or on cash credit or other accounts or in any other manner whether without or on the security of movable or immovable properties, bills of exchange, hundies, promissory notes, bills of lading, railway receipts, debentures, share warrants and other instruments whether transferable or negotiable or not;*

(c) *drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not;*

(d) *granting and issuing of letters of credits, travellers' cheques and circular notes;*

(e) *buying, selling and dealing in bullion and specie;*

(f) *buying and selling of and dealing in foreign exchange including foreign bank notes;*

(g) *acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds;*

(h) *purchasing and selling of bonds, scrips or other forms of securities on behalf of itself, its constituents or others;*

(i) *negotiating of loans and advances;*

(j) *receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise;*

(k) *providing of safe deposit vaults;*

(l) *Collecting and transmitting of money and all kinds of securities;*

(m) *issuing credit cards, debit cards, prepaid instruments, smart card or any similar instruments and extending any other credits;*

(n) *acting as aggregators, as may be permitted by the Pension Fund Regulatory and Development Authority ("PFRDA"), in connection with the National Pension System of the PFRDA and making payments towards insurance;*

(o) *carrying on any other business specified in section 6(1)(a) to (n) of the Banking Regulation Act, 1949, as amended from time to time ("1949 Act"), and such other forms of business which the Central Government has pursuant to Section 6(1)(o) of 1949 Act specified or may from time to time specify by notification in the Official Gazette or as may be permitted by Reserve Bank of India ("RBI") from time to time as a form of business in which it would be lawful for a small finance banking company to engage.*

(3) *To carry on the business of merchant banking, investment banking, portfolio investment management, wealth management and investment advisors; to form, constitute, promote, act as managing and issuing agents, prepare projects and feasibility reports for and on behalf of any company, association, society, firm, individual and body corporate.*

(4) *To carry on the business of mutual fund distribution, manage investment pools, syndicates in shares and other securities, to open, operate and maintain demat accounts on behalf of customers and act as share and stock brokers;*

(5) *To carry on the business of financing, leasing (operating and financial), hire purchase, all forms of securitization, asset reconstruction or recovery, dealer inventory financing, factoring of receivables, instalment sale and/or deferred sale relating to goods or material, including machinery, plant, equipment, ships, vehicles, aircraft, rolling stock, factories, inventory, debtors, furniture, apparatus, appliances and other movable and immovable property, and to arrange or syndicate leasing, hire purchase, instalment sale or deferred sale businesses*

(6) *To act as corporate agents for insurance products for life and general insurance including but not limited to health, pension & employees benefit, fire, marine, cargo, marine hull, aviation, oil & energy, engineering, accident, liability, motor vehicles, transit and other products and to carry on the business of insurance, re-insurance and risk management as an insurance agent or otherwise as may be permitted under law.*

(7) *To carry on the business of factoring by purchasing and selling debts receivables and claims including invoice discounting and rendering bill collection, debt collection and other factoring services.*

(8) *To act as escrow agents and trustees, and issuing and paying agents, including for trust and retention accounts.*

(9) *To develop and promote new financing or banking instruments of all kinds whether for the capital market, money market or otherwise and to render all kinds of fee based financial services."*

The main objects as contained in our Memorandum of Association enable our Bank to carry on the business presently being carried out and proposed to be carried out by it.

Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the last 10 years:

Date of Shareholders' resolution/ Effective date	Particulars
November 22, 2019	• Clause V of the MoA was amended to reflect the decrease in the authorised share capital of our Bank from ₹25,000,000,000 divided into 2,500,000,000 Equity Shares of ₹10 each to ₹17,000,000,000 divided into 1,700,000,000 Equity Shares of ₹10 each
January 31, 2019	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹11,550,000,000 divided into 1,155,000,000 Equity Shares of ₹10 each to ₹25,000,000,000 divided into 2,500,000,000 Equity Shares of ₹10 each
September 2, 2016^	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹7,500,000,000 divided into 750,000,000 Equity Shares of ₹10 each to ₹11,550,000,000 divided into 1,155,000,000 Equity Shares of ₹10 each*
August 23, 2016	• Clause I of the MoA was amended to reflect the change of name from 'Equitas Finance Limited' to 'Equitas Small Finance Bank Limited', pursuant to conversion to an SFB
April 25, 2016	• Adoption of new MoA pursuant to conversion to an SFB
December 7, 2015	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹4,400,000,000 divided into 440,000,000 Equity Shares of ₹10 each to ₹7,500,000,000 divided into 750,000,000 Equity Shares of ₹10 each
August 31, 2015	• Clause I of the MoA was amended to reflect the change of name from 'Equitas Finance Private Limited' to 'Equitas Finance Limited', converting our Bank from a private limited company to a public limited company, pursuant to the conversion of EHL into a public limited company.
June 17, 2014	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹2,560,000,000 divided into 256,000,000 Equity Shares of ₹10 to ₹4,400,000,000 divided into 440,000,000 Equity Shares of ₹10 each
November 18, 2013	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹1,650,000,000 divided into 165,000,000 Equity Shares of ₹10 each to ₹2,560,000,000 divided into 256,000,000 Equity Shares of ₹10 each
August 27, 2012	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹1,000,000,000 divided into 100,000,000 Equity Shares of ₹10 each to ₹1,650,000,000 divided into 165,000,000 Equity Shares of ₹10 each
January 14, 2012	• Clause V of the MoA was amended to reflect the increase in the authorised share capital of our Bank from ₹450,000,000 divided into 45,000,000 Equity Shares of ₹10 each to ₹1,000,000,000 divided into 100,000,000 Equity Shares of ₹10 each
August 8, 2011	• Clause I of the MoA was amended to reflect the change of name from 'V.A.P. Finance Private Limited' to 'Equitas Finance Private Limited' in order to easily identify Equitas Finance Private Limited as a subsidiary of Equitas Micro Finance India Private Limited
June 20, 2011	• Subdivision of equity shares of the face value of ₹100 each into Equity Share of ₹10 each
March 21, 2011	• Clause I of the MoA was amended to reflect the change of the name from 'V.A.P. Finance Limited' to 'V.A.P. Finance Private Limited', converting our Bank from a public limited company to a private limited company as it became a wholly owned subsidiary of Equitas Micro Finance India Private Limited. • Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹6,000,000 divided into 60,000 equity shares of ₹100 each to ₹450,000,000 divided into 4,500,000 of ₹100 each • Clause III of the MoA was amended to reflect the addition of the following objects: *"5. To carry on and undertake business as Financiers and Capitalists, to finance operations of all kinds such as managing, purchasing, selling, hiring, letting on hire and dealing in all kinds of vehicles, motor cars, motor buses, motor lorries, scooters and all other vehicles.* *6. To undertake and carry on all operations and transactions in regard to business of any kind in the same manner as an individual capitalist may lawfully undertake and carryout and in particular financing hire purchase contracts relating to property or assets of any description either immovable or movable such as houses, lands, stocks, shares, Government Bonds.* *7. To lend, with or without security, deposit or advance money, securities and property to, or with, such persons and on such terms as may seem expedient.* *8. To act as investors, guarantors, underwriters and financiers with the object of financing Industrial Enterprises, to lend or deal with the money either with or without interest or security including in current or deposit account with any bank or banks, other person or persons upon such terms, conditions and manner as may from time to time be determined and to receive money on deposit or loan upon such terms and conditions as the Company may approve provided that the Company shall not do any banking business as defined under the Banking Regulations Act, 1949.* *9. To carry on the business of buying, selling of trucks and other commercial vehicles and reconditioning, repairing, remodeling, redesigning of the vehicles and also acting as dealer*

Date of Shareholders' resolution/ Effective date	Particulars
	for the said vehicles, for all the second hand commercial and other vehicles and to carry on the business of buying, selling, importing, exporting, distributing, assembling, repairing and dealing in all types of vehicles including re-conditioned and remanufactured automobiles, two and three Wheelers, tractors, trucks and other vehicles and automobile spares, replacement parts, accessories, tools, implements, tyres and tubes, auto lamps, bulbs, tail light and headlight bulbs, assemblies, and all other spare parts and accessories as may be required in the automobile industry. *10. To commence the activities related to Commission Agents, enter in to agreements with manufacturers for transporting their produce as well as enter in to agreements with transporters for using their vehicles for transport on such terms as mutually agreed."* *11. To commence freight exchange or commission house or such activities to play an intermediary role between people / companies wanting to move goods and people /companies who are in to transportation of such goods."* • Clause III (B) of the MoA was amended to add the following objects: *"37. To act as Chief agents or Agents for any Fire, Accident, Indemnity and General Insurance Companies and Life Insurance Companies and to grant or effect assurances against or upon the contingency of injury, damage or loss by reason of any accident whether to People or to goods or both.* *38. To invest the funds of the Company not immediately required in any form of investment which may be considered desirable including shares and debentures in joint stock companies and Government loans and securities from time to time and vary the investments."* • Clause III (C) of the MoA was amended to delete the following object: *"15. To invest the funds of the Company not immediately required in any form of investment which may be considered desirable including shares and debentures in joint stock companies and Government loans and securities from time to time and vary the investments."*

^ *September 2, 2016 represents the appointed date of the Amalgamation Scheme*

* *Pursuant to Clause 8 of the Amalgamation Scheme, the authorised share capital of EMFL and EHFL was combined with the authorised share capital of our Bank*

Major events and milestones of our Bank

The table below sets forth some of the key events in the history of our Bank:

Calendar year	Event
2019	• Total deposits of our Bank crossed ₹100,000 million • Crossed 15,000 employees
2018	• Commencement of MSE Financing products by our Bank • New CV financing portfolio of our Bank crossed ₹5,000 million • Advances including IBPCs crossed ₹100,000 million
2016	• Amalgamation of EMFL and EHFL with our Bank pursuant to the Amalgamation Scheme • Commencement of operations of our Bank as an SFB • EHL received the RBI Final Approval
2015	• EHL received the RBI In-Principle Approval
1993	• Incorporation as V.A.P. Finance Private Limited

Awards, accreditations and recognitions received by our Bank

Year	Awards
2018	• Our Bank was awarded the ABP News Brand Excellence Award, 2018 in banking, financial services and insurance ("**BFSI**") sector • Our Bank was awarded the Skoch Order of Merit for qualifying amongst the top ranking banking and finance projects in India for Equitas Ecosystem
2017	• Our Bank was awarded the Marketing Excellence Award, 2017 in the BFSI sector by the Times Network National Awards For Marketing Excellence, 2017 • Our Bank was awarded the Disability Matters Asia – Pacific Market Place Award, 2017 by Disability Matters

Year	Awards
	• Our Bank was awarded the India's Best Bank Award, 2017-18 by the Financial Express in SFB category • Our Bank was selected as one of the 67 Innovative Practices and Policies by the Zero Project
2016	• Our Bank was awarded the Marketing Excellence Award in BFSI sector at the Global Marketing Excellence Awards, 2016

Time and cost over-runs

There have been no time and cost over-runs in the setting up of any of the establishments of our Bank or in respect of our business operations.

Defaults or re-scheduling, restructuring of borrowings with financial institutions/banks

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Bank from any financial institutions or banks.

Significant financial or strategic partners

As of the date of this Prospectus, our Bank does not have any significant financial or strategic partners.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Bank, entry into new geographies or exit from existing markets, see "*Our Business*" on page 120.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last 10 years

Our Bank, pursuant to a letter dated April 15, 2019, had written to the RBI seeking in-principle approval to undertake a merger of EHL with our Bank, such that the merger would be effective from September 4, 2021 (i.e. upon the completion of five years from the commencement of business of our Bank) and seeking in-principle approval from the RBI to permit the dilution of EHL's shareholding in our Bank (post completion of the five year lock-in mandated by the RBI) pursuant to such merger. Our Bank had also clarified that any steps in furtherance of the proposed merger would be undertaken post receipt of formal approval from the RBI. The RBI has pursuant to its letter dated June 6, 2019 clarified that the RBI would examine any proposal for merger of EHL with our Bank (and the consequent dilution of EHL's shareholding in our Bank) at the relevant time. Further, pursuant to a letter dated February 27, 2019, EHL had forwarded a draft scheme of arrangement which proposed a method to directly list the equity shares of our Bank and reduce the Promoter's shareholding in our Bank (the "**Draft Scheme**") between EHL and our Bank to SEBI. However, on September 13, 2019, SEBI returned the Draft Scheme, stating it to be non-compliant with the SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017. Further, our Bank pursuant to a letter dated September 19, 2019 had made a request to the RBI to grant our Bank an extension of 15 months beyond September 4, 2021 for a reduction in the Promoter's shareholding in our Bank to 40%. The RBI pursuant to a letter dated September 30, 2019 has not acceded to such request of our Bank.

While at this stage, our Board and Shareholders have approved the Offer pursuant to resolutions dated November 22, 2019, EHL and our Bank continue to evaluate other options to achieve listing of the Equity Shares in accordance with guidance from the RBI and applicable law.

Other than as disclosed below, our Bank has not acquired any business or undertaking and has not undertaken any merger, amalgamation or revaluation of assets, in the last 10 years:

Scheme of Amalgamation of Equitas Micro Finance Limited ("EMFL") & Equitas Housing Finance Limited ("EHFL") with and into our Bank

Our Bank, EMFL and EHFL filed a scheme of amalgamation under Sections 391 and 394 of the Companies Act, 1956 before the High Court of Judicature at Madras for amalgamation of EMFL and EHFL (collectively , the "**Transferor Companies**") with our Bank (the "**Amalgamation Scheme**"). The rationale of the Amalgamation Scheme was to amalgamate the Transferor Companies and our Bank and subsequently convert the Bank into an SFB. Further the Amalgamation Scheme was expected to, *inter-alia*, help in the creation of a platform for the future business activities, to act as a gateway for growth and expanding business operations, enable smoother implementation of policy changes at a higher level from a management perspective and achieve business synergies.

The Amalgamation Scheme was approved by the High Court of Judicature at Madras through an order dated June 6, 2016. Pursuant to the same, with effect from September 2, 2016 ("**Effective Date**"), the whole of undertaking of the Transferor

Companies comprising their entire business, together with the movable and immovable assets and liabilities was transferred to and vested in our Bank, on a going concern basis. Pursuant to the approval of the Amalgamation Scheme, *inter alia,* (i) all contracts, deeds, bonds agreements, insurance policies, and other instruments of whatsoever nature to which the Transferor Companies were a party to before the amalgamation would remain in full force and effect against or in favour of our Bank; (ii) All suits, actions and proceedings were transferred in the name of our Bank; and (iii) All executives, staff, workmen and other employees in the service of the Transferor Companies were transferred to our Bank, subject to certain conditions.

In consideration of the amalgamation, our Bank was required to issue and allot such number of Equity Shares as arrived based on the book value method, i.e., the ratio of the book value per Equity Share as on the Effective Date to the book value per share of each of the Transferor Companies, to the shareholders of each of the Transferor Companies. For further details in relation to the allotment of the Equity Shares to the members of EMFL and EHFL, see "*Capital Structure – Share Capital History of Our Bank – Equity Shares"* on page 73.

Holding Company

EHL is our holding company. For further details, see *"Our Promoter and Promoter Group"* on page 185.

Our Subsidiaries

As of the date of this Prospectus, our Bank has no subsidiaries.

Joint Venture

As of the date of this Prospectus, our Bank has no joint ventures.

Details of guarantees given to third parties by our promoter

The guarantees issued by our Promoter to third parties have been issued towards loans availed by our Bank. The details of such guarantees are as follows:

Sl. No.	Name of the lender*	Type of facility	Sanctioned guarantee amount (in ₹ millions)	Security provided for the facility
1.	National Housing Bank	Refinance	100.00	• First exclusive charge over the book debts refinanced by National Housing Bank; and • Undertaking from EHL for non-disposal /dilution of shareholding below 51% in the Bank.
2.	National Housing Bank	Refinance	100.00	
3.	National Housing Bank	Refinance	50.00	
4.	National Housing Bank	Refinance	250.00	

**The Federal Bank Limited has also provided a guarantee of ₹20 million to the National Housing Bank in respect of the refinance facilities availed from National Housing Bank. In connection with such guarantee, our Promoter has given a corporate guarantee of ₹20 million to Federal Bank Limited.*

The abovementioned guarantees are effective for a period till the underlying loan is repaid by our Bank. The financial implications in case of default by our Bank would entitle the lenders to invoke such guarantees given to the extent of the outstanding loan amount. Our Bank has not paid any consideration to our Promoter for providing these guarantees.

Shareholders' agreements and other agreements

Key terms of subsisting shareholders' agreements

As of the date of this Prospectus, there are no subsisting shareholders' agreements.

Agreements with Key Managerial Personnel, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or Promoter or any other employee of our Bank, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Bank.

OUR MANAGEMENT

Board of Directors

As on the date of this Prospectus, our Board comprises of 10 Directors including one Executive Director, one Non-Executive Non- Independent Director and eight Non-Executive Independent Directors. Our Board comprises of one woman director.

The following table sets forth details regarding our Board of Directors as of the date of this Prospectus:

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
1.	Arun Ramanathan* ***Designation:*** Part – time Chairman and Non- Executive Independent Director ***Address:*** 6A, 6th West Cross Street Shenoy Nagar, Chennai 600 030, Tamil Nadu, India ***Occupation:*** Professional ***Date of birth:*** April 25, 1949 ***Nationality:*** Indian ***Period and term:*** For a period of five years, with effect from September 4, 2016 and is not liable to retire by rotation ***DIN:*** 00308848	71	• Equitas Holdings Limited; and • Thirumalai Chemicals Limited
2.	Vasudevan Pathangi Narasimhan ***Designation:*** MD and CEO ***Address:*** Flat 1A, 1st Floor, 2nd Block, Kences Enclave No. 1, Ramakrishna Street, T. Nagar, Chennai 600 017, Tamil Nadu, India ***Occupation:*** Professional ***Date of birth:*** July 15, 1962 ***Nationality:*** Indian ***Period and term:*** For a period of three years with effect from July 23, 2019 to July 22, 2022 ***DIN:*** 01550885	58	Nil
3.	Nagarajan Srinivasan ***Designation:*** Non- Executive Non- Independent Director ***Address:*** #64, 31st Cross, 7th Block Jayanagar, Bengaluru South, BSK II Stage Bengaluru 560 082, Karnataka, India ***Occupation:*** Professional ***Date of birth:*** August 8, 1962 ***Nationality:*** Indian ***Period and term:*** With effect from July 26, 2018 and is liable to retire by rotation ***DIN:*** 01480303	58	• Ayana Renewable Power Private Limited; • Blue Sapphire Healthcares Private Limited; • CDC India Advisers Private Limited; • CDC India Investments Private Limited; • Healthcare Global (Africa); • IIFL Finance Limited; • India Infoline Finance Limited; and • Rainbow Children’s Medicare Private Limited

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
4.	Arun Kumar Verma ***Designation**:* Non-Executive Independent Director ***Address**:* Plot No A/14 Saheed Nagar Bhubaneswar 751 007, Odisha, India ***Occupation**:* Professional ***Date of birth**:* June 28, 1951 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from September 4, 2016 and is not liable to retire by rotation ***DIN**:* 03220124	69	Nil
5.	Narayanaswamy Balakrishnan ***Designation**:* Non-Executive Independent Director ***Address**:* Meenakshi, No. 428, 5th Cross 1st Main, JRD Tata Nagar Bengaluru 560 092, Karnataka, India ***Occupation**:* Professional ***Date of birth**:* June 1, 1950 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from September 21, 2016 and is not liable to retire by rotation ***DIN**:* 00181842	70	• Data Security Council of India; • IFCI Limited; and • Indian Institute of Information Technology and Management Kerala
6.	Navin Avinashchander Puri ***Designation**:* Non-Executive Independent Director ***Address**:* 39th Floor, 3902, Omkar 1973 Tower T II, Pandurang Budhkar Marg, Near Shani Mandir, Worli, Mumbai 400 018, Maharashtra, India ***Occupation**:* Professional ***Date of birth**:* August 2, 1958 ***Nationality**:* Indian ***Period and term**:* For a period of five years, with effect from August 1, 2019 and is not liable to retire by rotation ***DIN**:* 08493643	62	• Aditya Birla Health Insurance Co. Limited; • Aditya Birla Sun Life AMC Limited; and • Ugro Capital Limited.
7.	Sridhar Ganesh ***Designation**:* Non-Executive Independent Director ***Address**:* Flat 2A, Canopy Apartments No. 97, Poes Garden, Gopalapuram Chennai 600 086, Tamil Nadu, India ***Occupation**:* Professional ***Date of birth**:* December 31, 1950	69	• Adrenalin Esystems Limited

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	***Nationality**:* Indian ***Period and term**:* For a period of five years, with effect from September 4, 2016 and is not liable to retire by rotation ***DIN**:* 01681018		
8.	Narasimhan Srinivasan ***Designation**:* Non-Executive Independent Director ***Address**:* T2 403, Kapil Malhar Baner Road, Baner, Pune 411 045, Maharashtra, India ***Occupation**:* Professional ***Date of birth**:* June 9, 1954 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from September 4, 2016 and is not liable to retire by rotation ***DIN**:* 01501266	66	• Samunnati Financial Intermediation & Services Private Limited
9.	Tabassum Abdulla Inamdar ***Designation**:* Non-Executive Independent Director ***Address**:* 703, Imperial Heights, Tower B, BEST Nagar, Motilal Nagar Mumbai 400 104, Maharashtra, India ***Occupation**:* Professional ***Date of birth**:* August 18, 1966 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from October 20, 2016 and is not liable to retire by rotation ***DIN**:* 07637013	54	• Franklin Templeton Asset Management (India) Private Limited
10.	Vinod Kumar Sharma ***Designation**:* Non-Executive Independent Director ***Address**:* B-804, Park Titanium, Park Street Wakad, Kalewadi Phata, Hinjavadi, Pune 411 057, Maharashtra, India ***Occupation**:* Retired Professional ***Date of birth**:* December 22, 1952 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from September 1, 2019 and is not liable to retire by rotation ***DIN**:* 02051084	67	Nil

* *Arun Ramanathan is also an independent director on the board of our Promoter. He is an Independent Director of our Bank as per Companies Act, 2013 and the Listing Regulations.*

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of Directors

Arun Ramanathan is the Part-time Chairman and Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science from University of Madras, a master's degree in nuclear physics from Andhra University, a master's degree in business administration from University of Madras and a master's of philosophy degree in economics and politics of development from University of Cambridge. Further, he is an associate member of the Institute of Cost and Works Accountants of India. Prior to his becoming a Director of our Bank, he was a member of the Indian Administrative Service (Tamil Nadu Cadre, 1973). In his stint of more than 34 years of service in the Indian Administrative Service, he held several postings in the Government of India at the level of Secretary in various ministries, including Secretary in the department of Chemicals and Petrochemicals (Ministry of Chemicals and Fertilizers), Secretary in the department of Financial Services (Ministry of Finance) and at superannuation in 2009, the Union Finance Secretary. He has served as a director on the boards of several companies including State Bank of India, IDBI Bank Limited, ICICI Bank Limited, India Infrastructure Finance Company Limited, IDFC Limited, Oil and Natural Gas Corporation Limited, Shipping Corporation of India Limited, Tamil Nadu Petroproducts Limited, National Textile Corporation Limited, ONGC Videsh Limited, Titan Industries Limited, United Stock Exchange of India Limited, Indian Clearing Corporation Limited, Jenson and Nicholson (India) Limited, JCT Electronics Limited, Religare Enterprises Limited and L&T Infra Debt Fund Limited. He was a member of the Life Insurance Corporation of India. He has served as chairman of the audit committees of Oil and Natural Gas Corporation Limited and Shipping Corporation of India Limited. He has also served on the Indian advisory council of Daimler (India) Commercial Vehicles Private Limited between 2010 and 2016. He is a serving member on the investment committee of the Tamil Nadu Infrastructure Fund Management Corporation Limited and has been included in the panel of outside experts of Oil and Natural Gas Corporation Limited in the finance/commercial category.

Vasudevan Pathangi Narasimhan is the MD and CEO of our Bank. He holds a bachelor's degree in science (physics) from University of Madras. He is a qualified company secretary from the Institute of Company Secretaries of India. He has extensive experience in the financial services sector and had served as the executive vice president and head of consumer banking group in Development Credit Bank Limited, for more than one and half years. He has also worked for about two decades in Cholamandalam Investment and Finance Company Limited, part of the Murugappa Group, where he joined as a management trainee and resigned as the vice president and head of vehicle finance. He was also the chairman of the managing committee of the South India Hire Purchase Association for Fiscal 2006. He joined erstwhile Equitas Finance Limited, now our Bank on July 25, 2016. Prior to joining our Bank, he was the Managing Director of EHL.

Nagarajan Srinivasan is a Non-Executive Non-Independent Director of our Bank. He holds a master of arts degree in economics from University of Madras and a postgraduate diploma in business administration from the University of Warwick. He is the head - south Asia for CDC India Advisers Private Limited which is a wholly owned subsidiary of CDC Group Plc, London. He advises the CDC Group on equity and debt financing transactions in south Asia. He has also served as a director with Actis, a global private equity fund and prior to that worked for CDC Group Plc in sub-Saharan Africa.

Arun Kumar Verma is a Non-Executive Independent Director of our Bank. He has studied commerce from Sambalpur University and law from Utkal University. He is a fellow member of the Institute of Chartered Accountants of India. He has also served as the chairman of the Bhubaneswar branch of Eastern India Regional Council of the Institute of Chartered Accountants of India. He was felicitated for his efforts in the war against corruption by Transparency International India – Orissa Chapter in 2007. He has been a partner at M/s Venkataraman & Verma, since March 1, 1982.

Narayanaswamy Balakrishnan is a Non-Executive Independent Director of our Bank. He holds a bachelor of engineering degree in electronics and communication engineering from the University of Madras in 1972 and a doctorate of philosophy from the Indian Institute of Science and an honorary doctorate from Punjab Technical University. He was a professor at the Indian Institute of Science and retired from service in 2015. He is an honorary professor at the Supercomputer Education and Research Centre at Indian Institute of Science. He is also an honorary professor at Jawaharlal Nehru Centre for Advanced Scientific Research. He has been awarded the Padma Shri in science and engineering category. He is a fellow at The World Academy of Sciences, National Academy of Sciences, Indian Academy of Sciences and the Indian National Science Academy. He also served in the past as a member of the governing council of Centre for Development of Advanced Computing and as a director on the board of Bharat Electronics Limited, Industrial Finance Corporation of India Limited, Bharat Sanchar Nigam Limited and CDOT-Alcatel Lucent Research Centre Private Limited.

Navin Avinashchander Puri is a Non-Executive Independent Director of our Bank. He holds a master's degree in business administration from Texas Christian University. He is an associate member of the Institute of Chartered Accountants of India. He has previously worked as a part of the senior management team at HDFC Bank Limited.

Sridhar Ganesh is a Non-Executive Independent Director of our Bank. He holds a post graduate diploma in management from Indian Institute of Management, Calcutta. He was previously the director of human resources of the Murugappa Group. Prior to that he has worked at Cadbury India Limited and at Cadbury Schweppes Plc, based in the United Kingdom.

Narasimhan Srinivasan is a Non-Executive Independent Director of our Bank. He holds a bachelor of arts degree in economics from University of Madras and a master of arts degree in economics from Madurai Kamaraj University. He is a certified associate of Indian Institute of Bankers. Prior to joining our Bank, he has served as the chief general manager at NABARD. He has also served as a director on the board of Belstar Microfinance Private Limited, Sahayaog Microfinance Limited, RGVN (Northeast) Microfinance Limited and Micro Credit Ratings International Limited. He has authored the 'Microfinance India – State of the Sector Report' for the years 2008-2011 published by Access Development Services and has co-authored the State of India's Livelihood Report for the years 2015-2017 published by SAGE.

Tabassum Abdulla Inamdar is a Non-Executive Independent Director of our Bank. She is an associate member of the Institute of Chartered Accountants of India. She has experience across firms like Goldman Sachs (India) Securities Private Limited, UBS Securities India Private Limited, Kotak Securities Limited and Jardine Fleming India Broking Limited. She has authored a report titled 'VimoSEWA – A capability assessment of the company's aspiration to build a scalable, sustainable micro-insurer' published by VimoSEWA Cooperative Limited.

Vinod Kumar Sharma is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science and a master's degree in science from Sagar University. Prior to joining our Bank, he has served as the executive director of the RBI and has chaired the working group on interest rate futures and the working group on common clearing for commodity exchanges. He represented the RBI at the meetings of the markets committee of the Bank for International Settlements from 2005-2012. He was previously on the boards of Allahabad Bank and Punjab National Bank, and was a nominee director of RBI on the board of EXIM Bank. He has also authored several essays published by the Bank for International Settlements on topics such as framework for pre-empting systemic financial risks, corporate debt market in India etc.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of the Red Herring Prospectus and this Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Bank.

None of our Directors is, or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company.

None of our Directors have any interest in any property acquired in the three years preceding the date of this Prospectus or proposed to be acquired by our Bank or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery.

Terms of appointment of Directors

1. Remuneration to Executive Director:

Pursuant to RBI letter dated September 2, 2016, Vasudevan Pathangi Narasimhan was appointed as the MD and CEO of our Bank by a Board resolution dated September 4, 2016 and Shareholders' resolution dated June 23, 2017. His re-appointment as MD and CEO was pursuant to a Board resolution dated March 12, 2019 and Shareholders' resolution dated August 1, 2019. The RBI approved his re-appointment vide its letter dated May 31, 2019.

Vasudevan Pathangi Narasimhan was paid a total remuneration of ₹16.53 million, including a performance based variable pay of ₹4.32 million during Fiscal 2020. The details of remuneration governing his appointment with effect from April 1, 2019 as approved by the RBI pursuant to its letter dated August 22, 2019 are stated below:

Particulars	Remuneration
Salary - basic	₹4.72 million
Dearness allowance	Nil
House rent allowance	Nil
Conveyance allowance	Nil
Entertainment allowance	Nil
Other allowances	Nil
Flexible benefits plan	₹7.08 million
Total	₹11.80 million
Free furnished home	Nil
Free use of Bank's car for official purpose and for private purpose on	Provision of company car as per the Bank's car scheme in force from time to time and a company driver

Particulars	Remuneration
compensating the Bank with suitable amount	
Employer contribution to provident fund	₹0.57 million
Gratuity/ superannuation fund	Payment of Bank's contribution to gratuity (15 day pay for every completed year of service)/superannuation fund and encashment of leave (at the end of tenure) will be as applicable to all other employees of the Bank
Traveling and halting allowances	Reimbursement of expenses incurred for traveling, boarding and lodging in respect of official travel, expenses incurred on entertainment of official guests and use of telephone at residence other than personal long distance calls
Medical benefits	Domiciliary expenses incurred for self and family to be reimbursed at actuals. Premium payable for medical insurance for hospitalization would be in accordance with the company's rules and will not exceed ₹0.025 million
Other benefits: a) Personal accident insurance b) Club membership	Personal accident insurance shall be as per the company's group scheme and pure life cover for a sum assured not exceeding ₹5.00 million One club membership with the Bank paying the joining and annual fees while facility usage fees to be paid by the incumbent
Leave fare concession	As per Bank's leave policy

**The RBI has, pursuant to its letter dated September 6, 2019, frozen the remuneration of our MD and CEO at the existing level till further advice. For further information, see "Risk Factors - We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted." on page 29.*

2. Remuneration to Part-time Chairman:

Pursuant to RBI letter dated July 28, 2016, Arun Ramanathan was initially appointed as the Part-time Chairman and Independent Director of our Bank by a Board resolution dated September 4, 2016 and Shareholders' resolution dated June 23, 2017.

Arun Ramanathan was paid a total remuneration of ₹1.93 million (consisting of ₹1.20 million as managerial commission and ₹0.73 million as sitting fees) during Fiscal 2020. The details of remuneration governing his appointment as approved by the RBI pursuant to its letter dated July 28, 2016 are stated below:

Remuneration
Managerial commission of ₹1.20 million per annum subject to overall limits prescribed under Companies Act in addition to the sitting fees and reimbursement of actual expenses incurred in connection with the affairs of the Bank such as travel, lodging, boarding etc

3. Remuneration to Non- Executive Directors including Independent Directors:

The details of sitting fees to which the Non-Executive Directors, including Independent Directors of our Bank are entitled are as follows:

S. No.	Type of meeting	Date of Board resolution	Details of sitting fees to be paid per meeting
1.	Board	March 12, 2019	• ₹50,000 for attendance • Additional fees of ₹10,000 for chairing the meeting
2.	Audit Committee and Business Committee	March 12, 2019	• ₹40,000 for attendance • Additional fees of ₹5,000 for chairing the meeting
3.	Listing Committee	September 10, 2019	• ₹30,000 for attendance • Additional fees of ₹5,000 for chairing the meeting
5.	Meeting of Independent Directors	March 12, 2019	• ₹30,000 for attendance • Additional fees of ₹5,000 for chairing the meeting
6.	All other committees	March 12, 2019	• ₹30,000 for attendance • Additional fees of ₹5,000 for chairing the meeting

Further, pursuant to Board resolution dated September 4, 2016 and Shareholders resolution dated June 23, 2017, each Non-Executive Director, including Independent Directors is entitled to receive a commission not exceeding 1% of the net profits of the Bank per annum.

The details of sitting fee and remuneration paid to our other Non- Executive Directors, including Independent Directors during Fiscal 2020 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Arun Kumar Verma	1.95	0.90
2.	Narayanaswamy Balakrishnan	1.31	0.6
3.	Sridhar Ganesh	1.18	0.6
4.	Narasimhan Srinivasan	1.48	0.6
5.	Tabassum Abdulla Inamdar	1.65	0.6
6.	Vinod Kumar Sharma	1.95	0.6
7.	Navin Puri	0.65	0.4
8.	Nagarajan Srinivasan*	Nil	Nil
9.	Lalitha Lakshmanan#	2.39	0.6

* *Nagarajan Srinivasan waived his right to receive remuneration/ commission/ sitting fee payable to him as a Non-Executive Director of our Bank through a letter dated November 13, 2017, which was approved by the Board pursuant to its resolution dated January 30, 2018.*

\# *Lalitha Lakshmanan resigned from the Board of the Bank with effect from July 1, 2020.*

Arrangement or understanding with major Shareholders, customers, suppliers or others

There are no arrangements or understandings with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors was selected as a director.

Shareholding of Directors in our Bank

As per our Articles of Association, our Directors are not required to hold any qualification shares.

None of our Directors hold any Equity Shares or employee stock options of the Bank.

Interests of Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. One of our Directors, Arun Ramanathan also holds the position as a director on the board of our Promoter. In consideration for his services, he is paid managerial remuneration in accordance with the provisions of applicable law. Further, our Directors (excluding our Independent Directors) are entitled to participate in the ESFB ESOP Plan 2019.

Except as stated in "*Other Financial Information- Related Party Transactions*" on page 305, and as disclosed in this section, our Directors do not have any other interest in our business.

The Directors may also be regarded as interested in the Equity Shares that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer.

None of our Directors have any interest in the promotion or formation of our Bank.

None of our Directors have any interest in any property acquired or proposed to be acquired of the Bank or by the Bank.

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

No loans have been availed by our Directors from our Bank.

None of the beneficiaries of loans, advances and sundry debtors are related to the Directors of our Bank.

None of the Directors is party to any bonus or profit sharing plan of our Bank other than the performance linked incentives given to each of the Directors.

Changes in the Board in the last three years

Name	Date of Appointment/ Change/Cessation	Reason
Lalitha Lakshmanan	July 1, 2020	Resignation as Independent Director
Navin Avinashchander Puri	November 22, 2019	Re-designation as Independent Director
Navin Avinashchander Puri	August 1, 2019	Appointment as Additional Director
Krishnamoorthy Ramakrishnan	March 31, 2018	Resignation as Independent Director

Borrowing Powers of Board

Pursuant to a resolution passed by the Shareholders of our Bank on August 23, 2016 and subject to the Companies Act, 2013, AoA, capital adequacy norms as prescribed by RBI and any other applicable laws, rules, regulations and guidelines from time to time, the Board is authorised to borrow money including by issue of non-convertible debentures, from such persons including banks, institutions, corporates, holding company, group companies etc on such terms and conditions as the Board may think fit up to an aggregate amount of ₹107,500 million outstanding at any point in time, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Bank (apart from temporary loans obtained or to be obtained from the Bank's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Bank and its free reserves.

Corporate Governance

The corporate governance provisions of the Listing Regulations will be applicable to us immediately upon the listing of the Equity Shares on the Stock Exchanges. We are in compliance with the requirements of the applicable regulations, including the Listing Regulations, the Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof and formulation of policies. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board committees, as required under law.

Our Board has been constituted in compliance with the Companies Act, the Listing Regulations and the guidelines issued by the RBI from time to time. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides the Board of Directors detailed reports on its performance periodically.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated by the RBI Final Approval. Further, pursuant to RBI letter dated July 28, 2016 for the constitution of our Board, the RBI:

a) approved the appointment of Arun Ramanathan as Part-time Chairman of our Bank and the remuneration payable to him in the form of managerial commission;

b) approved the nomination of Arun Kumar Verma, Vinod Kumar Sharma, Sridhar Ganesh, Lalitha Lakshmanan and K. Ramakrishnan as Directors; and

c) imposed certain conditions on nomination of Narasimhan Srinivasan as a Director and on nomination of Vasudevan Pathangi Narasimhan as MD and CEO of our Bank.

The RBI subsequently approved the nomination of Narasimhan Srinivasan as a Director on the Board of our Bank pursuant to its letter dated August 9, 2016. Thereafter, the RBI approved the appointment of Vasudevan Pathangi Narasimhan as MD and CEO of our Bank pursuant to its letter dated September 2, 2016. The RBI approved the re-appointment of Vasudevan Pathangi Narasimhan as MD and CEO of our Bank pursuant to its letter dated May 31, 2019.

Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Arun Kumar Verma, *Chairman*;

2. Tabassum Abdulla Inamdar;

3. Vinod Kumar Sharma; and

4. Sridhar Ganesh

Pursuant to RBI Final Approval, the Audit Committee was first constituted by a meeting of the Board of Directors held on September 4, 2016 and was last reconstituted on July 28, 2020.

The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, the Listing Regulations and the guidelines issued by the RBI from time to time.

The terms of reference of the Audit Committee include:

1. Oversight of the Bank's financial reporting process and the 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 and, if required, the replacement or removal of the statutory auditor, the remuneration and terms of appointment of auditors of the Bank;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

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 and the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;

    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 judgment by management;

    d. Significant adjustments made in the financial statements arising out of audit findings;

    e. Compliance with listing, accounting and other legal requirements relating to financial statements;

    f. Disclosure of any related party transactions; and

    g. Qualifications and/or modified opinion 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 or of an end use of the fund / application of funds raised through an issue (preferential issue, rights issue, etc.) or of any public issue, the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and report submitted by monitoring agency monitoring the utilization of proceeds of the public or rights issue, 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 or 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, performance of statutory and internal auditors, 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. Reviewing the utilization of loan and/or advances from investment by the holding company in the subsidiary exceeding ₹1,000 million or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.

15. Discussion with internal auditors on any significant findings and follow up there on.

16. 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 the matter to the Board.

17. Discussion with 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.

18. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

19. To review the functioning of the whistle blower mechanism;

20. Approval of appointment of CFO (i.e. the whole-time finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

21. Review on quarterly basis, the securitization / bilateral assignment transactions and investment activities of the Bank.

22. Review on quarterly basis complaints under Policy on Prevention of Sexual Harassment of Women at workplace.

23. Annual review of the Bank's policies, pertaining to audit and accounts, pursuant to the Guidelines/ Regulations/ Directions, framed under the RBI Act, 1934, as amended, and suggesting changes, if any required to the Board for adoption.

24. To discuss and follow up on the observations relating to inspection report/ risk assessment report of the RBI

25. To obtain and review quarterly/ half-yearly reports of the Compliance Officer appointed by the Bank, in terms of RBI instructions

26. To review compliance with KYC/ AML Guidelines including periodic review of audit reports on adherence to KYC/AML guidelines at branches

27. To review penalties imposed/ penal action taken against Bank under various laws and statutes and corrective action taken

28. To review IT Governance & Infrastructure and Information Security Risk related aspects of the Bank.

29. Review and monitoring of implementation and functioning of the Policy for Prevention of Sexual Harassment at work place;

30. Any other requirement in accordance with the applicable provisions of the Companies Act, RBI Act, 1934 and the regulations, as applicable and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as may be applicable from time to time.

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;

2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses;

5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

6. Statement of deviations:

    a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the SEBI Listing Regulations.

    b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of the SEBI Listing Regulations.

The Audit Committee is required to meet at least four times in a year and not more than 120 days are permitted to elapse between two meetings under the terms of the Listing Regulations.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Sridhar Ganesh, *Chairman*;
2. Narayanaswamy Balakrishnan;
3. Nagarajan Srinivasan
4. Narasimhan Srinivasan;
5. Navin Avinashchander Puri; and
6. Vinod Kumar Sharma

Pursuant to RBI Final Approval, the Nomination and Remuneration Committee was first constituted by a meeting of the Board of Directors held on September 4, 2016 and was last reconstituted on July 28, 2020. The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013, guidelines issued by the RBI from time to time, and the Listing Regulations.

The terms of reference of the Nomination and Remuneration Committee include:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
2. To undertake a process of due diligence to determine the suitability of any person for appointment/ continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity other 'fit and proper' criteria, positive attributes and independence (if applicable) and formulate the criteria relating thereto.
3. Formulation of criteria for evaluation of and the performance of Independent Directors and the Board and whether to extend or continue the appointment of the Independent Director, on the basis of the report of performance evaluation of the Independent Directors;
4. Devising a policy of Board diversity;
5. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and succession planning for Directors.
6. To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Bank's corporate strategy;
7. To assess the independence of Independent non-executive Directors;
8. To review the results of the Board performance evaluation process that relate to the composition of the Board;
9. Recommend to the Board, all remuneration, in whatever form payable to the managing and Whole-time Directors and senior management of the Bank from time to time and annual appraisal of the performance of the Managing Director and fixing his/her terms of remuneration.
10. Annual appraisal of the senior management team reporting to the managing Director;
11. Annual performance review of the staff
12. Framing guidelines for the ESFB Employees Stock Option Scheme, 2019 and decide on the grant of stock options to the employees and Whole Time Directors of the Bank and its subsidiaries.
13. Carry out any other function as may be prescribed under the law.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Navin Avinashchander Puri, Chairman;
2. Arun Kumar Verma; and

3. Vinod Kumar Sharma

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on November 7, 2019 and last reconstituted on July 28, 2020. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and the Listing Regulations.

The terms of reference of the Stakeholders' Relationship Committee are as follows:

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 of 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:

5. Issue of duplicate certificates and new certificates on split / consolidation / renewal;

6. To allot shares on exercise of options granted to employees of the Bank under the ESFB ESOP Plan 2019 or any such other scheme formulated by the Bank from time to time;

7. Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or the SEBI Listing Regulations or by any other regulatory authority.

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

1. Tabassum Abdulla Inamdar, *Chairman*;

2. Nagarajan Srinivasan;

3. Sridhar Ganesh;

4. Narasimhan Srinivasan;

5. Navin Avinashchander Puri; and

6. Vasudevan Pathangi Narasimhan

Pursuant to RBI Final Approval, the Corporate Social Responsibility Committee was first constituted by our Board of Directors at their meeting held on September 4, 2016 and was last reconstituted by the Board of Directors at their meeting held on July 28, 2020. The terms of reference of the Corporate Social Responsibility Committee of our Bank include the following:

1. Review the Mission of the Organisation from time to time and ensure it stays aligned to changing contexts of the Organisation.

2. Ensure alignment of the Business goals and objectives of the Bank in line with the mission of the organisation.

3. Bring specific focus on certain excluded segments of client community and set benchmarks for the same.

4. Review all the social activities of the Bank and suggest to the board of trustees suitable measures for enhancing the efficacy of these activities.

5. Deploy such tools of measurement as may be relevant and available from time to time to study the impact of the social performance activities of the Bank and benchmark the same with other organisations in India and around the world.

6. Disseminate information related to the social performance of the organisation in such manner as deemed appropriate.

7. To review the amount spent on social activities and to advise the Board and the trustees on its efficacies.

Risk Management Committee

The members of the Risk Management Committee are:

1. Vinod Kumar Sharma, *Chairman*;

2. Arun Kumar Verma;

3. Narayanaswamy Balakrishnan; and

4. Vasudevan Pathangi Narasimhan

Pursuant to RBI Final Approval, the Risk Management Committee was first constituted by our Board of Directors at their meeting held on September 4, 2016 and was last reconstituted by the Board of Directors at their meeting held on July 28, 2020. The terms of reference of the Risk Management Committee of our Bank include the following:

1. Laying down and review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework.

2. Apprising the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy.

3. To decide the policy and strategy for integrated risk management containing various risk exposures including credit, market, liquidity, operational and reputational risk.

4. To obtain regular risk management reports to enable the Committee to assess risks involved in Bank business and give clear focus to current and forward looking aspects of risk exposure.

5. To review the Asset Liability Management (ALM) of the Bank on a regular basis.

6. To review risk return profile of the Bank, capital adequacy based on risk profile of Bank balance sheet, business continuity plan, disaster recovery plan, key risk indicators and significant risk exposures.

7. To carry out prudent risk diversification ensuring that credit exposure to any group or industry does not exceed the internal limits.

Listing Committee

The members of the Listing Committee are:

1. Narasimhan Srinivasan, *Chairman*;

2. Arun Kumar Verma;

3. Tabassum Abdulla Inamdar; and

4. Vasudevan Pathangi Narasimhan

The Listing Committee was constituted by our Board of Directors pursuant to a resolution dated September 10, 2019 and was last reconstituted by our Board of Directors on July 28, 2020. The terms of reference of the Listing Committee of our Bank include the following:

1. To take steps for listing shares of the Bank as required under terms and conditions of grant of licence either through the Composite Scheme of Arrangement ("**the Scheme**") filed with SEBI or through initial public offer (IPO) of the shares of the Bank in case the Scheme is declined by SEBI;

2. To approve appointment of intermediaries, agencies and professionals such as one or more merchant banker(s), legal counsels, underwriters, syndicate members, brokers, escrow collection bankers, refund bankers, advocates, solicitors, tax consultants, auditors, valuation agencies, company secretaries, registrars, public relation agencies and such other persons or agencies as may be necessary, to assist in listing of shares of the Bank, facilitate drafting/ amendment of necessary legal documents such as scheme of arrangement/ reconstruction, information memorandum, Draft Red Herring Prospectus (DRHP), Red Herring Prospectus (RHP) & Prospectus, apply to statutory authorities and regulators such as RBI, Stock Exchanges, SEBI, shareholders, etc for necessary approvals and authorise such officials as deemed fit, to appear on behalf of the Bank before such regulatory and statutory authorities;

3. To approve and authorise one or more officers to negotiate and finalise terms and conditions of appointment of the aforesaid intermediaries including their fees/ remuneration and issue letters of appointment or vakalatnamas or

authority letters in this regard;

4. To approve and authorize one or more officers of the Bank to negotiate, finalise, settle, execute and deliver or arrange the delivery of the syndicate agreement, underwriting agreement, escrow agreement, agreements with the registrars and the advertising agency(ies) and all other documents, deeds, agreements, memorandum of understanding or any amendments thereto and other instruments whatsoever with the registrar to the Issue, legal advisors, auditors, stock exchange(s), merchant banker(s) and any other agencies/intermediaries in connection with the Issue;

5. To approve and authorise one or more officers of the Bank to negotiate, finalise, execute and deliver agreements, contracts, deeds, documents, applications to such regulatory and statutory authorities in connection with the listing process;

6. To decide and recommend to the Board, in case of initial public offer (IPO), optimal issue size, the extent of promoter stake dilution and Offer for Sale (if any);

7. To decide on the terms and conditions of the issue of Equity Shares either through the scheme or IPO, including the number of Equity Shares to be issued, price and any discount as allowed under applicable laws that may be fixed and determined in accordance with the applicable law, and to accept any amendments, modifications, variations or alterations thereto;

8. To approve and adopt the DRHP, the RHP, the Prospectus, the Bid-cum-Application Form, the preliminary and final international wrap for the issue of Equity Shares and authorize one or more officers of the Bank to take all such actions as may be necessary for filing of these documents including incorporating such alterations/ corrections/ modifications as may be required by SEBI, RoC, or any other relevant governmental and statutory authorities;

9. To approve making of applications, if necessary, to the various statutory or governmental authorities in connection with the listing as may be required and to authorize one or more officers of the Bank to take all such actions as may be necessary for filing of these applications;

10. To approve any corporate governance requirements that may be considered necessary by the Board or the Listing Committee or as may be required under the applicable laws or the listing agreement to be entered into by the Company with the relevant stock exchanges;

11. To authorize one or more officers of the Bank to seek, if required, the consent of the lenders to the Bank, parties with whom the Bank has entered into various commercial and other agreements, and any other consents that may be required in relation to the listing process;

12. To authorize one or more officers of the Bank to open and operate bank account(s) of the Bank in terms of the escrow agreement for handling of refunds for the issue and to execute all documents/ deeds as may be necessary in this regard;

13. To authorize one or more officers of the Bank to open and operate bank accounts of the Bank in terms of Section 40(3) of the Companies Act, 2013, as amended, and to execute all documents/deeds as may be necessary in this regard;

14. To determine and finalise the bid opening and bid closing dates (including bid opening and bid closing dates for anchor investors), the floor price/price band for the Issue (including issue price for anchor investors), approve the basis of allotment and confirm allocation/ allotment of the equity shares to various categories of persons as disclosed in the DRHP, the RHP and the Prospectus, in consultation with the merchant bankers and the selling shareholders (to the extent applicable) and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue including any alteration, addition or making any variation in relation to the Issue;

15. To approve issue receipts/allotment letters/confirmations of allotment notes either in physical or electronic mode representing the underlying equity shares in the capital of the Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s) and authorize one or more officers of the Bank to sign all or any of the aforestated documents;

16. To authorize one or more officers of the Bank to finalize applications for listing of the shares in one or more recognised stock exchange(s) for listing of the equity shares of the Bank and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s);

17. To authorize one or more officers of the Bank to do all such deeds and acts as may be required to dematerialise the

equity shares of the Company and to sign and/or modify, as the case may be, agreements and/or such other documents as may be required with National Securities Depository Limited, Central Depository Services (India) Limited, registrar & transfer agents and such other agencies, as may be required in this connection and to negotiate, finalize, settle, execute and deliver all or any of the aforestated documents;

18. To approve and authorize one or more officers of the Bank to finalize the incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue;

19. To authorize and approve notices, advertisements in relation to the listing in consultation with the relevant intermediaries appointed for the listing process;

20. To authorize withdrawing of the scheme of arrangement, DRHP and RHP at any stage, if deemed necessary.

21. To settle any question, difficulty or doubt that may arise in connection with the Listing including the issue and allotment of the Equity Shares as aforesaid and to further delegate the powers conferred hereunder subject to such restrictions and limitations as it may deem fit and in the interest of the Bank and to the extent allowed under applicable laws and to do all such acts and deeds in connection therewith and incidental thereto, as the Committee may in its absolute discretion deem fit; and

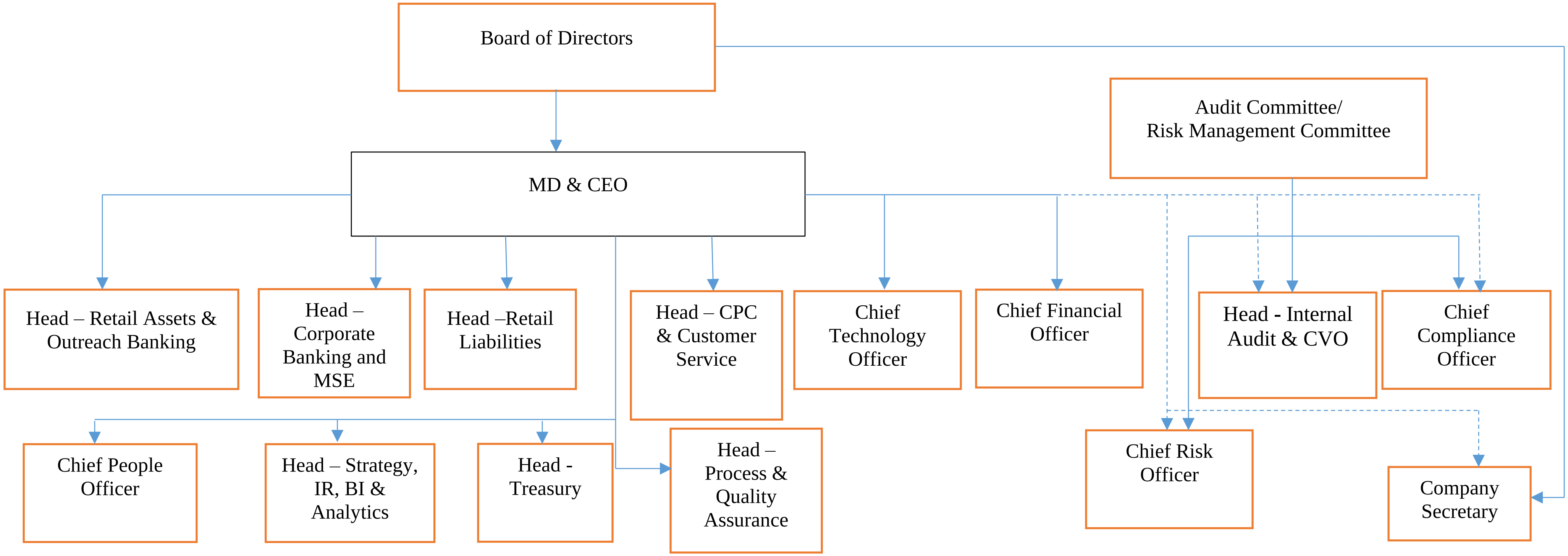
22. To authorize one or more officers of the Bank to negotiate, finalize, settle, execute and deliver any and all other documents, certificates, confirmations, letters or instruments and doing or causing to be done any and all acts or things as the Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of the foregoing or in connection with the listing and any documents or instruments so executed and delivered or acts and things done or caused to be done by the Committee shall be conclusive evidence of the authority of the Committee in so doing.

23. To refer to the Audit Committee of the Board for its approval and adoption, the restated financial information of the Bank for various financial years as may be required in connection with the listing, read with significant accounting policies and notes annexed to the Restated Financial Information for the purpose of inclusion in the Offer Document prepared in terms of the requirements of the Companies Act, 2013 and the rules thereof and the Securities and Exchange Board Of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time in pursuance of provisions of Securities and Exchange Board of India Act, 1992 ("**SEBI- ICDR Regulations**").

Other committees of our Bank

In addition to the committees mentioned–in *"Committees of the Board*" on page 172, our Bank has constituted various other committees, such as, Business Committee, Customer Service Committee, Information Technology Strategy Committee, Credit Committee, Special Committee of Board for Monitoring High Value Frauds, Review committee for identification of Wilful Defaulters, Policy formulation Committee to oversee and govern various internal functions and activities of the Bank.

Management Organisation Chart



Key Managerial Personnel

The details of the Key Managerial Personnel of our Bank are as follows:

Vasudevan Pathangi Narasimhan is the MD and CEO of our Bank. For further details in relation to Vasudevan Pathangi Narasimhan, see "– *Brief Biographies of Directors*" on page 168. For details of compensation paid to him, see "*Terms of Appointment of Directors*" on page 169.

Sridharan Nanuiyer is the CFO of our Bank. He holds a bachelor's degree in commerce from University of Madras. He is a qualified chartered accountant from the Institute of Chartered Accountants of India and a certified cost and works accountant from the Institute of Cost and Works Accountants of India. He started his career with CMC Limited in 1986 and he was deputy general manager- finance and internal audit at the time of leaving the organization. Prior to joining our Bank, he was the general manager- finance at SRA Systems Limited and vice president – MIS and commercial control at Subhiksha Trading Services Limited. He joined erstwhile EHFL, now our Bank on August 16, 2010. He was paid a gross compensation of ₹9.40 million in Fiscal 2020.

Sampathkumar K. Raghunathan is the Company Secretary and Compliance Officer of our Bank. He holds a bachelor's degree in commerce from University of Madras. He is a member of the Institute of Company Secretaries of India. He has previously worked at the Reserve Bank of India and at the Office of the Comptroller and Auditor General of India. Prior to joining our Bank, he worked at Hinduja Leyland Finance Limited. He has also worked at Unifi Capital Private Limited as manager- internal audit. He joined erstwhile EHFL, now our Bank on August 13, 2014. He was paid a gross compensation of ₹2.40 million in Fiscal 2020.

Dheeraj Mohan is the senior vice president and head of strategy, investor relations, BI and analytics at our Bank. He holds a post graduate diploma in management from Kirloskar Institute of Advanced Management Studies. He has previously worked across NBFCs and capital market intermediaries like Anand Rathi Share and Stock Brokers Limited, Motilal Oswal Financial Services Limited and Edelweiss Securities Limited. Prior to joining our Bank, he was working with EHL. He joined our Bank on June 1, 2016. He was paid a gross compensation of ₹4.65 million in Fiscal 2020.

Prabhakaran A. is the executive vice president and head of centralized processing centre and customer service at our Bank. He holds a bachelor's degree in engineering from Madurai Kamraj University. Prior to joining our Bank, he worked at Cholamandalam MS General Insurance Company Limited for over nine years. He joined our Bank on November 2, 2016. He was paid a gross compensation of ₹10.72 million in Fiscal 2020.

Raghavan H.K.N is the senior president of retail, assets and outreach banking at our Bank. He holds a bachelor's degree in commerce from Osmania University and has passed an executive program in business management from Indian Institute of Management, Calcutta. Prior to joining our Bank, he has worked in several consumer goods companies like Hindustan Lever Limited, Agro Tech Foods Provident Fund, Henkel SPIC India Limited, Dabur Foods Limited and Subhiksha Trading Services Limited. He joined erstwhile EMFL, now our Bank on December 8, 2008. He was paid a gross compensation of ₹15.26 million in Fiscal 2020.

Sharad Goklani is the chief technology officer at our Bank. He holds a master's degree in computer applications from University of Rajasthan. Prior to joining our Bank, he worked at companies like Bharti Telesoft Limited and Bharti Airtel Limited. He joined our Bank on August 18, 2016. He was paid a gross compensation of ₹ 8.27 million in Fiscal 2020.

Alok Gupta in the executive vice president and chief risk officer of our Bank. He holds a bachelor's degree in science from Kurukshetra University and a post graduate diploma in business administration from the Institute for Integrated Learning in Management, New Delhi. He has been certified as a financial risk manager by the Global Association of Risk Professionals. He has worked across companies like Kotak Mahindra Bank Limited, i-Flex Solutions Limited, ICICI Bank Limited, Cholamandalam AMC Limited and SunGard Solutions (India) Private Limited. He joined our Bank on February 17, 2018. He was paid a gross compensation of ₹9.64 million in Fiscal 2020.

Natarajan Muthusubramanian is the executive vice president and head of treasury at our Bank. He is a certified associate of the Indian Institute of Bankers. Prior to joining our Bank, he was the director of treasury at Bank of Nova

Scotia where he worked for nine years. He joined our Bank on October 23, 2017. He was paid a gross compensation of ₹8.48 million in Fiscal 2020.

Ramasubramanian Krishnamoorthy is the executive vice president- small and micro enterrpise and corporate banking at our Bank. He holds a post graduate diploma in financial management from the Institute for Financial Management and Research, Madras. He is also a certified associate from the Institute of Cost and Works Accountants of India. Prior to joining our Bank, he was the senior vice president at Polaris Consulting and Services Limited and worked there for one and a half years. He has also worked with companies like HCL Technologies Limited and Capgemini India Private Limited in the past. He joined our Bank on March 2, 2017. He was paid a gross compensation of ₹7.23 million in Fiscal 2020.

Sathyananda Prabhu is the executive vice president and head of internal audit of our Bank. He holds a bachelor's degree in law from Bangalore University and a master's degree in business administration (banking and finance) from Indira Gandhi National Open University. Prior to joining our Bank, he worked as the senior vice president and head - audit and inspection department at the Lakshmi Vilas Bank Limited. He joined our Bank on March 1, 2018. He was paid a gross compensation of ₹4.46 million in Fiscal 2020.

S. Sethupathy is the president of process and quality assurance of our Bank. He holds a bachelor's degree in engineering from Bangalore University and a master's degree in business administration from Indira Gandhi National Open University. He has previously worked in various managerial positions at HMT Limited, Sundaram Fasteners Limited, SAB WABCO India Limited, Jai Parabolic Springs Limited and Yuken India Limited. He joined erstwhile EMFL, now our Bank on September 17, 2007. He was paid a gross compensation of ₹5.99 million in Fiscal 2020.

Srinivasan Purohit is the chief compliance officer of our Bank. He holds a bachelor's degree in commerce from the University of Madras. He is a certified associate of the Institute of Chartered Accountants of India and a certified cost and works accountant from the Institute of Cost and Works Accountants of India. Prior to joining our Bank, he worked at Qatar National Bank S.A.Q. He has previously worked with the RBI, ICICI Bank Limited, Credit Agricole Corporate and Investment Bank (formerly known as Calyon Bank), Hong Kong and Shanghai Banking Corporation Limited and Nomura Capital (India) Private Limited. He joined our Bank on August 5, 2017. He was paid a gross compensation of ₹6.98 million in Fiscal 2020.

Murali Vaidyanathan is the president and country head – branch banking, liabilities, product and wealth, of our Bank. He holds a bachelor's degree in engineering from the University of Madras and a post graduate diploma (distance education) in business administration from the School of Communication and Management Studies. Prior to joining our Bank, he has worked with Kotak Mahindra Bank Limited, Citigroup Inc. and ICICI Bank Limited. He joined our Bank in December 2019 as head – branch banking and was appointed as the president and country head – branch banking, liabilities, product and wealth on January 2, 2020. He was paid a gross compensation of ₹4.40 million in Fiscal 2020.

Pallab Mukherji is the chief people officer of our Bank. He holds a post graduate diploma in personnel management and industrial relations from XLRI, Jamshedpur and has completed a strategic human resource management – India course from the Ross School of Business, Michigan. Prior to joining our Bank, he has worked with The Arvind Mills Limited and HDFC Bank Limited. He was the president with the human resources department at IIFL Holdings Limited. He was appointed as the chief people officer of our Bank on February 17, 2020. He was paid a gross compensation of ₹1.21 million in Fiscal 2020.

Relationship between our Key Managerial Personnel and Directors

None of the Key Managerial Personnel are either related to each other or to the Directors.

Shareholding of Key Managerial Personnel

Other than Sridharan Nanuiyer and Raghavan H.K.N., who hold one Equity Share each on behalf of our Promoter, none of our Key Managerial Personnel hold any Equity Shares in our Bank. Further, some of our KMPs have been provided employee stock options under the ESFB ESOP Plan 2019. For details of our employee stock options, see "*Capital Structure*" on page 80.

Bonus or Profit Sharing Plans of the Key Managerial Personnel

None of our Key Managerial Personnel are party to any bonus or profit sharing plan of our Bank, other than the performance linked incentives given to Key Managerial Personnel.

Status of Key Managerial Personnel

All the Key Managerial Personnel are permanent employees of our Bank.

Interests of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held in the Bank, if any. Some of our KMPs, namely Ramasubramanian Krishnamoorthy, Srinivasan Purohit, Natarajan Muthusubramanian, Alok Gupta, Sharad Goklani, Prabhakaran A., Raghavan H.K.N., S. Sethupathy, Dheeraj Mohan, Sridharan Nanuiyer, Sampathkumar K. Raghunathan and Sathyananda Prabhu held employee stock options under Equitas Holdings Limited Employee Stock Option Scheme 2015. Pursuant to letters dated November 29, 2019, they have waived their right to such employee stock options.

None of the Key Managerial Personnel have been paid any consideration of any nature from our Bank, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

Changes in the Key Managerial Personnel

Except as disclosed below, there have been no changes in the Key Managerial Personnel in the last three years.

Name	Designation	Date of change	Reason for change
Natarajan Muthusubramanian	Executive Vice President and Head of Treasury	October 23, 2017	Appointment as Executive Vice President and Head of Treasury
Narayan Seetharaman Thathai	Executive Vice President and Head of Treasury	November 4, 2017	Resignation as Executive Vice President and Head of Treasury
Alok Gupta	Executive Vice President and Chief Risk Officer	February 17, 2018	Appointment as Executive Vice President and Chief Risk Officer
Bhadresh Bhalchandra Pathak	President and Head of Small and Micro Enterprises Banking	February 20, 2018	Appointment as President, and Head of Small and Micro Enterprises Banking
Sathyananda Prabhu	Executive Vice President and Head of Internal Audit	March 1, 2018	Appointment as Executive Vice President and Head of Internal Audit
Murthy VS	President	May 16, 2018	Resignation as President
S Muralidharan	Chief People Officer	June 29, 2019	Resignation as Chief People Officer
Sharad Goklani	Chief Technology Officer	July 1, 2019	Appointment as Chief Technology Officer
Vanamali Ranganathan Sridharan	Chief Technology Officer	July 6, 2019	Resignation as Chief Technology Officer
Sanjeev Srivastava	President and Country Head of Branch Banking, Liabilities, Product and Wealth	December 31, 2019	Resignation as President and Country Head of Branch Banking, Liabilities, Product and Wealth
Murali Vaidyanathan	President and Country Head of Branch Banking, Liabilities, Product and Wealth	January 2, 2020	Appointment as President and Country Head of Branch Banking, Liabilities, Product and Wealth
Pallab Mukherji	Chief People Officer	February 17, 2020	Appointment as Chief People Officer
Ramasubramanian Krishnamoorthy	Executive Vice President- Small and Micro Enterprises and Corporate Banking	May 25, 2020	Change in designation to Executive Vice President- Small and Micro Enterprises and Corporate Banking
Bhadresh Bhalchandra Pathak	President and Head of Small and Micro Enterprises Banking	June 20, 2020	Resignation as President, and Head of Small and Micro Enterprises Banking

Service Contracts with Directors and Key Managerial Personnel

Other than statutory benefits upon termination of their employment in our Bank on retirement, no officer of our Bank, including our Directors, the Key Managerial Personnel has entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment. Further, none of our Directors have entered into a service contract with our Bank pursuant to which they have been appointed as a director of our Bank or their remuneration has been fixed in the preceeding two years.

Contingent and deferred compensation payable to our Directors and Key Managerial Personnel

Other than the deferred bonus compensation payable to our Key Managerial Personnel, there is no contingent or deferred compensation payable to our Directors and Key Managerial Personnel, which does not form a part of their remuneration.

Payment or benefit to Key Managerial Personnel

Except as stated in this section, no non-salary amount or benefit has been paid or given to any of our Bank's officers including Key Managerial Personnel within the two preceding years or is intended to be paid or given.

Employees Stock Options

For details of our employee stock options, see "*Capital Structure*" on page 80.

OUR PROMOTER AND PROMOTER GROUP

EHL is the Promoter of our Bank. Our Promoter currently holds an aggregate of 1,005,943,363 Equity Shares together with its nominees, aggregating to 95.49% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. For further details, see "*Capital Structure*" on page 80.

Corporate Information

EHL, our Promoter is a listed company whose equity shares are listed on the Stock Exchanges. Our Promoter was incorporated as UPDB Micro Finance Private Limited on June 22, 2007 at Chennai as a private limited company under the Companies Act, 1956. Pursuant to a special resolution passed by the shareholders of our Promoter on December 17, 2007, the name of our Promoter was changed to Equitas Micro Finance India Private Limited, and a fresh certificate of incorporation was issued by the RoC on February 1, 2008. The microfinance business of our Promoter was demerged into Singhivi Investment and Finance Private Limited which was later renamed as Equitas Micro Finance Private Limited, pursuant to a demerger scheme approved by the Madras High Court, with effect from April, 1, 2011. Subsequent to the demerger, the name of our Promoter was changed to Equitas Holdings Private Limited and a fresh certificate of incorporation was issued by the RoC on February 29, 2012. Thereafter, vide an order dated December 3, 2012 issued by the RBI, the certificate of registration as a NBFC under Section 45 IA of the RBI Act granted to our Promoter was cancelled and our Promoter was designated as a Non Deposit Taking Systemically Important Core Investment Company. Thereafter, pursuant to a special resolution passed by our Shareholders on June 12, 2015, our Promoter was converted into a public limited company and the name was changed to Equitas Holdings Limited. The RoC issued a fresh certificate of incorporation consequent to change of name on June 18, 2015.

The CIN of EHL is L65100TN2007PLC064069. The registered office of EHL is located at II Phase, 4th Floor, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002.

The main objects of EHL are, inter alia, (i) to carry on the business of investment company/ finance company; and (ii) to carry on business of holding company and to invest in subsidiary companies.

EHL does not have any identifiable promoter and is a professionally managed company.

Board of directors

The board of directors of EHL comprises of the following:

1. Rangachary N
2. Arun Ramanathan
3. Jayshree Ashwinkumar Vyas
4. Rajaraman PV
5. Viswanatha Prasad S.
6. Bhaskar S.
7. Jayaraman Chandrasekaran
8. John Alex

Shareholding pattern

The authorised share capital is ₹4,500,000,000 divided into 440,000,000 equity shares of face value of ₹10 each and 10,000,000 compulsorily convertible preference shares of ₹10 each and the issued and paid-up share capital of EHL as on June 30, 2020 is ₹3,417,901,150 divided into 341,790,115 equity shares of face value ₹10 each.

The shareholding pattern of EHL as of June 30, 2020 is as follows:

Sr. No	Category of shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. of shares held	Shareholding as a % of total no. of shares (calculated as per SCRR) As a % of (A+B+C)	No. of voting rights	Total as a % of total voting right	No. of equity shares held in dematerialized form
A	Promoter and promoter group	-	-	-	-	-	-	-
B	Public	3,09,654	341,790,115	341,790,115	100.00	341,790,115	100.00	341,691,015
(C1)	Shares underlying DRs	-	-	-	-	-	-	-
(C2)	Shares held by employee trust	-	-	-	-	-	-	-
C	Non promoter-non public	-	-	-	-	-	-	-
	Grand Total (A)+(B)+(C)	**3,09,654**	**341,790,115**	**341,790,115**	**100.00**	**341,790,115**	**100.00**	**341,691,015**

Note: C=C1+C2

Financial Performance

The following table sets forth certain information derived from the audited consolidated financial statements of Equitas Holdings Limited, for Fiscals 2018, 2019 and 2020.

(In ₹ million, except per share data)

Particulars	Fiscal 2020(1)	Fiscal 2019(2)	Fiscal 2018(3)
Equity Capital	3,417.90	3,414.61	3,404.30
Reserves and Surplus	24,418.50	21,022.39	19,358.61
Total Revenue from Operations	28,901.10	22,753.01	17,860.11
Total Income/ Total Revenue	29,358.96	23,585.31	17,874.12
Profit/ (Loss) for the year	2,059.95	1,765.74	313.53
Total comprehensive income(4)	2,071.85	1,769.73	
Basic EPS (in ₹)	6.03	5.18	0.92
Diluted EPS (in ₹)	6.03	5.18	0.91
Net Asset Value per Share (in ₹)(5)	81.44	71.57	66.88

Notes:

(1) Numbers have been obtained from audited consolidated financial statements of the EHL for Fiscal 2020 prepared as per Ind AS.

(2)Numbers have been obtained from audited consolidated financial statements of the EHL for Fiscal 2019 prepared as per Ind AS.

(3) Numbers have been obtained from the audited consolidated financial statements of the EHL for Fiscal 2018, prepared as per IGAAP, and hence not comparable with Fiscal 2019 and 2020.

(4)Total Comprehensive Income for the year was only available for Fiscal 2020 and 2019 and was not available for Fiscal 2018, and hence intentionally left blank.

(5) The Net Asset Value per Share is calculated in the manner as stated below:

- *Net Asset = Total Asset – Total Liability - Minority*
- *Net Asset Value per Share = Net Asset/Total Outstanding Shares*

Changes in control

There has been no change in the control of EHL in the last three years preceding the date of this Prospectus.

Our Bank confirms that the permanent account number, bank account number(s), company registration number and the address of the registrar of companies where EHL is registered, have been submitted with the Stock Exchanges at the time of filing the Draft Red Herring Prospectus.

Interests of our Promoter

Our Promoter is interested in our Bank to the extent it has promoted our Bank and to the extent of its shareholding in the Bank and dividend payable, if any, and other distributions in respect of the Equity Shares held by it. For details, see "*Capital Structure"* on page 73.

Further, our Promoter had granted certain employee stock options to certain KMPs of our Bank, namely Ramasubramanian Krishnamoorthy, Srinivasan Purohit, Natarajan Muthusubramanian, Alok Gupta, Sharad Goklani, Prabhakaran A., Raghavan H.K.N., S. Sethupathy, Dheeraj Mohan, Sridharan Nanuiyer, Sampathkumar K. Raghunathan and Sathyananda Prabhu under Equitas Holdings Limited Employee Stock Option Scheme 2015, pursuant to which such individuals were entitled to the equity shares of our Promoter. However, pursuant to letters dated November 29, 2019, they have waived their right to such employee stock options.

Our Promoter has no interest in any property acquired in the three years preceding the date of this Prospectus or proposed to be acquired by our Bank or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery.

No sum has been paid or agreed to be paid to our Promoter or to the firms or companies in which our Promoter is interested as a member in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by such Promoter or by such firms or companies in connection with the promotion or formation of our Bank.

Our Promoter, pursuant to its letter dated November 8, 2019, has granted no-objection for the use of the word '*Equitas*' by our Bank.

Payment of benefits to our Promoter or our Promoter Group

No amount or benefit has been paid or given to our Promoter or our Promoter Group during the two years preceding the filing of this Prospectus nor is there any intention to pay or give any amount or benefit to our Promoter or Promoter Group.

Material guarantees given by our Promoter to third parties with respect to Equity Shares of our Bank

Our Promoter has not given any material guarantees to third parties with respect to the Equity Shares.

Companies or firms with which our Promoter have disassociated in the last three years

Our Promoter has not disassociated, sold or transferred its stake in any company or firm in the three years immediately preceding the date of this Prospectus.

Our Promoter Group

Entities forming part of the Promoter Group

- Equitas Technologies Private Limited;
- Equitas Dhanyakosha India;
- Equitas Development Initiatives Trust; and
- Equitas Healthcare Foundation

OUR GROUP COMPANIES

In terms of the SEBI ICDR Regulations and pursuant to the resolutions passed by our Board at its meetings held on September 14, 2020, February 19, 2020 and November 22, 2019, group companies of our Bank shall include (i) the companies (other than the Promoter) with which there were related party transactions as per the Restated Financial Information of our Bank for the last three Fiscals (and stub period, if any, in respect of which, Restated Financial Information are included in this Prospectus); (ii) other companies as considered material by our Board shall be considered as group companies.

Accordingly, in terms of the policy adopted by our Board for determining group companies, our Board has identified ETPL and EDK as the group companies of our Bank ("**Group Companies**").

Details of our Group Companies

1. ETPL

Corporate Information

ETPL is a private limited company which was incorporated on October 27, 2015 under Companies Act, 2013 in Chennai, India. The corporate identity number of ETPL is U72900TN2015PTC102697.

Nature of Activities

ETPL is authorized to, inter alia, develop technology platform for freight, logistics, carriers and related services and offers freight solutions encompassing technology including freight facilitation cum aggregation business under the brand name 'WowTruck'.

Interest of our Promoter

Our Promoter holds 23,000,000 equity shares of ETPL aggregating to 99.58% of the issued, subscribed and paid up capital of ETPL.

Financial Performance

The financial information derived from the audited financial statements of ETPL for the Fiscals 2020, 2019 and 2018 is set forth below:

(In ₹ million, except per share data)

Particulars	Fiscal		
	2020	2019	2018
Equity capital	220.96	200.96	200.96
Reserves and surplus (excluding Revaluation Reserves)	(195.42)	(193.44)	(158.06)
Revenue from Operations	16.73	2.38	24.25
Profit/(Loss) after tax	(1.98)	(35.38)	(62.54)
Earnings per equity share (Basic)	(0.10)	(1.76)	(3.83)
Earnings per equity share (Diluted)	(0.10)	(1.76)	(3.83)
Net asset value per equity share	1.16	0.37	2.13

Significant notes of auditors of ETPL for the last three Fiscals

There are no significant notes by the auditors of ETPL in relation to the financial statements specified for the three immediately preceding Fiscals.

2. EDK

Corporate Information

EDK is a private limited company incorporated on May 14, 2009 under section 25 of Companies Act, 1956 in Chennai, India. The corporate identity number of EDK is U93000TN2009NPL071633.

Nature of Activities

The main object of EDK is to, *interalia*, undertake and assist rural, tribal and low income segments of the society by all conceivable means and especially by providing foods, groceries, spices and act as grain bank and services of every make and sorts, apparels, garments, textiles, hosiery, stationery and especially in areas relating to relief in time of natural and other calamities, improvement of basic amenities like water supply, electricity, drainage and sanitation, women and child welfare, industrial and agricultural development, maintain and run educational institutions, hospitals, health centres etc and to interact with and make representations before public bodies and authorities in pursuance of the main objectives.

Interest of our Promoter

Our Promoter does not hold any equity shares of EDK.

Financial Performance

The financial information derived from the audited financial statements of EDK for the Fiscals 2020, 2019 and 2018 is set forth below:

(In ₹ million except per share data)

Particulars	Fiscal		
	2020	2019	2018
Equity capital	0.0002	0.0002	0.0002
Reserves and surplus (excluding Revaluation Reserves)	(0.0002)	(5.75)	(5.46)
Revenue from Operations	Nil	Nil	12.04
Profit/(Loss) after tax	(0.52)	(0.28)	(2.36)
Earnings per equity share (Basic)	(25,832.31)	(14,143.80)	(1,18,244.00)
Earnings per equity share (Diluted)	(25,832.31)	(14,143.80)	(1,18,244.00)
Net asset value per equity share	Nil	(2,87,298.25)	(2,73,154.45)

Significant notes of auditors of EDK for the last three Fiscals

There are no significant notes by the auditors of EDK in relation to the financial statements specified for the three immediately preceding Fiscals.

Loss making Group Companies

Details of the losses made by our Group Companies are as follows:

(In ₹ million)

S. No.	Name of the Group Companies	Profit/(Loss) after tax		
		Fiscal 2020	Fiscal 2019	Fiscal 2018
1.	ETPL	(1.98)	(35.38)	(62.54)
2.	EDK	(0.52)	(0.28)	(2.36)

Nature and extent of interest of our Group Companies

a. ***In the promotion of our Bank***

Our Group Companies do not have any interest in the promotion of our Bank.

b. ***In the properties acquired by our Bank in the preceding three years before filing this Prospectus or proposed to be acquired by our Bank***

Our Group Companies are not interested in the properties acquired by our Bank in the three years preceding the filing of this Prospectus or proposed to be acquired by our Bank as on the date of this Prospectus.

c. ***In transactions for acquisition of land, construction of building and supply of machinery***

Our Group Companies are not interested in any transactions for the acquisition of land, construction of building or supply of machinery.

Defunct Group Companies

Our Group Companies are not defunct and no applications have been made to the relevant registrar of companies for striking off their names during the five years preceding the date of filing this Prospectus, the Red Herring Prospectus and the Draft Red Herring Prospectus with SEBI.

Group Companies which are a sick industrial company or are under winding up/ insolvency proceedings

Our Group Companies do not fall under the definition of sick companies under the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985 and are not under any winding up or insolvency proceedings.

Common Pursuits between our Group Companies and our Bank

Our Group Companies are not in the same line of business as our Bank and there are no common pursuits between our Group Companies and our Bank.

Related Business Transactions with the Group Companies and significance on the financial performance of our Bank

Other than the transactions disclosed in the section "*Other Financial Information- Related Party Transactions*" on page 305, there are no other related business transactions with our Group Companies.

Business interest of our Group Companies in our Bank

Except as disclosed in "*Other Financial Information- Related Party Transactions*" on page 305, our Group Companies have no business interest in our Bank.

Litigation

Our Group Companies are not party to any pending litigations which will have a material impact on our Bank.

Other confirmations

The equity shares of our Group Companies are not listed on any stock exchange.

Except as disclosed below, none of our Group Companies have made any public or rights issue of securities in the preceding three years:

- On December 22, 2017, ETPL has made a rights issue of 5,000,000 of its equity shares, at an issue price of ₹10 per equity share. The equity shares were subscribed and allotted to EHL;
- On October 23, 2019, ETPL has made a rights issue of 1,000,000 of its equity shares, at an issue price of ₹10 per equity share. The equity shares were subscribed and allotted to EHL;
- On January 24, 2020, ETPL has made a rights issue of 1,000,000 of its equity shares, at an issue price of ₹10 per equity share. The equity shares were subscribed and allotted to EHL;
- On April 30, 2020, ETPL has made a rights issue of 1,000,000 of its equity shares, at an issue price of ₹10 per equity share. The equity shares were subscribed and allotted to EHL

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005), the Articles of Association and other applicable law, including the Companies Act, 2013. The dividend distribution policy of our Bank was approved and adopted by our Board on November 22, 2019.The quantum of dividend to be distributed, if any, will depend on a number of factors, including but not limited to internal parameters such as (i) distributable profits; (ii) need to conserve adequate resources for future business and operational growth and capital requirements; (iii) maintaining stable dividend pay-out over the years; (iv) quantum of cash to be preserved for exigencies and contingencies; and (v) avenues for better utilisation and external parameters such as (i) regulatory framework defined by RBI/SEBI/Companies Act; (ii) general economic scenario, both domestic and global; and (iii) practices adopted by industry and peer group companies and any other applicable criteria from the legal or regulatory framework applicable to our Bank. Dividend, if declared, will be paid annually within 30 days of the AGM declaring such dividend. The Board may, at its discretion (i) pay interim dividend based on estimated profits for the Fiscal; (ii) pay special dividends on any special occasion; or (iii) increase or decrease pay-out ratio, subject to the parameters specified hereinabove.

Except as disclosed below, our Bank has not declared dividends on the Equity Shares during the current Fiscal and the last three Fiscals.

The Board of the Bank at its meeting held on May 4, 2017 recommended a dividend pay-out of up to 35% of net profits of the Bank for Fiscal 2017 (translating to a dividend of up to ₹0.36 per Equity Share) to the Shareholders, subject to approval from the RBI. However, in the absence of RBI approval as on the date of AGM held on June 23, 2017, the resolution was withdrawn with the unanimous consent of all the members present in the AGM.

In light of the recent COVID-19 situation, the RBI has mandated on April 17, 2020, that the banks shall not make any further dividend payouts from the profits pertaining to the financial year ended March 31, 2020 until further instructions. This restriction shall be reassessed by the RBI based on the financial results of banks for the quarter ending September 30, 2020.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Information for Fiscal 2018, 2019 and 2020 and for the three months ended June 30, 2019 and 2020. The following discussion should be read together with the information included in the sections "Summary of Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" included elsewhere in this Prospectus.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Information included in this Prospectus. Unless otherwise indicated average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period. All ratios are calculated based on the relevant months of operations during the period unless specified, and annualized for the relevant months of operations during the period.

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets (except that investments include equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities, and cost of funds, are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Restated Financial Information:

	Three Months Ended June 30,					
	2019			2020		
	Average Balance (1) A	Interest Earned (3) B	Yield (%) C=(B/A)	Average Balance (1) D	Interest Earned (3) E	Yield (%) F=(E/D)
	(₹ million, except percentages)					
Interest Earning Assets:						
i. Advances	118,084.33	5,500.15	18.63%* [4.66%]	140,679.31	6,616.06	18.81%* [4.70%]
ii. Investments	23,073.57	390.82	6.78%* [1.69%]	29,105.42	438.66	6.03%]* [1.51%]
iii. Others (2)	10,745.60	142.90	5.32%* [1.33%]	17,553.59	158.40	3.61% [0.90%]
iv. Sub-Total	151,903.50	6,033.87	15.89%* [3.97%]	187,338.32	7,213.12	15.40%* [3.85%]

	Three Months Ended June 30,					
	2019			2020		
	Average Balance (1) A	Interest Earned (3) B	Yield (%) C=(B/A)	Average Balance (1) D	Interest Earned (3) E	Yield (%) F=(E/D)
	(₹ million, except percentages)					
Non-Interest Earning Assets:						
v. Fixed assets	2,320.34	-	-	2,052.16	-	-
vi. Other assets	7,913.62	-	-	11,642.96	-	-
vii. Sub-Total	**10,233.96**	**-**	**-**	**13,695.12**	**-**	**-**
viii. Total (iv+vii)	**162,137.46**	**-**	**-**	**201,033.44**	**-**	**-**

	Three Months Ended June 30,					
	2019			2020		
	Average Balance (1) (A)	Interest Expended (4) (B)	Cost of Funds (%) C=A/B	Average Balance (1) (D)	Interest Expended (4) (E)	Cost of Funds (%) (F=E/D)
	(₹ million, except percentages)					
Interest-Bearing Liabilities:						
i. Demand Deposit	4,770.04	-	-	3,399.47	-	-
ii. Saving Banks Deposit	17,786.17	243.31	5.47%* [1.37%]	19,411.65	259.12	5.34%* [1.33%]
iii. Term Deposits	68,144.56	1,438.81	8.45%* [2.11%]	90,066.55	1,832.39	8.14%* [2.03%]
iv. **Total Deposits (i+ii+iii)**	**90,700.77**	**1,682.12**	**7.42%* [1.85%]**	**112,877.67**	**2,091.51**	**7.41%* [1.85%]**
v. Borrowings	43,089.35	980.12	9.10%* [2.27%]	53,302.04	1,078.82	8.10%* [2.02%]
vi. **Sub-Total**	**133,790.12**	**2,662.24**	**7.96%* [1.99%]**	**166,179.71**	**3,170.33**	**7.63%* [1.91%]**
Non-Interest Bearing Liabilities:						
vii. Capital	10,059.43	-	-	10,534.02	-	-
viii. Reserves and Surplus	12,769.06	-	-	17,195.83	-	-
ix. **Shareholders' equity (vi+vii)**	22,828.49	-	-	27,729.85	-	-
x. Other liabilities & Provision	5,518.85	-	-	7,123.88	-	-
xi. **Sub-Total**	**28,347.34**	**-**	**-**	**34,853.73**	**-**	**-**
xii. **Total (vi+ix)**	**162,137.46**	**-**	**-**	**201,033.44**	**-**	**-**

annualized, and figures in square brackets represent unannualized figures

Note:

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period

(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice

(3) Interest Earned on advances include interest on advances and gain on IBPC issued

(4) Interest Earned on Others includes interest on balance with RBI and other inter-bank funds

	Year ended March 31,								
	2018			2019			2020		
	Average Balance (1) A	Interest Earned (3) B	Yield (%) C=B/A	Average Balance (1) D	Interest Earned (3) E	Yield (%) F=E/D	Average Balance (1) G	Interest Earned (3) H	Yield (%) I=H/G
	(₹ million, except percentages)								
Interest Earning Assets:									
i. Advances	65,028.34	13,312.17	20.47%	95,339.62	18,236.56	19.13%	128,055.71	24,200.07	18.90%
ii. Investments	26,131.13	1,812.42	6.94%	34,312.05	2,579.61	7.52%	23,697.64	1,576.52	6.65%
iii. Others (2)	4,260.00	192.29	4.51%	5,047.01	303.17	6.01%	12,324.50	677.85	5.50%
iv. Sub-Total	**95,419.47**	**15,316.88**	**16.05%**	**134,698.68**	**21,119.34**	**15.68%**	**164,077.85**	**26,454.44**	**16.12%**

	Year ended March 31,								
	2018			2019			2020		
	Average Balance [1] A	Interest Earned [3] B	Yield (%) C=B/A	Average Balance [1] D	Interest Earned [3] E	Yield (%) F=E/D	Average Balance [1] G	Interest Earned [3] H	Yield (%) I=H/G
	(₹ million, except percentages)								
Non-Interest Earning Assets:									
v. Fixed assets	2,947.62	-	-	2,554.71	-	-	2,204.38	-	-
vi. Other assets	7,424.19	-	-	7,525.29	-	-	8,646.59	-	-
vii. Sub-Total	10,371.81	-	-	10,080.00	-	-	10,850.97	-	-
viii. Total (iv+vii)	**105,791.28**	**-**	**-**	**144,778.68**	**-**	**-**	**174,928.82**	-	-

	Year ended March 31,								
	2018			2019			2020		
	Average Balance [1] A	Interest Expended [4] B	Cost of Funds (%) C=B/A	Average Balance [1] D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance [1] G	Interest Expended [4] H	Cost of Funds (%) I=H/G
	(₹ million, except percentages)								
Interest-Bearing Liabilities:									
i. Demand Deposit	2,187.20	-	-	4,380.55	-	-	4,163.66		0%
ii. Saving Banks Deposit	7,115.98	390.85	5.49%	15,114.11	826.15	5.47%	18,165.93	1,048.36	5.77%
iii. Term Deposits	27,546.70	2,050.85	7.44%	53,195.51	4,270.86	8.03%	76,564.18	6,332.82	8.27%
iv. **Total Deposits (i+ii+iii)**	**36,849.88**	**2,441.70**	**6.63%**	**72,690.17**	**5,097.01**	**7.01%**	**98,893.77**	**7,381.18**	**7.46%**
v. Borrowings	43,454.18	4,269.77	9.83%	45,383.63	4,504.99	9.93%	45,378.27	4,120.20	9.08%
vi. **Sub-Total**	**80,304.06**	**6,711.47**	**8.36%**	**118,073.80**	**9,602.00**	**8.13%**	**144,272.04**	**11,501.38**	**7.97%**
Non-Interest Bearing Liabilities:									
vii. Capital	10,059.43	-	-	10,059.43	-	-	10,249.27	-	-
viii. Reserves & Surplus	10,202.92	-	-	11,310.36	-	-	14,502.04	-	-
ix. **Shareholders' equity (viii+ix)**	**20,262.35**			**21,369.79**			24,751.31	-	-
x. Other liabilities & Provision	5,224.87	-	-	5,335.09	-	-	5,905.47	-	-
xi. **Sub-Total**	**25,487.22**	**-**	**-**	**26,704.88**	**-**	**-**	**30,656.78**	**-**	**-**
xii. **Total (vi+xi)**	**105,791.28**	**-**	**-**	**144,778.68**	**-**	**-**	**174,928.82**	**-**	**-**

Note:

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year / period

(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice

(3) Interest Earned on advances include interest on advances and gain on IBPC issued

(4) Interest Earned on Others includes interest on balance with RBI and other inter-bank funds

Yields, Spreads and Margins

The following table sets forth, for the three months ended June 30, 2019 and 2020, the yields, spreads and interest margins on the Bank's interest-earning assets.

Three Months Ended June 30,			
		2019	**2020**
		(₹ million, except percentages)	
i.	Interest on advances	5,500.15	6,616.06
ii.	Interest earned	6,033.87	7,213.12
iii.	Interest expended	2,662.24	3,170.33
iv.	Total Average Interest Earning Assets (1)	151,903.50	187,338.32
v.	Average Balance of Advances	118,084.33	140,679.31
vi.	Total Average Interest Bearing Liabilities (2)	133,790.12	166,179.71
vii.	Total Average Assets	162,137.46	201,033.44
viii.	Net Interest Income (3)	3,371.63	4,042.79
ix.	Average Balance of Advances as a percentage of Total Average Assets [v/vii]	72.83%	69.98%
x.	Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	82.52%	82.66%
xi.	Average Balance of Advances as a percentage of Total Average Interest Bearing Liabilities[v/vi]	88.26%	84.65%
xii.	Yield (4) *	15.89%* [3.97%]	15.40%* [3.85%]
xiii.	Yield on Advances (5) *	18.63%* [4.66%]	18.81%* [4.70%]
xiv.	Cost of Funds (6) *	7.96%* [1.99%]	7.63%* [1.91%]
xv.	Spread (7) *	10.67%* [2.67%]	11.18%* [2.79%]
xvi.	Net Interest Margin (8) *	8.88%* [2.22%]	8.63%* [2.16%]
xvii.	Other Income to Total Income ratio (9)	8.93%	3.95%
xviii.	Credit Cost Ratio (10) *	1.04%* [0.26%]	1.94%* [0.49%]
xix.	Cost of Borrowings *	9.10%* [2.27%]	8.10%* [2.02%]

annualized, and figures in square brackets represent unannualized figures

Notes:

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Net Interest Income is the difference of interest earned and interest expended.

(4) Yield is Interest earned divided by Total Average Interest Earning Assets.

(5) Yield on Advances is Interest on advances divided by Average Balance of Advance.

(6) Cost of funds is Interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(7) Spread is the difference between Yield on Advances and Cost of Funds.

(8) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.

(9) Other income to Total income Ratio is calculated as a ratio of Other income divided by Total income (total of Interest earned and Other income).

(10) Credit Cost Ratio is Credit Cost divided by the Average Balance of Advances.

The following table sets forth, for Fiscal 2018, 2019 and 2020, the yields, spreads and interest margins on the Bank's interest-earning assets.

Year ended March 31,				
		2018	**2019**	**2020**
		(₹ million, except percentages)		
i.	Interest on advances	13,312.17	18,236.56	24,200.07
ii.	Interest earned	15,316.88	21,119.34	26,454.44
iii.	Interest expended	6,711.47	9,602.00	11,501.38
iv.	Total Average Interest Earning Assets (1)	95,419.47	134,698.68	164,077.85
v.	Average Balance of Advances	65,028.34	95,339.62	128,055.71
vi.	Total Average Interest Bearing Liabilities (2)	80,304.06	118,073.80	144,272.04

Year ended March 31,			
	2018	2019	2020
	(₹ million, except percentages)		
vii. Total Average Assets	105,791.28	144,778.68	174,928.82
viii. Net Interest Income (3)	8,605.41	11,517.34	14,953.06
ix. Average Balance of Advances as a percentage of Total Average Assets [v/vii]	61.47%	65.85%	73.20%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	75.91%	81.55%	82.47%
xi. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [v/vi]	80.98%	80.75%	88.76%
xii. Yield (4)	16.05%	15.68%	16.12%
xiii. Yield on Advances (5)	20.47%	19.13%	18.90%
xiv. Cost of Funds (6)	8.36%	8.13%	7.97%
xv. Spread (7)	12.11%	11.00%	10.93%
xvi. Net Interest Margin (8)	9.02%	8.55%	9.11%
xvii. Other income to Total income Ratio (9)	13.61%	11.81%	9.64%
xviii. Credit Cost Ratio (10)	2.65%	1.07%	1.93%
xix. Cost of Borrowings	9.83%	9.93%	9.08%

Notes:

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Net Interest Income is difference of Interest earned and Interest expended. Net Interest Income is a non-GAAP measure.

(4) Yield is Interest earned divided by Total Average Interest Earning Assets.

(5) Yield on Advances is Interest on advance divided by Average Balance of Advances. Yield on Advances is a non-GAAP measure.

(6) Cost of funds is Interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(7) Spread is difference between Yield on Advances and Cost of Funds.

(8) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average. Net Interest Margin is a non-GAAP measure.

(9) Other income to Total income Ratio is calculated as a ratio of Other income divided by Total income (total of Interest earned and Other income).

(10) Credit Cost Ratio is Credit Cost divided by Average Balance of Advances. Credit Cost and Credit Cost Ratio are non-GAAP measures.

Financial Ratios of the Bank

The following table sets forth certain key financial indicators as of and for the three months ended June 30, 2019 and 2020, for the Bank.

	As of and for the three months ended June 30,	
	2019	2020
Net profit as a percentage of Average Shareholders' Equity (1) *	10.00%* [2.50%]	8.32%* [2.08%]
Return on Total Average Assets (2) *	1.41%* [0.35%]	1.15%* [0.29%]
Operating Expenses to Total Average Assets *	6.83%* [1.71%]	5.81%* [1.45%]
Average Shareholders' Equity to Total Average Assets (3)	14.08%	13.79%
Credit to Deposit ratio (4)	189.23%	189.12%
Retail term deposit to total term deposit ratio	32.59%	46.40%
CASA Ratio (5)	24.49%	19.97%
Cost to income ratio (6)	69.83%	67.27%

**annualized, and figures in square brackets represent unannualized figures*

Notes:

(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the period/year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).

(2) Return on Total Average Assets is the ratio of the Net profit for the period/year to the Total Average Assets.

(3) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.

(4) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.

(5) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.

(6) Cost to income ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is a sum of net interest income and other income.).

The following table sets forth certain key financial indicators as of and for Fiscal 2018, 2019 and 2020, for the Bank.

	As of and for the year ended March 31,		
	2018	2019	2020
Net profit as a percentage of Average Shareholders' Equity (1)	1.57%	9.85%	9.84%
Return on Total Average Assets (2)	0.30%	1.45%	1.39%
Operating Expenses to Total Average Assets	8.33%	6.97%	6.75%
Average Shareholders' Equity to Total Average Assets (3)	19.15%	14.76%	14.15%
Credit to Deposit ratio (4)	181.28%	174.98%	190.53%
Retail Term Deposit to Total Term Deposit Ratio	16.20%	24.30%	44.42%
CASA Ratio (5)	29.23%	25.25%	20.47%
Cost to Income Ratio (6)	79.97%	70.30%	66.38%

Notes:

(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the period/year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).

(2) Return on Total Average Assets is the ratio of the Net profit for the period/year to the Total Average Assets.

(3) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.

(4) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.

(5) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits. CASA and CASA ratio are non-GAAP measures.

(6) Cost to income ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is sum of net interest income and other income).

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the three months ended June 30, 2019 and 2020:

		Three months Ended June 30,	
		2019	2020
		(₹ million, except percentages)	
i.	Net profit for the period/ year	570.60	576.71
ii.	Average Shareholders' Equity (1)	22,828.49	27,729.85
iii.	Total Average Assets	162,137.46	201,033.44
iv.	Net profit as a percentage of Total Average Assets (i/iii)	1.41%* [0.35%]	1.15%* [0.29%]
v.	Net profit as a percentage of Average Shareholders' Equity (i/ii)	10.00%* [2.50%]	8.32%* [2.08%]
vi.	Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	14.08%	13.79%
vii.	Gross Advances (including IBPC issued)	122,513.88	155,729.14
viii.	Advances	120,233.01	143,886.20

(1) Average Shareholders' Equity represents the sum of quarterly average of Capital & Reserves and Surplus.

The following table presents selected financial ratios for the Bank for Fiscal 2018, 2019 and 2020:

		Fiscal		
		2018	2019	2020
			(₹ million, except percentages)	
i.	Net profit for the period/ year	318.31	2,105.66	2,436.35
ii.	Average Shareholders' Equity (1)	20,262.35	21,369.79	24,751.31
iii.	Total Average Assets	105,791.28	144,778.68	174,928.82
iv.	Net profit as a percentage of Total Average Assets (i/iii)	0.30%	1.45%	1.39%
v.	Net profit as a percentage of Average Shareholders' Equity (i/ii)	1.57%	9.85%	9.84%
vi.	Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	19.15%	14.76%	14.15%

	Fiscal		
	2018	2019	2020
		(₹ million, except percentages)	
vii. Gross Advances (including IBPC issued)	79,370.55	117,028.49	153,669.37
viii. Advances	77,060.29	115,935.65	137,472.42

(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus

Funding

Deposits

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's primary sources of funds are deposits from retail customers. Retail term deposits raised were 16.20%, 24.30% and 44.42% of total term deposits as of March 31, 2018, 2019 and 2020, respectively, and were 46.40% as of June 30, 2020. Of the Bank's deposits as of March 31, 2020, 3.24% was demand deposits and 17.23% were savings bank deposits, 79.53% were term deposits while as of June 30, 2020 demand deposits were 2.80%, savings bank deposits were 17.17% and term deposits were 80.03% of the Bank's total deposits, respectively.

	Three months Ended June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Deposits	91,334.18	117,871.27
ii. Average Balance of Deposits (1)	90,700.77	112,877.67
iii. Interest on deposits	1,682.12	2,091.51
iv. Average interest rate (2) (iii/ii) *	7.42%* [1.85%]	7.41%* [1.85%]

** annualized, and figures in square brackets represent unannualized figures*

Notes:

(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.

(2) Represents the ratio of Interest on deposits to the Average Balance of Deposits.

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Deposits	56,039.73	90,067.36	107,884.05
ii. Average Balance of Deposits (1)	36,849.88	72,690.17	98,893.77
iii. Interest on deposits	2,441.70	5,097.01	7,381.18
iv. Average interest rate (2) (iii/ii)	6.63%	7.01%	7.46%

Notes:

(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.

(2) Represents the ratio of Interest on deposits to the Average Balance of Deposits.

The following tables set forth, for the periods indicated, the Bank's deposits and the percentage composition by each category of deposits. As of March 31, 2018, 2019 and 2020, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 5.49%, 5.47% and 5.77%, respectively, and the average cost of term deposits was 7.44%, 8.03% and 8.27%, respectively. As of June 30, 2020, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 5.34%* [1.33%] and the average cost of term deposits was 8.14%* [2.03%].

** annualized, and figures in square brackets represent unannualized figures*

The deposits for the three months ended June 30, 2019 and 2020, are as follows:

	Three months Ended June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Demand Deposits	4,716.53	5.16%	3,302.60	2.80%
Savings Bank Deposits	17,653.21	19.33%	20,237.49	17.17%

	Three months Ended June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Term Deposits	68,964.44	75.51%	94,331.18	80.03%
Total Deposits	**91,334.18**	**100.00%**	**117,871.27**	**100.00%**

As of June 30, 2019, term deposits amounting to ₹ 20 million and less, between ₹ 20 million and ₹ 100 million, and more than ₹100 million, represented 32.59%, 15.00% and 52.41% of the total term deposits as of such date. As of June 30, 2020, term deposits amounting to ₹ 20 million and less, between ₹ 20 million and ₹ 100 million, and more than ₹100 million, represented 46.40%, 9.37% and 44.23% of the total term deposits as of such date.

Further, as of June 30, 2019, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 million, between ₹1 million and ₹10 million, between ₹10 million and ₹100 million, and more than ₹100 million, represented 12.84%, 26.39%, 24.84%, 18.05% and 17.88% and of the total CASA deposit as of such date. As of June 30, 2020, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 million, between ₹1 million and ₹10 million, between ₹10 million and ₹100 million, and more than ₹100 million, represented 13.00%, 26.81%, 24.09%, 16.85% and 19.25% of the total CASA deposit as of such date.

The deposits for Fiscal 2018, 2019 and 2020, are as follows:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Demand Deposits	3,891.29	6.94%	4,823.55	5.36%	3,496.33	3.24%
Savings Bank Deposits	12,487.10	22.28%	17,919.12	19.89%	18,585.80	17.23%
Term Deposits	39,661.34	70.78%	67,324.69	74.75%	85,801.92	79.53%
Total Deposits	**56,039.73**	**100.00%**	**90,067.36**	**100.00%**	**107,884.05**	**100.00%**

As of March 31, 2018, term deposits amounting to ₹ 20 million and less, between ₹ 20 million and ₹ 100 million, and more than ₹100 million, represented 16.20%, 16.72% and 67.08% of the total term deposits as of such date. As of March 31, 2019, term deposits amounting to ₹ 20 million and less, between ₹ 20 million and ₹ 100 million, and more than ₹100 million, represented 24.30%, 15.44% and 60.26% of the total term deposits as of such date. As of March 31, 2020, term deposits amounting to ₹ 20 million and less, between ₹ 20 million and ₹ 100 million, and more than ₹100 million, represented 44.42%, 8.01% and 47.57% of the total term deposits as of such date.

Further, as of March 31, 2018, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 million, between ₹1 million and ₹10 million, between ₹10 million and ₹100 million, and more than ₹100 million, represented 12.22%, 28.42%, 30.53%, 18.99% and 9.84% of the total CASA deposit as of such date. As of March 31, 2019, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 million, between ₹1 million and ₹10 million, between ₹10 million and ₹100 million, and more than ₹100 million, represented 12.69%, 28.45%, 28.86%, 18.51% and 11.49% of the total CASA deposit as of such date. As of March 31, 2020, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 million, between ₹1 million and ₹10 million, between ₹10 million and ₹100 million, and more than ₹100 million, represented 13.33%, 25.51%, 23.60%, 17.82% and 19.74% of the total CASA deposit as of such date.

The details of Retail Deposits and Bulk Deposits as of and for the three months ended June 30, 2019 and 2020, are as set forth below:

	Three months Ended June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Term Deposits				

	Three months Ended June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Retail Deposits	22,473.65	32.59%	43,771.18	46.40%
Bulk Deposits	46,490.79	67.41%	50,560.00	53.60%
Total Term Deposits	**68,964.44**	**100.00%**	**94,331.18**	**100.00%**

Notes:

(1) Retail term deposit are deposit below ₹ 20 million

(2) Bulk term deposits are deposits of ₹ 20 million and above.

The details of Retail Deposits and Bulk Deposits as of and for Fiscal 2018, 2019 and 2020, are as set forth below:

	Year ended March 31,					
	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Term Deposits						
Retail Deposits	6,426.29	16.20%	16,362.50	24.30%	38,112.87	44.42%
Bulk Deposits	33,235.05	83.80%	50,962.19	75.70%	47,689.05	55.58%
Total Term Deposits	**39,661.34**	**100.00%**	**67,324.69**	**100.00%**	**85,801.92**	**100.00%**

Notes:

(1) Retail term deposit are deposits below ₹ 20 million

(2) Bulk term deposits are deposits of ₹ 20 million and above.

Borrowings

The following table sets forth, for the three months ended June 30, 2019 and 2020, information related to the Bank's borrowings.

	Three Months ended June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Borrowings	46,448.43	55,255.34
ii. Average Balance of Borrowings	43,089.35	53,302.04
iii. Interest on RBI/inter-bank borrowings and Other interest	980.12	1,078.82
iv. Cost of Borrowings [(1)] (iii/ii) *	9.10%* [2.27%]	8.10%* [2.02%]

**annualized, and figures in square brackets represent unannualized figures*

Notes:

(1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.

The following table sets forth, for Fiscal 2018, 2019 and 2020, information related to the Bank's borrowings.

	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Borrowings	51,772.08	39,730.26	51,348.74
ii. Average Balance of Borrowings	43,454.18	45,383.63	45,378.27
iii. Interest on RBI/Inter-bank borrowings and Other interest	4,269.77	4,504.99	4,120.20
iv. Cost of Borrowings [(1)] (iii/ii)	9.83%	9.93%	9.08%

Notes:

(1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.

	As of June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
[A] Deposits				

	As of June 30,			
	2019		2020	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Demand Deposits	4,716.53	3.42%	3,302.60	1.91%
Savings Bank Deposits	17,653.21	12.81%	20,237.49	11.68%
Term Deposits $	68,964.44	50.06%	94,331.18	54.49%
Total [A]	**91,334.18**	**66.29%**	**117,871.27**	**68.08%**
[B] Borrowings				
Reserve Bank of India	-	0.00%	2,330.00	1.35%
Other banks	3,900.00	2.83%	1,100.00	0.64%
Other institutions and agencies	38,848.43	28.19%	49,625.34	28.66%
Tier II Capital (Non-convertible debentures)	2,200.00	1.60%	2,200.00	1.27%
Bonds and Debentures (excluding subordinated debt)	1,500	1.09%	-	0.00%
Total [B]	**46,448.43**	**33.71%**	**55,255.34**	**31.92%**
Total [A + B]	**1,37,782.61**	**100.00%**	**1,73,126.61**	**100.00%**
$ Certificate of Deposit	**2,821.00**		**3,161.46**	

	2018		2019		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
[A] Deposits						
Demand Deposits	3,891.29	3.61%	4,823.55	3.72%	3,496.33	2.20%
Savings Bank Deposits	12,487.10	11.58%	17,919.12	13.80%	18,585.80	11.67%
Term Deposits $	39,661.34	36.79%	67,324.69	51.87%	85,801.92	53.88%
Total [A]	**56,039.73**	**51.98%**	**90,067.36**	**69.39%**	**107,884.05**	**67.75%**
[B] Borrowings						
Reserve Bank of India	7,900.00	7.33%	-	-	2,330.00	1.46%
Other banks	1,500.00	1.40%	100.00	0.08%	500.00	0.31%
Other institutions and agencies	22,322.08	20.70%	34,830.26	26.83%	46,318.74	29.10%
Tier II Capital (Non-convertible debentures)	2,700.00	2.50%	2,700.00	2.08%	2,200.00	1.38%
Bonds and Debentures (excluding subordinated debt)	17,350.00	16.09%	2,100.00	1.62%	-	0.00%
Total [B]	**51,772.08**	**48.02%**	**39,730.26**	**30.61%**	**51,348.74**	**32.25%**
Total [A + B]	**107,811.81**	**100.00%**	**129,797.62**	**100.00%**	**159,232.79**	**100.00%**
$ Certificate of Deposit	**8,396.21**		**8,120.79**		**4,884.15**	

Asset Liability Management

The following table sets forth the maturity pattern of certain items of assets and liabilities as at the end of the relevant period or year.

		1 day to 30/31 (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
		(₹ million)								
Liabilities										
Deposits	As of June 30, 2020	14,919.81	8,095.47	5,489.08	14,164.53	32,143.28	43,029.57	12.92	16.61	**117,871.27**
	As of June 30, 2019	6,520.80	2,858.12	6,025.54	10,919.55	26,184.56	38,808.16	12.43	5.02	**91,334.18**
	As of March 31, 2020	11,196.80	4,713.30	5,947.60	14,569.60	30,441.20	40,993.30	12.10	10.15	**107,884.05**
	As of March 31, 2019	14,068.00	3,767.90	5,468.20	8,018.10	23,393.30	35,320.70	24.40	6.76	**90,067.36**
	As of March 31, 2018	5,254.80	4,967.30	9,303.70	7,675.00	9,896.70	18,922.90	5.20	14.13	**56,039.73**
Borrowings	As of June 30, 2020	1,136.85	3,784.30	999.30	5,340.45	15,823.40	23,374.90	4,780.78	15.36	**55,255.34**
	As of June 30, 2019	2,169.23	6,135.62	2,907.00	2,801.05	6,994.16	19,123.60	6,290.89	26.88	**46,448.43**
	As of March 31, 2020	557.30	1,721.80	1,264.30	5,420.50	10,133.40	26,199.90	6,032.30	19.24	**51,348.74**
	As of March 31, 2019	250.00	2,314.50	836.60	6,172.20	6,414.60	19,169.20	4,542.50	30.66	**39,730.26**
	As of March 31, 2018	11,837.80	261.80	1,069.40	11,707.10	6,701.30	16,254.00	3,894.60	46.08	**51,772.08**
Assets										
Advances	As of June 30, 2020	2,202.95	2,130.68	(2,304.40)	9,248.23	23,621.28	61,907.91	20,145.81	26,933.74	**143,886.20**
	As pf June 30, 2019	4,252.05	3,947.16	3,865.07	10,482.12	21,336.62	44,921.04	15,246.48	16,182.47	**120,233.01**
	As of March 31, 2020	(3,671.80)	(1,751.70)	2,817.80	7,803.70	25,263.80	62,241.40	19,758.40	25,010.82	**137,472.42**
	As of March 31, 2019	3,991.71	5,380.50	3,698.40	10,707.40	19,952.00	42,906.40	14,603.80	14,695.44	**115,935.65**
	As of March 31, 2018	3,206.66	3,151.10	1,426.00	8,383.40	13,939.00	30,945.30	9,005.50	7,003.33	**77,060.29**
Investments	As of June 30, 2020	14,009.77	2,314.81	806.69	2,111.20	4,764.79	9,988.18	412.18	378.15	**34,785.77**
	As of June 30, 2019	6,010.74	1,361.14	1,534.24	1,817.22	4,268.63	6,903.01	658.32	149.29	**22,702.59**
	As of March 31, 2020	3,820.80	1,497.60	953.40	2,847.30	4,749.00	8,982.20	412.70	162.06	**23,425.06**
	As of March 31, 2019	7,383.60	2,176.20	971.30	2,067.60	3,948.40	6,318.50	443.70	135.24	**23,444.54**
	As of March 31, 2018	16,895.10	-	245.80	3,625.30	7,230.10	2,558.50	3,079.30	4,934.31	**38,568.41**

Classification of Investments

	Three months ended June 30,	
	2019	2020
	(₹ million)	
Held to Maturity [(1)]	11,552.97	21,649.54
Available for Sale [(2)]	9,716.86	12,491.02
Held for Trading [(3)]	1,432.76	645.21
Total	**22,702.59**	**34,785.77**

Notes:
(1) Investments that the Bank intends to hold till maturity are classified as "Held to Maturity".
(2) Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.
(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".

	Year ended March 31,		
	2018	2019	2020
	(₹ million)		
Held to Maturity [(1)]	9,570.12	10,807.04	17,828.60
Available for Sale [(2)]	28,998.29	12,637.50	5,546.92
Held for Trading [(3)]	-	-	49.54
Total	**38,568.41**	**23,444.54**	**23,425.06**

Notes:
(1) Investments that the Bank intends to hold till maturity are classified as "Held to Maturity".
(2) Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.
(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".

Loan Portfolio

As of June 30, 2020, the Bank's Gross Advances (including IBPC issued) amounted to ₹ 155,729.14 million. The Bank's Gross Advances (including IBPC issued) are to borrowers in India.

The table below sets forth the Bank's Gross Advances (including IBPC issued) by product as of June 30, 2019 and 2020:

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	**49,260.55**	**40.20%**	**64,842.23**	**41.64%**
Small Business Loans	39,442.72	32.19%	51,519.98	33.08%
Housing Finance	4,108.07	3.35%	6,286.42	4.04%
Agriculture Loans	5,709.76	4.66%	7,035.83	4.52%
Micro Finance	**31,237.44**	**25.50%**	**36,178.63**	**23.23%**
Vehicle Finance	**30,554.57**	**24.94%**	**37,764.87**	**24.25%**
Used Commercial Vehicles	22,665.00	18.50%	26,276.26	16.87%
New Commercial Vehicles	7,889.57	6.44%	11,488.61	7.38%
MSE Finance (Working Capital)	**2,800.61**	**2.29%**	**7,118.03**	**4.57%**
Corporates	**5,263.26**	**4.30%**	**7,720.98**	**4.96%**
Others*	**3,397.45**	**2.77%**	**2,104.40**	**1.35%**
Gross Advances (including IBPC issued)	**122,513.88**	**100.00%**	**155,729.14**	**100.00%**
Secured Advances (As % of Gross Advances (including IBPC issued))	**72.02%**		**75.75%**	

Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.

As of March 31, 2020, the Bank's Gross Advances (including IBPC issued) were ₹ 153,669.37 million.

The table below sets forth the Bank's Gross Advances (including IBPC issued) by product as of March 31, 2018, 2019 and 2020:

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	**26,705.49**	**33.64%**	**45,771.21**	**39.11%**	**62,794.35**	**40.86%**
Small Business Loans	21,134.36	26.62%	36,727.97	31.38%	49,949.12	32.50%
Housing Finance	2,703.87	3.41%	3,765.86	3.22%	6,041.85	3.93%
Agriculture Loans	2,867.26	3.61%	5,277.38	4.51%	6,803.38	4.43%
Micro Finance	**22,573.10**	**28.44%**	**30,696.02**	**26.23%**	**36,161.60**	**23.53%**

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Vehicle Finance	**22,378.85**	**28.20%**	**29,511.97**	**25.22%**	**37,599.81**	**24.47%**
Used Commercial Vehicles	19,848.13	25.01%	22,595.51	19.31%	26,251.06	17.08%
New Commercial Vehicles	2,530.72	3.19%	6,916.46	5.91%	11,348.75	7.39%
MSE Finance (Working Capital)	**76.22**	**0.10%**	**1,808.60**	**1.55%**	**6,694.10**	**4.36%**
Corporates	**2,499.05**	**3.15%**	**4,559.65**	**3.90%**	**8,181.19**	**5.32%**
Others*	**5,137.84**	**6.47%**	**4,681.04**	**3.99%**	**2,238.32**	**1.46%**
Gross Advances (including IBPC issued)	**79,370.55**	**100.00%**	**117,028.49**	**100.00%**	**153,669.37**	**100.00%**
Secured Advances (As % of Total Gross Advances (including IBPC issued))	**66.33%**		**70.72%**		**75.39%**	

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's disbursements by product as of June 30, 2019 and 2020:

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	**6,376.02**	**31.74%**	**2,650.25**	**46.97%**
Small Business Loans	5,074.79	25.27%	2,042.69	36.20%
Housing Finance	541.11	2.69%	292.30	5.18%
Agriculture Loans	760.12	3.78%	315.26	5.59%
Micro Finance	**6,309.71**	**31.42%**	**1,319.30**	**23.38%**
Vehicle Finance	**5,063.92**	**25.21%**	**1,044.13**	**18.50%**
Used Commercial Vehicles	3,704.43	18.44%	699.71	12.40%
New Commercial Vehicles	1,359.49	6.77%	344.42	6.10%
MSE Finance (Working Capital)	**1,178.23**	**5.87%**	**364.35**	**6.46%**
Corporates	**1,100.00**	**5.48%**	**190.00**	**3.37%**
Others*	**56.10**	**0.28%**	**74.43**	**1.32%**
Total Disbursements	**20,083.98**	**100.00%**	**5,642.46**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's disbursements by product as of March 31, 2018, 2019 and 2020:

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Small Business Loans (including housing finance)	**16,616.43**	**28.61%**	**26,079.19**	**30.40%**	29,653.47	29.92%
Small Business Loans	12,600.54	21.69%	21,203.60	24.72%	23,461.04	23.67%
Housing Finance	1,240.58	2.14%	1,690.59	1.97%	3,124.50	3.15%
Agriculture Loans	2,775.31	4.78%	3,185.00	3.71%	3,067.93	3.10%
Micro Finance	**17,171.51**	**29.56%**	**29,780.53**	**34.72%**	**31,692.76**	**31.98%**
Vehicle Finance	**17,097.56**	**29.43%**	**22,667.04**	**26.42%**	**25,522.97**	**25.75%**
Used Commercial Vehicles	14,400.35	24.79%	16,886.32	19.68%	18,278.51	18.44%
New Commercial Vehicles	2,697.21	4.64%	5,780.72	6.74%	7,244.46	7.31%
MSE Finance (Working Capital)	-	-	**2,188.04**	**2.55%**	**5,733.69**	**5.78%**
Corporates	**2,109.00**	**3.63%**	**2,988.89**	**3.48%**	**6,118.41**	**6.17%**
Others*	**5,092.54**	**8.77%**	**2,079.42**	**2.43%**	**389.43**	**0.40%**
Total Disbursements	**58,087.04**	**100.00%**	**85,783.11**	**100.00%**	**99,110.73**	**100.00%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the number of loans advanced by the Bank by product for the three months ended June 30, 2019 and 2020:

	Three months ended June 30,	
	2019	2020
Small Business Loans (including housing finance)	**200,609**	**221,278**
Small Business Loans	160,545	173,167
Housing Finance	6,628	8,205
Agriculture Loans	33,436	39,906

	Three months ended June 30,	
	2019	**2020**
Micro Finance	**1,928,150**	**2,336,320**
Vehicle Finance	**98,544**	**114,545**
Used Commercial Vehicles	83,077	89,142
New Commercial Vehicles	15,467	25,403
MSE Finance (Working Capital)	**453**	**1,090**
Corporates	**44**	**61**
Others*	**4,663**	**4,330**
Total	**2,232,463**	**2,677,624**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the number of loans advanced by the Bank by product for Fiscal 2018, 2019 and 2020:

	Year Ended March 31,		
	2018	**2019**	**2020**
Small Business Loans (including housing finance)	**144,872**	**192,743**	**219,063**
Small Business Loans	121,186	155,398	171,840
Housing Finance	5,212	6,237	8,035
Agriculture Loans	18,474	31,108	39,188
Micro Finance	**1,964,589**	**1,896,127**	**2,293,808**
Vehicle Finance	**83,645**	**95,381**	**113,567**
Used Commercial Vehicles	78,813	81,946	88,659
New Commercial Vehicles	4,832	13,435	24,908
MSE Finance (Working Capital)	**7**	**282**	**986**
Corporates	**25**	**41**	**60**
Others*	**5,425**	**4,992**	**4,302**
Total	**2,198,563**	**2,189,566**	**2,631,786**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's average ticket size by product as of June 30, 2019 and 2020:

	As of June 30,	
	2019	**2020**
	(₹)	
Small Business Loans (including housing finance)	**421,499**	**502,702**
Small Business Loans	450,012	542,546
Housing Finance	595,936	665,837
Agriculture Loans	258,370	295,187
Micro Finance	**30,902**	**14,838**
Vehicle Finance	**546,506**	**414,339**
Used Commercial Vehicles	521,898	367,302
New Commercial Vehicles	627,072	560,039
MSE Finance (Working Capital)	**6,930,755**	**3,282,449**
Corporates	**366,666,667**	**190,000,000**
Others*	**157,579**	**141,758**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's average ticket size by product as of March 31, 2018, 2019 and 2020:

	As of March 31,		
	2018	**2019**	**2020**
	(₹)		
Small Business Loans (including housing finance)	**276,922**	**391,209**	**507,235**
Small Business Loans	307,105	422,492	543,004
Housing Finance	496,431	566,932	748,743
Agriculture Loans	168,456	236,031	276,839
Micro Finance	**28,257**	**28,504**	**31,549**
Vehicle Finance	**426,533**	**513,747**	**529,292**
Used Commercial Vehicles	407,976	481,971	518,128
New Commercial Vehicles	563,327	636,293	559,720
MSE Finance (Working Capital)	**-**	**7,597,367**	**7,554,263**
Corporates	**105,449,912**	**166,049,499**	**266,017,778**
Others*	**561,746**	**528,575**	**150,244**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's average tenor by product as of June 30, 2019 and 2020:

	As of June 30,	
	2019	2020
	(No. of Months)	
Small Business Loans (including housing finance)		
Small Business Loans	83.46	89.35
Housing Finance	150.02	158.64
Agriculture Loans	58.04	58.48
Micro Finance	**24.00**	**24.00**
Vehicle Finance		
Used Commercial Vehicles	31.94	31.84
New Commercial Vehicles	44.35	46.57
Corporates	**40.13**	**24.00**
Others*	**11.38**	**9.55**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's average tenor by product as of March 31, 2018, 2019 and 2020:

	As of March 31,		
	2018	2019	2020
	(No. of Months)		
Small Business Loans (including housing finance)			
Small Business Loans	78.31	131.63	90.09
Housing Finance	136.56	142.35	162.59
Agriculture Loans	56.06	57.54	58.24
Micro Finance	**24.00**	**24.00**	**24.00**
Vehicle Finance			
Used Commercial Vehicles	31.54	33.84	33.89
New Commercial Vehicles	43.85	45.49	43.05
Corporates	**43.10**	**57.67**	**45.26**
Others*	**30.32**	**27.84**	**11.57**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's yields by product for the three months ended June 30, 2019 and 2020:

	Three months ended June 30,	
	2019	2020
Small Business Loans (including housing finance)		
Small Business Loans	18.32%	17.66%
Housing Finance	11.39%	10.85%
Agriculture Loans	19.70%	19.59%
Micro Finance	**21.97%**	**21.40%**
Vehicle Finance		
Used Commercial Vehicles	19.33%	18.84%
New Commercial Vehicles	13.90%	13.75%
MSE Finance (Working Capital)	**11.76%**	**10.71%**
Corporates	**10.29%**	**10.40%**

The table below sets forth the Bank's yields by product for Fiscal 2018, 2019 and 2020:

	Year Ended March 31,		
	2018	2019	2020
Small Business Loans (including housing finance)			
Small Business Loans	18.63%	17.21%	18.30%
Housing Finance	12.88%	11.64%	11.13%
Agriculture Loans	-	18.90%	19.80%
Micro Banking	**22.55%**	**21.71%**	**22.13%**
Vehicle Finance			
Used Commercial Vehicles	21.21%	21.33%	19.15%
New Commercial Vehicles	7.22%	13.39%	13.85%
MSE Finance (Working Capital)	**-**	**10.46%**	**10.78%**
Corporates	**7.49%**	**11.11%**	**10.63%**

Interest Rate Sensitivity Analysis

The following tables set forth the interest rate sensitivity analysis of the Bank's assets and liabilities for the Bank's operations as of the dated indicated:

As of June 30, 2020

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	4,290.22	**4,290.22**
Balances with other banks	35.44	9.57	8.57	-	711.87	**765.45**
Advances	16,022.01	40,327.47	79,421.17	18,115.55	-	**153,886.20**
Investments	544.74	11,378.02	6,616.08	16,244.93	2.00	**34,785.77**
Fixed Assets	-	-	-	-	1,976.64	**1,976.64**
Rev Repos	14,200.00	-	-	-	-	**14,200.00**
Other Assets	-	-	-	-	8,777.91	**8,777.91**
Forex Swaps	-	-	-	-	-	-
Total Assets	**30,802.19**	**51,715.06**	**86,045.82**	**34,360.48**	**15,758.64**	**218,682.19**
Off-balance Sheet Items	0	0	0	0	0	0
Total Rate Sensitive Assets/ Assets	0	0	0	0	0	0
Liabilities						
Capital and Reserve	-	-	-	-	28,046.12	**28,046.12**
Deposits	28,504.35	46,307.81	43,042.49	16.64	-	**117,871.29**
Borrowings	5,920.45	21,163.86	25,825.67	15.36	-	**52,925.34**
Other Liabilities	-	-	-	-	7,509.44	**7,509.44**
Repos	-	-	2,330.00	-	-	**2,330.00**
IBPC	7,000.00	3,000.00	-	-	-	**10,000.00**
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**41,424.80**	**70,471.67**	**71,198.16**	**32.00**	**35,555.56**	**218,682.19**
Off-balance Sheet Items	0	0	0	0	0	0
Total Rate Sensitive Liabilities / Liabilities	0	0	0	0	0	0

As of March 31, 2020

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	3,808.64	**3,808.64**
Balances with other banks	0.30	44.71	8.57	-	706.21	**759.79**
Advances	11,301.60	44,453.81	79,452.08	16,764.92	-	**151,972.41**
Investments	3,490.33	4,145.49	5,505.67	10,281.57	2.00	**23,425.06**
Fixed Assets	-	-	-	-	2,127.69	**2,127.69**
Rev Repos	20,800.00	-	-	-	-	**20,800.00**
Other Assets	-	-	-	-	4,751.87	**4,751.87**
Forex Swaps	-	-	-	-	-	-
Total Assets	**35,592.23**	**48,644.01**	**84,966.32**	**27,046.49**	**11,396.41**	**207,645.46**
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Assets/ Assets	-	-	-	-	-	-
Liabilities						
Capital and Reserve	-	-	-	-	27,441.49	**27,441.49**
Deposits	21,857.68	45,010.79	41,005.30	10.28	-	**107,884.05**
Borrowings	3,543.40	15,553.86	29,902.28	19.20	-	**49,018.74**
Other Liabilities	-	-	-	-	6,471.18	**6,471.18**

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Repos	-	-	2,330.00	-	-	**2,330.00**
IBPC	7,500.00	7,000.00	-	-	-	**14,500.00**
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**32,901.08**	**67,564.65**	**73,237.58**	**29.48**	**33,912.67**	**2,07,645.46**
Off-balance Sheet Items		-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	-	-	-	-	-	-

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of June 30, 2020, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following tables set forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the Three months ended June 30,	
	2019	2020
	(₹ million, except percentages)	
Common Equity Tier I Capital	21,107.74	25,584.15
Tier I Capital	21,107.74	25,584.15
Tier II Capital	1,411.73	1,186.94
Total Capital	**22,519.47**	**26,771.09**
Total Credit Risk Weighted Assets	**102,206.31**	**121,612.94**
Capital Adequacy Ratio		
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.65%	21.04%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.65%	21.04%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	1.38%	0.98%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	**22.03%**	**22.02%**

	As of and for the year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
Common Equity Tier I Capital	18,902.00	20,761.09	25,260.68
Tier I Capital	18,902.00	20,761.09	25,260.68
Tier II Capital	1,769.10	1,503.80	1,315.06
Total Capital	**20,671.10**	**22,264.89**	**26,575.74**
Total Credit Risk Weighted Assets	**69,824.03**	**99,189.21**	**112,574.81**
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	27.07%	20.93%	22.44%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	27.07%	20.93%	22.44%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	2.53%	1.52%	1.17%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	**29.60%**	**22.45%**	**23.61%**

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following tables present an analysis of the Bank's advances and deposits by region as of the dates indicated.

The following tables set forth the Bank's Gross Advances (including IBPC issued) by geographical split as of the dates indicated:

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	25,500.24	20.82%	33,192.22	21.31%
Urban	48,469.05	39.56%	61,396.24	39.43%
Semi-Urban	42,673.32	34.83%	53,651.74	34.45%

	As of June 30,			
	2019		2020	
	(₹ million)	% of total	(₹ million)	% of total
Rural	5,871.27	4.79%	7,488.94	4.81%
Gross Advances (including IBPC issued)	**122,513.88**	**100.00%**	**155,729.14**	**100.00%**

	As of March 31,					
	2018		2019		2020	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	16,144.02	20.35%	24,232.68	20.71%	33,190.11	21.60%
Urban	32,528.72	40.98%	46,290.11	39.55%	60,539.56	39.40%
Semi-Urban	26,924.58	33.92%	40,847.20	34.90%	52,614.48	34.24%
Rural	3,773.23	4.75%	5,658.50	4.84%	7,325.22	4.76%
Gross Advances (including IBPC issued)	**79,370.55**	**100.00%**	**117,028.49**	**100.00%**	**153,669.37**	**100.00%**

The following tables set forth the Bank's Gross Advances (including IBPC issued) by region as of the dates indicated:

Region	States and Union Territories	As of June 30,	
		2019	2020
		(₹ million)	
East	Assam	-	-
	Bihar	-	-
	Jharkhand	-	-
	Meghalaya	-	-
	Odisha	-	-
	Tripura	-	-
	West Bengal	-	-
	Total	-	-
North	Chandigarh (UT)	317.38	571.57
	Chhattisgarh	1,832.09	2,031.44
	Haryana	2,242.29	3,645.12
	Himachal Pradesh	-	-
	Madhya Pradesh	4,482.47	5,606.58
	New Delhi	1,961.24	2,350.24
	Punjab	1,875.46	2,588.49
	Rajasthan	5,557.85	6,743.59
	Uttar Pradesh	46.66	155.42
	Uttarakhand	-	-
	Total	**18,315.44**	**23,692.45**
South	Andhra Pradesh	1,229.24	1,896.77
	Goa	-	-
	Karnataka	12,311.91	16,135.94
	Kerala	-	-
	Pondicherry	671.54	759.89
	Telangana	1,292.46	2,583.09
	Tamil Nadu	69,176.71	84,573.00
	Total	**84,681.86**	**105,948.69**
West	Gujarat	4,247.91	5,405.18
	Maharashtra	15,268.67	20,682.82
	Total	**19,516.58**	**26,088.00**
Gross Advances (including IBPC issued)		**122,513.88**	**155,729.14**

Region	States	As of March 31,		
		2018	2019	2020
		(₹ million)		
East	Assam	-	-	-
	Bihar	-	-	-
	Jharkhand	-	-	-
	Meghalaya	-	-	-

Region	States	As of March 31,		
		2018	2019	2020
		(₹ million)		
	Odisha	-	-	-
	Tripura	-	-	-
	West Bengal	-	-	-
	Total	-	-	-
North	Chandigarh (UT)	0.13	17.38	537.05
	Chhattisgarh	976.99	1,708.03	2,016.19
	Haryana	1,293.27	1,825.86	3,617.68
	Himachal Pradesh	-	-	
	Madhya Pradesh	2,730.36	4,953.96	5,581.57
	New Delhi	1,537.79	2,160.55	2,352.29
	Punjab	1,246.78	2,007.09	2,605.32
	Rajasthan	2,864.55	5,063.37	6,702.91
	Uttar Pradesh	-	14.57	138.40
	Uttarakhand	-	-	-
	Total	**10,649.87**	**17,750.81**	**23,551.41**
	Andhra Pradesh	870.97	1,178.20	1,945.30
	Goa	-	-	-
	Karnataka	6,260.21	11,574.97	15,704.40
	Kerala	-	-	-
	Pondicherry	546.05	668.46	766.71
	Telangana	960.15	1,126.51	2,499.95
	Tamil Nadu	47,196.59	66,276.31	83,388.07
	Total	**55,833.97**	**80,824.45**	**104,304.43**
West	Gujarat	2,486.90	4,019.55	5,360.16
	Maharashtra	10,399.81	14,433.68	20,453.37
	Total	**12,886.71**	**18,453.23**	**25,813.53**
Gross Advances (including IBPC issued)		**79,370.55**	**117,028.49**	**153,669.37**

The following tables set forth the Bank's deposits by region as of the dates indicated:

Region	States and Union Territories	As of June 30,	
		2019	2020
		(₹ million)	
East	Assam	-	-
	Bihar	-	-
	Jharkhand	-	-
	Meghalaya	-	-
	Odisha	-	-
	Tripura	-	-
	West Bengal	-	-
	Total	-	-
North	Chandigarh (UT)	4,238.24	7,506.87
	Chhattisgarh	1,259.04	1,534.57
	Haryana	5,137.05	7,271.15
	Himachal Pradesh	-	-
	Madhya Pradesh	4,572.29	3,723.92
	New Delhi	7,977.28	8,155.28
	Punjab	8,456.01	8,696.57
	Rajasthan	4,910.80	5,773.22
	Uttar Pradesh	1,452.06	2,112.50
	Uttarakhand	-	-
	Total	**38,002.77**	**44,774.08**
South	Andhra Pradesh	800.53	2,095.82
	Goa	-	-
	Karnataka	3,212.38	8,270.15

Region	States and Union Territories	As of June 30,	
		2019	2020
		(₹ million)	
	Kerala	-	-
	Pondicherry	126.99	289.71
	Tamil Nadu	28,419.17	37,723.53
	Telangana	830.00	982.60
	Total	**33,389.07**	**49,361.81**
West	Gujarat	2,656.20	3,543.80
	Maharashtra	17,286.14	20,191.58
	Total	**19,942.34**	**23,735.38**
Deposits		**91,334.18**	**117,871.27**

Region	States	As of March 31,		
		2018	2019	2020
		(₹ million)		
East	Assam	-	-	-
	Bihar	-	-	-
	Jharkhand	-	-	-
	Meghalaya	-	-	-
	Odisha	-	-	-
	Tripura	-	-	-
	West Bengal	-	-	-
	Total	-	-	-
North	Chandigarh (UT)	2,373.81	3,849.23	8,045.24
	Chhattisgarh	791.50	1,275.30	2,131.92
	Haryana	2,091.63	4,612.25	7,022.48
	Himachal Pradesh	-	-	-
	Madhya Pradesh	4,615.75	4,719.41	3,298.00
	New Delhi	4,689.64	8,113.93	7,559.71
	Punjab	2,516.68	8,132.04	8,693.38
	Rajasthan	2,885.99	4,336.29	4,740.42
	Uttar Pradesh	894.56	1,477.68	1,844.57
	Uttarakhand	-	-	-
	Total	**20,859.56**	**36,516.13**	**43,335.72**
	Andhra Pradesh	451.40	819.43	1,789.20
	Goa	-	-	-
	Karnataka	1,892.12	2,985.54	7,090.93
	Kerala	-	-	-
	Pondicherry	94.97	133.98	261.50
	Tamil Nadu	20,912.29	29,566.54	34,049.92
	Telangana	671.26	756.57	772.82
	Total	**24,022.04**	**34,262.06**	**43,964.37**
West	Gujarat	1,678.90	2,544.92	3,334.70
	Maharashtra	9,479.23	16,744.25	17,249.26
	Total	**11,158.13**	**19,289.17**	**20,583.96**
Deposits		**56,039.73**	**90,067.36**	**107,884.05**

The following tables set forth the Bank's Banking Outlets by region as of the dates indicated:

Region	States	As of June 30,	
		2019	2020
		(No. of Banking Outlets)	
East	Assam	-	-
	Bihar	-	-
	Jharkhand	-	-
	Meghalaya	-	-
	Odisha	-	-
	Tripura	-	-
	West Bengal	-	-

Region	States	As of June 30,	
		2019	2020
		(No. of Banking Outlets)	
	Total	-	-
North	Chandigarh (UT)	1	1
	Chhattisgarh	24	24
	Haryana	21	23
	Himachal Pradesh	-	1
	Madhya Pradesh	53	53
	New Delhi	16	13
	Punjab	25	27
	Rajasthan	62	62
	Uttar Pradesh	4	5
	Uttarakhand	-	1
	Total	**206**	**210**
South	Goa	-	0
	Karnataka	80	80
	Kerala	-	0
	Pondicherry	4	4
	Andhra Pradesh	25	17
	Telangana	6	14
	Tamil Nadu	327	327
	Total	**442**	**442**
West	Gujarat	58	58
	Maharashtra	147	146
	Total	**205**	204
Grand Total	**Grand Total**	**853**	**856**

Region	States	As of March 31,		
		2018	2019	2020
		(No. of Banking Outlets)		
East	Assam	-	-	-
	Bihar	-	-	-
	Jharkhand	-	-	-
	Meghalaya	-	-	-
	Odisha	-	-	-
	Tripura	-	-	-
	West Bengal	-	-	-
	Total	-	-	-
North	Chandigarh (UT)	2	1	1
	Chhattisgarh	24	24	24
	Haryana	22	21	23
	Himachal Pradesh	-	-	1
	Madhya Pradesh	59	53	53
	New Delhi	16	16	12
	Punjab	23	25	25
	Rajasthan	68	62	62
	Uttar Pradesh	4	4	5
	Uttarakhand	-	-	1
	Total	**218**	**206**	**207**
South	Goa	-	-	0
	Karnataka	83	80	80
	Kerala	-	-	0
	Pondicherry	5	4	4
	Andhra Pradesh	17	25	17
	Telegana	14	6	14
	Tamil Nadu	344	327	328
	Total	**463**	**442**	**443**
West	Gujarat	62	58	58
	Maharashtra	146	147	146

Region	States	As of March 31,		
		2018	2019	2020
		(No. of Banking Outlets)		
	Total	**208**	**205**	**204**
Grand Total		**889**	**853**	**854**

The following tables set forth the Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of June 30,	
	2019	2020
	(No. of Banking Outlets)	
Metropolitan	167	186
Urban	294	284
Semi-Urban	298	298
Rural	94	88
Total Banking Outlets	**853**	**856**

	As of March 31,		
	2018	2019	2020
	(No. of Banking Outlets)		
Metropolitan	188	167	178
Urban	303	294	281
Semi-Urban	314	298	302
Rural	84	94	93
Total Banking Outlets	**889**	**853**	**854**

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	An account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. Doubtful assets will further be sub-classified into following three categories.
- Doubtful – I	All NPAs after completion of 12 months from date of categorization as an NPA will slip to Doubtful –I category.
- Doubtful – II	All NPAs after completion of 24 months from date of categorization as an NPA will slip to Doubtful-II category.
- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate:

	1. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

The following tables provide a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	As of June 30,	
	2019	2020
	(₹ million)	
Standard assets	118,170.93	141,562.49
Sub-standard assets	1,680.16	1,686.34
Doubtful assets	1,603.90	2,399.92
Loss assets	58.89	80.39
Total	**121,513.88**	**145,729.14**

Asset Category	As of March 31,		
	2018	2019	2020
	(₹ million)		
Standard assets	75,745.23	114,071.38	134,996.16
Sub-standard assets	1,187.59	1,571.50	1,952.93
Doubtful assets	937.73	1,331.66	2,139.63
Loss assets	-	53.95	80.65
Total	**77,870.55**	**117,028.49**	**139,169.37**

The following tables set forth the Bank's provisions for possible credit losses at the dates indicated:

Asset Category	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Total of Provision for NPA and Floating provision	1,470.87	2,032.94
ii. Gross Advances	121,513.88	145,729.14
iii. Gross NPA	3,342.95	4,166.65
iv. Provision held as percentage of Gross Advances [i/ii]	1.21%	1.40%
v. Provision coverage ratio	44.00%	48.79%

Asset Category	As of March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Total of Provision for NPA and Floating provision	1,000.26	1,282.84	1,886.95
ii. Gross Advances	77,870.55	117,028.49	139,169.37
iii. Gross NPA	2,125.32	2,957.11	4,173.21
iv. Provision held as percentage of Gross Advances [i/ii]	1.28%	1.10%	1.36%
v. Provision coverage ratio	47.07%	43.38%	45.22%

Non-Performing Assets

The Bank has suffered losses through impairment of loans as some borrowers were impacted by negative trends in the global market place, recessionary conditions in the domestic economy, increased competition and volatility in industrial growth and commodity prices. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision. In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans. Any recoveries in the non-performing advances account will be first appropriated to interest outstanding then principal outstanding and to fees/charges outstanding if any, except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The Bank's percentage of Gross NPAs to Total Advances decreased from 2.73% as of March 31, 2018 to 2.53% as of March 31, 2019 and subsequently increased to 3.00% as of March 31, 2020 and was 2.86% as of June 30, 2020. The Bank's net NPA to net Advances (%) decreased from 1.46% as of March 31, 2018 to 1.44% as of March 31, 2019 and subsequently increased to 1.66% as of March 31, 2020 and was 1.48% as of June 30, 2020.

See "*Risk Factors — Risks Relating to the Bank's Business — If we are not able to control the level of non-performing assets in our portfolio or any increase in our NPA portfolio, RBI mandated provisioning requirements could adversely affect our business, financial conditions, results of operations and cash flows.*"

The following tables set forth, for the periods indicated, information about the Bank's NPA portfolio.

	As of June 30,	
	2019	**2020**
	(₹ million, except percentages)	
Non-Performing Assets		
(i) Gross NPAs as at the period end	3,342.95	4,166.65
(ii) Closing balance of provision for NPAs	1,280.87	1,842.94
(iii) Closing balance of floating provisions	190.00	190.00
(iv) Net NPAs (i-ii-iii)	1,872.08	2,133.71
(v) Gross Advances (including IBPC issued)	122,513.88	155,729.14
(vi) Advances	120,233.01	143,886.20
(vii) Gross Advances (vi+ii)	121,513.88	145,729.14
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	2.75%	2.86%
(ix) Gross NPAs/ (Gross Advances including IBPC issued (%)) (i/v)	2.73%	2.68%
(x) Net NPAs/ net Advances (%) (iv/vi)	1.56%	1.48%
(xi) Provision for NPA as a percentage of Gross NPAs (ii/i)	38.32%	44.23%
(xii) Provision coverage ratio (iii+iv)/(i)	44.00%	48.79%

	As of March 31,		
	2018	**2019**	**2020**
	(₹ million, except percentages)		
Non-Performing Assets			
(i) Gross NPAs as at the year end	2,125.32	2,957.11	4,173.21
(ii) Closing balance of provision for NPAs	810.26	1,092.84	1,696.95
(iii) Closing balance of floating provisions	190.00	190.00	190.00
(iv) Net NPAs (i-ii-iii)	1,125.06	1,674.27	2,286.26
(v) Gross Advances (including IBPC issued)	79,370.55	117,028.49	153,669.37
(vi) Advances	77,060.29	115,935.65	137,472.42
(vii) Gross Advances (vi+ii)	77,870.55	117,028.49	139,169.37
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	2.73%	2.53%	3.00%
(ix) Gross NPAs/ (Gross Advances (including IBPC issued (%)) (i/v)	2.68%	2.53%	2.72%
(x) Net NPAs/ Advances (%) (iv/vi)	1.46%	1.44%	1.66%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii/i)	38.12%	36.96%	40.66%
(xii) Provision coverage ratio (iii+iv)/(i)	47.07%	43.38%	45.22%

The table below sets forth the Bank's Gross NPAs by product segment as of June 30, 2019 and June 30, 2020:

	As of June 30,			
	2019		**2020**	
	(₹ million)	**Gross NPA as a Percentage of Gross Advances (including IBPC issued)**	**(₹ million)**	**Gross NPA as a Percentage of Gross Advances (including IBPC issued)**
Small Business Loans (including housing finance)	**1,364.67**	**2.77%**	**1,718.89**	**2.65%**
Small Business Loans	1,064.69	2.70%	1,358.51	2.64%
Housing Finance	249.48	6.07%	233.12	3.71%
Agriculture Loans	50.50	0.88%	127.26	1.81%
Micro Finance	**276.40**	**0.88%**	**428.18**	**1.18%**
Vehicle Finance	**1,326.98**	**4.34%**	**1,425.93**	**3.78%**
Used Commercial Vehicles	1,231.04	5.43%	1,275.87	4.86%
New Commercial Vehicles	95.94	1.22%	150.06	1.31%
MSE Finance (Working Capital)	**30.21**	**1.08%**	**79.68**	**1.12%**

	As of June 30,			
	2019		2020	
	(₹ million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Corporates		**0.00%**	**64.59**	**0.84%**
Others*	**344.69**	**10.15%**	**449.38**	**21.35%**
Gross NPA	**3,342.95**	**2.73%**	**4,166.65**	**2.68%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's Gross NPAs by product segment as of March 31, 2018, 2019 and 2020:

	As of March 31,					
	2018		2019		2020	
	(₹ million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ million)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Small Business Loans (including housing finance)	**778.68**	**2.92%**	**1,205.66**	**2.63%**	**1,712.35**	**2.73%**
Small Business Loans	613.02	2.90%	935.86	2.55%	1,346.48	2.70%
Housing Finance	165.17	6.11%	242.26	6.43%	237.77	3.94%
Agriculture Loans	0.49	0.02%	27.54	0.52%	128.10	1.88%
Micro Finance	**163.52**	**0.72%**	**263.55**	**0.86%**	**420.69**	**1.16%**
Vehicle Finance	**1,110.80**	**4.96%**	**1,179.24**	**4.00%**	**1,505.06**	**4.00%**
Used Commercial Vehicles	1,103.79	5.56%	1,114.04	4.93%	1,350.32	5.14%
New Commercial Vehicles	7.01	0.28%	65.20	0.94%	154.74	1.36%
MSE Finance (Working Capital)	**-**	**-**	**31.69**	**1.75%**	**79.63**	**1.19%**
Corporates	**-**	**-**	**-**	**-**		**0.00%**
Others*	**72.32**	**1.41%**	**276.97**	**5.92%**	**455.48**	**20.35%**
Gross NPA	**2,125.32**	**2.68%**	**2,957.11**	**2.53%**	**4,173.21**	**2.72%**

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The Bank's provision coverage ratio as of March 31, 2018, 2019 and 2020, computed as per RBI guidelines, was 47.07%, 43.38% and 45.22%, respectively while it was 44.00% and 48.79% as of June 30, 2019 and 2020, respectively.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of Farm credit to agriculture activities, SME sectors and Individual Housing Loans sanctioned on or after June 7, 2017 for which a provision of 0.25% will be made, and for residential housing loans under "teaser" loan category, a provision of 2.00% will be made. For commercial real estate loans and commercial real estate loans for residential housing sector, provision will be made at 1.00% and 0.75% respectively. For restructured standard assets and DCCO extension beyond stipulated maximum for infrastructure and non-infrastructure projects, provision is held at 5%. A Restructured NPA account upgraded to standard category attracts a provision of 5% in the first year from the date of upgrade.
Sub-standard asset	A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance). However, in case escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20 per cent instead of the aforesaid prescription of 25 per cent

<table>
<tr><td></td><td colspan="2">Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved values and the RBI’s inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.</td></tr>
<tr><td rowspan="5">Doubtful asset</td><td colspan="2">Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the guidelines of the RBI, provision is to be made at rates ranging from 25% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:</td></tr>
<tr><td>Period for which advance remained in “Doubtful” category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00%</td></tr>
<tr><td>One to three years</td><td>40.00%</td></tr>
<tr><td>More than three years</td><td>100.00%</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.0% provision is made on outstanding amount.</td></tr>
</table>

See “*Key Regulations and Policies*” on page 146.

The following table sets forth the details of the movement in NPAs for the periods indicated:

Gross NPA Movement	**As of June 30,**	
	2019	**2020**
	(₹ million)	
Opening GNPA	2,957.11	4,173.21
Add: Additions during the period	793.50	153.88
Sub Total – (A)	3,750.61	4,327.09
Less:		
i. Upgradations	142.33	31.91
ii. Recoveries (excluding recoveries made from upgraded accounts)	176.26	46.89
iii. Technical or Prudential write-offs	33.76	52.11
iv. Write-offs other than those under (iii) above	55.31	29.53
Sub Total –(B)	407.66	160.44
Closing GNPA Balance	**3,342.95**	**4,166.65**

Gross NPA Movement	**As of March 31,**		
	2018	**2019**	**2020**
	(₹ million)		
Opening GNPA	2,064.80	2,125.32	2,957.11
Add: Additions during the year	3,442.72	3,173.00	4,092.95
Sub Total – (A)	5,507.52	5,298.32	7,050.06
Less:			
i. Upgradations	534.26	812.80	1,011.88
ii. Recoveries (excluding recoveries made from upgraded accounts)	945.63	920.70	1,149.89
iii. Technical or Prudential write-offs	1,421.12	317.58	172.74
iv. Write-offs other than those under (iii) above	481.19	290.13	542.34
Sub Total –(B)	3,382.20	2,341.21	2,876.85
Closing GNPA Balance	**2,125.32**	**2,957.11**	**4,173.21**

Upgradations of loan accounts classified as NPA

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account will no longer be treated as non-performing and be classified as ‘standard’ accounts.

Restructuring of Advances

All loans of the Bank, where the repayment terms of existing advances have been revised in order to extend the repayment period and/ or decrease the instalment amount and/ or reduction in interest rate as per the borrower’s request shall be marked as rescheduled loans.

We consider a restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/ 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). However, extension in repayment tenure of a floating rate loan on reset of interest rate, so as to keep the equated monthly instalment (EMI) unchanged, provided it is applied to a class of accounts uniformly, will not render the account to be classified as 'restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

This will result in immediate down-gradation of the loan, i.e., a standard loan will become sub-standard and attract provisions as per the asset classification and subsequent provisioning norms. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule. If such account classified as NPA performs regularly, it will be upgraded after satisfactory performance during the specified period.

The erosion in the fair value of the advance is computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at the existing interest rate as on the date of restructuring. Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at the existing interest rate on the date of restructuring.

Additional finance approved under the resolution plan is treated as 'standard asset' during the specified period, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

'Specified period' means the period from the date of implementation of resolution plan up to the date by which at least 20% of the outstanding principal debt as per the resolution plan and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.

Provided that the specified period cannot end before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of the resolution plan.

NPA Management

The Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

- The Bank has a structured portfolio quality monitoring framework inclusive of Account Monitoring Scoring Framework (AMS), branch credit risk scoring, daily overdue and collections management, branch reviews, concentration risk analysis, stress testing and effective use of bureau services.

- The Bank also has a recovery team focused on NPAs and written-off accounts in micro banking and early interventions for other verticals.

Productivity Ratios

The following tables sets forth certain information relating to our productivity ratios:

	As of June 30,	
	2019	**2020**
Banking Outlets	853	856
ATMs	320	322
Total number of employees	15,261	15,843
Gross Advances (including IBPC issued) per employee (₹ million)	8.03	9.83

	As of June 30,	
	2019	2020
Gross Advances (including IBPC issued) per Banking Outlet (₹ million)	143.63	181.93
Total Accounts	2.63	3.58
- Borrower Accounts (in million)	2.23	2.68
- Deposit Accounts (in million)	0.40	0.90
Current Accounts	0.05	0.05
Savings Accounts	0.21	0.29
Term Deposits	0.14	0.56
Disbursements per Banking Outlet (₹ million)	23.55	6.59
Disbursements per employee (₹ million)	1.32	0.36
Deposits per employee (₹ million)	5.98	7.44
Deposits per Banking Outlet (₹ million)	107.07	137.70

	As of March 31,		
	2018	2019	2020
Banking Outlets	889	853	854
ATMs	320	322	322
Total number of employees	13,490	14,608	16104
Gross Advances (including IBPC issued) per employee (₹ million)	5.88	8.01	9.54
Gross Advances (including IBPC issued) per Banking Outlet (₹ million)	89.28	137.20	179.94
Total Accounts	2.40	2.54	3.48
- Borrower Accounts (in million)	2.20	2.19	2.63
- Deposit Accounts (in million)	0.20	0.35	0.85
Current Accounts	0.04	0.05	0.05
Savings Accounts	0.15	0.22	0.26
Term Deposits	0.01	0.09	0.54
Disbursements per Banking Outlet (₹ million)	65.34	100.57	116.05
Disbursements per employee (₹ million)	4.31	5.87	6.15
Deposits per employee (₹ million)	4.15	6.17	6.70
Deposits per Banking Outlet (₹ million)	63.04	105.59	126.33

The following tables sets forth information relating to our customer base:

	As of June 30,	
	2019	2020
Only Borrowers	2,232,463	2,677,624
Only Depositors	397,033	904,204
Both Borrowers and Depositors	2,629,496	3,581,828
Of Only Depositors:		
CASA Customers*	259,426	344,459
Term Deposit Customers	137,607	559,745

	As of March 31,		
	2018	2019	2020
Only Borrowers	2,198,563	2,189,566	2,631,786
Only Depositors	199,423	348,951	846,893
Both Borrowers and Depositors	2,397,986	2,538,517	3,478,679
Of Only Depositors:			
CASA Customers*	187,224	261,383	309,464
Term Deposit Customers	12,199	87,568	537,429

** excluding zero balance accounts*

The following tables set forth information relating to our digital banking channels:

	As of and for the Three months ended June 30,	
	2019	2020
Number of Debit Card Transactions	432,308	289,520
Value of Debit Card Transactions (₹ million)	946.75	513.94

	As of and for the year ended March 31,		
	2018	2019	2020

Number of Debit Card Transactions	1,445,653	1,072,568	614,569
Value of Debit Card Transactions (₹ million)	1,212.15	2,718.89	1,120.20

Non-GAAP financial measures

This section includes certain Non-GAAP financial measures and certain other statistical information relating to our operation and financial performance (together, "Non-GAAP financial measures" and each a "Non-GAAP financial measure"), as presented below. These Non-GAAP financial measures are not required by or presented in accordance with Indian GAAP.

Reconciliation of non-GAAP measures

Reconciliation for the following non-GAAP measures included in this Prospectus, total average interest earning assets, yield, yield on advances, cost of borrowings, average non-interest earning assets, total average interest-bearing liabilities, cost of funds, credit cost, total average assets, net interest income, spread, net interest margin, CASA ratio, CASA, cost to income ratio, average shareholders' equity, net profit as a percentage of average shareholders' equity, credit cost ratio, net worth, net asset value per share, return on net worth, debt equity ratio, credit to deposit ratio, other income to total income ratio, compounded annual growth rate ("CAGR"), net tangible assets, monetary assets, pre-tax operating profits, earnings before depreciation and tax ('EBIDTA'), are given below:

Reconciliation of Total Average Interest Earning Assets:

Total Average Interest Earning Assets represents the sum of quarterly average of Advance, Investments and Others (which include Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice):

Particulars	As of June 30,	
	2019	2020
	(₹ million)	
Average balance of Advances (1)	118,084.33	140,679.31
Average balance of Investments (1)	23,073.57	29,105.42
Average balance of Others (1) (2)	10,745.60	17,553.59
Total Average Interest Earning Assets	**151,903.50**	**187,338.32**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, and December 31 of each relevant period
(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million)		
Average balance of Advances (1)	65,028.34	95,339.62	128,055.71
Average balance of Investments (1)	26,131.13	34,312.05	23,697.64
Average balance of Others (1) (2)	4,260.00	5,047.01	12,324.50
Total Average Interest Earning Assets	**95,419.47**	**134,698.68**	**164,077.85**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, December 31 and March 31 of each relevant year
(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice

Reconciliation of Total Average Non-Interest Earning Assets

Total Average Non-Interest Earning Assets represents the sum of quarterly average of Fixed Assets and Other Assets:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Average balance of Fixed Assets (1)	2,320.34	2,052.16
ii. Average balance of Other Assets (1) (2)	7,913.62	11,642.96
iii. Total Average Non-Interest Earning Assets (i +ii)	**10,233.96**	**13,695.12**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, and December 31 of each relevant period
(2) Includes Cash in hand, Balances with Reserve Bank of India – In current accounts and Balances with banks - In current accounts

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million)		
i. Average balance of Fixed Assets (1)	2,947.62	2,554.71	2,204.38
ii. Average balance of Other Assets (1) (2)	7,424.19	7,525.29	8,646.59
iii. Total Average Non-Interest Earning Assets (i + ii)	**10,371.81**	**10,080.00**	**10,850.97**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, December 31 and March 31 of each relevant year
(2) Includes Cash in hand, Balances with Reserve Bank of India – In current accounts and Balances with banks - In current accounts

Reconciliation of Total Average Assets

Total Average Assets represents the sum of quarterly average of interest bearing assets and non-interest bearing assets:

Particulars	As of June 30,	
	2019	2020
	(₹ million)	
i. Total Average Interest Earning Assets (1)	151,903.50	187,338.32
ii. Total Average Non-Interest Earning Assets (1)	10,233.96	13,695.12
iii. Total Average Assets (i + ii)	**162,137.46**	**201,033.44**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, and December 31 of each relevant period

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million)		
i. Total Average Interest Earning Assets (1)	95,419.47	134,698.68	164,077.85
ii. Total Average Non-Interest Earning Assets (1)	10,371.81	10,080.00	10,850.97
iii. Total Average Assets (i + ii)	**105,791.28**	**144,778.68**	**174,928.82**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, December 31 and March 31 of each relevant year

Reconciliation of Total Average Interest Bearing Liabilities

Total Average Interest Bearing Liabilities represents the sum of quarterly average of demand deposits, savings bank deposits, term deposits and borrowings:

Particulars	As of June 30,	
	2019	2020
	(₹ million)	
i. Average Balance of Demand Deposits (1)	4,770.04	3,399.47
ii. Average Balance of Savings Bank Deposits (1)	17,786.17	19,411.65
iii. Average Balance of Term Deposits (1)	68,144.56	90,066.55
iv. Average Balance of Deposits (i+ii+iii) (1)	90,700.77	112,877.67
v. Average Balance of Borrowings (1)	43,089.35	53,302.04
vi. Total Average Interest Bearing Liabilities (iv +v) (1)	**133,790.12**	**166,179.71**

(1) Average Balances are the year to date quarterly average as of April 1, June 30, September 30, and December 31 of each relevant period

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million)		
i. Average Balance of Demand Deposits (1)	2,187.20	4,380.55	4,163.66
ii. Average Balance of Savings Bank Deposits (1)	7,115.98	15,114.11	18,165.93
iii. Average Balance of Term Deposits (1)	27,546.70	53,195.51	76,564.18
iv. Average Balance of Deposits (i+ii+iii) (1)	36,849.88	72,690.17	98,893.77
v. Average Balance of Borrowings (1)	43,454.18	45,383.63	45,378.27
vi. Total Average Interest Bearing Liabilities (iv +v) (1)	**80,304.06**	**118,073.80**	**144,272.04**

(1) Average balances are the year to date quarterly average as of April 1, June 30, September 30, December 31 and March 31 of each relevant year

Reconciliation of Yield

Yield is Interest earned divided by total average interest earning assets:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Interest earned	6,033.87	7,213.12
ii. Total Average Interest Earning Assets	151,903.50	187,338.32
iii. **Yield (i/ii) ***	**15.89%*** **[3.97%]**	**15.40%*** **[3.85%]**

***annualized, and figures in square brackets represent unannualized figures*

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Interest earned	15,316.88	21,119.34	26,454.44
ii. Total Average Interest Earning Assets	95,419.47	134,698.68	164,077.85
iii. **Yield (i/ii)**	**16.05%**	**15.68%**	**16.12%**

Reconciliation of Yield on Advances

Yield on Advances is interest on advances divided by average balance of advance:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Interest on advances	5,500.15	6,616.06
ii. Average Balance of Advances	118,084.33	140,679.31
iii. **Yield on Advances (i/ii)**	**18.63%*** **[4.66%]**	**18.81%*** **[4.70%]**

annualized, and figures in square brackets represent unannualized figures

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Interest on advances	13,312.17	18,236.56	24,200.07
ii. Average Balance of Advances	65,028.34	95,339.62	128,055.71
iii. Yield on Advances (i/ii)	**20.47%**	**19.13%**	**18.90%**

Reconciliation of Cost of Funds

Cost of funds is interest expense divided by average interest-bearing liabilities:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Interest Expended	2,662.24	3,170.33
ii. Total Average Interest Bearing Liabilities	133,790.12	166,179.71
iii. Cost of funds (i/ii) *	**7.96%*** **[1.99%]**	**7.63%*** **[1.91%]**

annualized, and figures in square brackets represent unannualized figures

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Interest Expended	6,711.47	9,602.00	11,501.38
ii. Total Average Interest Bearing Liabilities	80,304.06	118,073.80	144,272.04
iii. Cost of funds (i/ii)	**8.36%**	**8.13%**	**7.97%**

Reconciliation of Credit Cost and Credit Cost Ratio

Credit Cost and Credit Cost Ratio are non-GAAP measures. Credit Cost Ratio is credit cost divided by average balance of advances:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Provisions and contingencies	625.07	843.46
ii. Provision for taxes (net)	406.23	316.86
iii. Deferred Tax (net)	(89.30)	(156.80)
iv. Credit Cost [i-(ii+iii)]	308.14	683.40
v. Average balance of advances	118,084.33	140,679.31
vi. Credit Cost Ratio (iv/v) *	**1.04%*** **[0.26%]**	**1.94%*** **[0.49%]**

annualized, and figures in square brackets represent unannualized figures

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Provisions and contingencies	1,888.12	2,155.79	3,539.43
ii. Provision for taxes (net)	358.68	1,378.57	1,330.82
iii. Deferred Tax (net)	(191.85)	(246.86)	(257.77)
iv. Credit Cost [i-(ii+iii)]	1,721.29	1,024.08	2,466.38
v. Average balance of advances	65,028.34	95,339.62	128,055.71
vi. Credit Cost Ratio (iv/v)	**2.65%**	**1.07%**	**1.93%**

Reconciliation of Net Interest Income

Net Interest Income is difference of interest earned and interest expended:

	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Interest Earned	6,033.87	7,213.12

ii.	Interest Expended	2,662.24	3,170.33
iii.	**Net interest income (i-ii)**	**3,371.63**	**4,042.79**

		Year ended March 31,		
		2018	2019	2020
		(₹ million, except percentages)		
i.	Interest Earned	15,316.88	21,119.34	26,454.44
ii.	Interest Expended	6,711.47	9,602.00	11,501.38
iii.	**Net interest income (i-ii)**	**8,605.41**	**11,517.34**	**14,953.06**

Reconciliation of Spread

Spread is difference between Yield on Advances and Cost of Funds:

	Particulars	As of June 30,	
		2019	2020
		(₹ million, except percentages)	
i.	Interest on advances	5,500.15	6,616.06
ii.	Average balance of advances	118,084.33	140,679.31
iii.	Yield on Advances (i/ii)	18.63%* [4.66%]	18.81%* [4.70%]
iv.	Interest Expended	2,662.24	3,170.33
v.	Total Average Interest Bearing Liabilities	133,790.12	166,179.71
vi.	Cost of Funds [iv/v]	7.96%* [1.99%]	7.63%* [1.91%]
vii.	**Spread (iii-vi)** *	**10.67%*** **[2.67%]**	**11.18%*** **[2.79%]**

****annualized, and figures in square brackets represent unannualized figures***

	Particulars	Year ended March 31,		
		2018	2019	2020
		(₹ million, except percentages)		
i.	Interest on advances	13,312.17	18,236.56	24,200.07
ii.	Average balance of advances	65,028.34	95,339.62	128,055.71
iii.	Yield on Advances (i/ii)	20.47%	19.13%	18.90%
iv.	Interest Expended	6,711.47	9,602.00	11,501.38
v.	Total Average Interest Bearing Liabilities	80,304.06	118,073.80	144,272.04
vi.	Cost of Funds [iv/v]	8.36%	8.13%	7.97%
vii.	**Spread (iii-vi)**	**12.11%**	**11.00%**	**10.93%**

Reconciliation of Net Interest Margin

Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average:

	Particulars	As of June 30,	
		2019	2020
		(₹ million, except percentages)	
i.	Interest Earned	6,033.87	7,213.12
ii.	Interest Expended	2,662.24	3,170.33
iii.	Net Interest Income (i-ii)	3,371.63	4,042.79
iv.	Total average interest-earning asset	151,903.50	187,338.32
v.	**Net Interest Margin (iii/iv)**	**8.88%*** **[2.22%]**	**8.63%*** **[2.16%]**

	Particulars	Year ended March 31,		
		2018	2019	2020
		(₹ million, except percentages)		
i.	Interest Earned	15,316.88	21,119.34	26,454.44
ii.	Interest Expended	6,711.47	9,602.00	11,501.38
iii.	Net interest income (i-ii)	8,605.41	11,517.34	14,953.06
iv.	Total average interest-earning asset	95,419.47	134,698.68	164,077.85
v.	**Net Interest Margin (iii/iv)**	**9.02%**	**8.55%**	**9.11%**

****annualized, and figures in square brackets represent unannualized figures***

Reconciliation of Current Account and Saving Account (CASA)

Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits**. CASA ratio** is the ratio of CASA to total deposits:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
I Demand Deposits		
(i) From banks	360.75	304.17
(ii) From others	4,355.78	2,998.43
Sub-Total (I)	**4,716.53**	**3,302.60**
II Savings Bank Deposits	17,653.21	20,237.49
III CASA (I+II)	**22,369.74**	**23,540.09**
IV Deposits	91,334.18	117,871.27
V CASA Ratio (III/IV)	**24.49%**	**19.97%**

Particulars	Fiscal		
	2018	2019	2020
	(₹ million, except percentages)		
I Demand Deposits			
(i) From banks	218.69	460.78	337.55
(ii) From others	3,672.60	4,362.77	3,158.78
Sub-Total (I)	**3,891.29**	**4,823.55**	**3,496.33**
II Savings Bank Deposits	12,487.10	17,919.12	18,585.80
III CASA (I+II)	**16,378.39**	**22,742.67**	**22,082.13**
IV Deposits	56,039.73	90,067.36	107,884.05
V CASA Ratio (III/IV)	**29.23%**	**25.25%**	**20.47%**

Reconciliation of Cost to Income Ratio

Cost to income ratio is calculated as a ratio of operating expenses divided by net operating income (net operating income is sum of net interest income and other income):

Particulars	Three months ended June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Operating expenses	2,767.59	2,919.18
ii. Interest earned	6,033.87	7,213.12
iii. Interest expended	2,662.24	3,170.33
iv. Net Interest income (ii-iii)	3,371.63	4,042.79
v. Other income	591.63	296.56
vi. Net Operating income (iv+v)	3,963.26	4,339.35
vii. Cost to Income Ratio (i/vii)	**69.83%**	**67.27%**

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Operating expenses	8,811.13	10,084.87	11,800.79
ii. Interest earned	15,316.88	21,119.34	26,454.44
iii. Interest expended	6,711.47	9,602.00	11,501.38
iv. Net Interest income (ii-iii)	8,605.41	11,517.34	14,953.06
v. Other income	2,412.15	2,828.98	2,823.51
vi. Net Operating income (iv+v)	11,017.56	14,346.32	17,776.57
vii. Cost to Income Ratio (i/vii)	**79.97%**	**70.30%**	**66.38%**

Reconciliation of Average Shareholders' Equity

Average shareholders' equity represents the sum of quarterly average of capital and reserves and surplus:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Average Balance of Capital	10,059.43	10,534.02
ii. Average Balance of Reserves and Surplus	12,769.06	17,195.83
iii. **Average shareholders' equity (i +ii)**	**22,828.49**	**27,729.85**

Particulars	Year ended March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Average Balance of Capital	10,059.43	10,059.43	10,249.27
ii. Average Balance of Reserves and Surplus	10,202.92	11,310.36	14,502.04

iii.	**Average shareholders' equity (i +ii)**	**20,262.35**	**21,369.79**	**24,751.31**

Reconciliation of Net Profit as a percentage of Average Shareholders' Equity

Net Profit as a percentage of Average Shareholders' Equity is calculated as Net profit divided by Average Shareholders' Equity:

Particulars		**Three months ended June 30,**	
		2019	**2020**
		(₹ million, except percentages)	
i.	Net Profit for the period / year	570.60	576.71
ii.	Average shareholders' equity	22,828.49	27,729.85
iii.	**Net profit as a percentage of average shareholders' equity (i/ii) ***	**10.00%*** **[2.50%]**	**8.32%*** **[2.08%]**

annualized, and figures in square brackets represent unannualized figures

Particulars		**Fiscal**		
		2018	**2019**	**2020**
		(₹ million, except percentages)		
i.	Net Profit for the period / year	318.31	2,105.66	2,436.35
ii.	Average shareholders' equity	20,262.35	21,369.79	24,751.31
iii.	**Net profit as a percentage of average shareholders' equity (i/ii)**	**1.57%**	**9.85%**	**9.84%**

Reconciliation of Credit to Deposit Ratio

Credit to deposit ratio is calculated as a ratio of total advances excluding advances to banks to total deposits excluding deposits from banks:

Particulars`		**As of June 30,**	
		2019	**2020**
		(₹ million, except percentages)	
i.	Advances	1,20,233.01	1,43,886.20
ii.	Advances to banks	1.80	0.00
iii.	Net Advances (i-ii)	1,20,231.21	1,43,886.20
iv.	Deposits	91,334.18	1,17,871.27
v.	Demand Deposits from banks	360.75	304.17
vi.	Term Deposits from banks	27,435.64	41,484.13
vii.	Deposits from banks (v+vi)	27,796.39	41,788.30
viii.	Net Deposits (iv-vii)	63,537.79	76,082.97
ix.	**Credit to Deposit ratio (iii/viii)**	**189.23%**	**189.12%**

Particulars		**As of March 31,**		
		2018	**2019**	**2020**
		(₹ million, except percentages)		
i.	Advances	77,060.29	115,935.65	137,472.42
ii.	Advances to banks	600.84	700.39	0.04
iii.	Net Advances (i-ii)	76,459.45	115,235.26	137,472.38
iv.	Deposits	56,039.73	90,067.36	107,884.05
v.	Demand Deposits from banks	218.69	460.78	337.55
vi.	Term Deposits from banks	13,643.32	23,750.88	35,392.17
vii.	Deposits from banks (v+vi)	13,862.01	24,211.66	35,729.72
viii.	Net Deposits (iv-vii)	42,177.72	65,855.70	72,154.33
ix.	**Credit to Deposit ratio (iii/viii)**	**181.28%**	**174.98%**	**190.53%**

Reconciliation of Net Worth

Net Worth represent sum of capital and reserve excluding capital reserve. **Return on Net Worth** is calculated by dividing restated profit after tax, attributable to equity shareholders by Net Worth for the year/ period:

Particulars	**As of and for the year ended March 31,**			**As of and for the three months ended June 30,**	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹ million, except percentages)				
(A) Net Profit for the period / year	318.31	2,105.66	2,436.35	570.60	576.71
(B) Capital	10,059.43	10,059.43	10,534.02	10,059.43	10,534.02
(C) Reserves and Surplus	10,378.09	12,483.75	16,907.47	13,054.36	17,484.18
(D) Capital Reserve	132.80	132.80	132.80	132.80	132.80
(E) Net Worth (B + C - D)	**20,304.72**	**22,410.38**	**27,308.69**	**22,980.99**	**27,885.40**
(F) Return on Net Worth (A / D)	**1.57%**	**9.40%**	**8.92%**	**9.93%*** **[2.48%]**	**8.27%*** **[2.07%]**

**annualized, and figures in square brackets represent unannualized figures*

Reconciliation of NAV per Share

NAV per share is calculated by dividing Net Worth by number of equity shares outstanding as on the respective date:

Particulars	As of and for the year ended March 31,			As of and for the three months ended June 30,	
	2018	2019	2020	2019	2020
	(₹ and number of shares in million)				
(A) Net Worth	20,304.72	22,410.38	27,308.69	22,980.99	27,885.40
(B) Number of Equity Shares	1,005.94	1,005.94	1,053.40	1,005.94	1,053.40
(C) NAV per share	**20.18**	**22.28**	**25.92**	**22.85**	**26.47**

Reconciliation of Debt Equity Ratio

Debt Equity Ratio is a non-GAAP measure. Total Debt is the sum of Deposits and Borrowings. Total Equity is the sum of Capital & Reserves and Surplus:

Particulars	As of June 30,	
	2019	2020
	(₹ million, except percentages)	
i. Capital	10,059.43	10,534.02
ii. Reserves and Surplus	13,054.36	17,484.18
iii. Total Equity (i+ii)	23,113.79	28,018.20
iv. Deposits	91,334.18	117,871.27
v. Borrowings	46,448.43	55,255.34
vi. Total Debt (iv+v)	137,782.61	173,126.61
vii. Debt Equity Ratio (vi/iii)	**5.96**	**6.18**

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million, except percentages)		
i. Capital	10,059.43	10,059.43	10,534.02
ii. Reserves and Surplus	10,378.09	12,483.75	16,907.47
iii. Total Equity (i+ii)	20,437.52	22,543.18	27,441.49
iv. Deposits	56,039.73	90,067.36	107,884.05
v. Borrowings	51,772.08	39,730.26	51,348.74
vi. Total Debt (iv+v)	107,811.81	129,797.62	159,232.79
vii. **Debt Equity Ratio (vi/iii)**	**5.28**	**5.76**	**5.80**

Reconciliation of Cost of Borrowings

Cost of Borrowing is calculated by dividing interest on RBI/inter bank borrowings and other interest by Average balance of borrowings:

Particulars	As of March 31,			As of June 30,	
	2018	2019	2020	2019	2020
	(₹ million, except percentages)				
i. Interest on RBI/ inter bank borrowings and Other Interest	4,269.77	4,504.99	4,120.20	980.12	1,078.82
ii. Average balance of borrowings	43,454.18	45,383.63	45,378.27	43,089.35	53,302.04
iii. Cost of borrowings iii = (i/ii)	**9.83%**	**9.93%**	**9.08%**	**9.10%*** **[2.27%]**	**8.10%*** **[2.02%]**

**annualized, and figures in square brackets represent unannualized figures*

Reconciliation of Other Income to Total Income Ratio

Other income to total income is calculated by dividing Other income by total income:

Particulars	As of March 31,			As of June 30,	
	2018	2019	2020	2019	2020
	(₹ million, except percentages)				
i. Other income	2,412.15	2,828.98	2,823.51	591.63	296.56
ii. Total income	17,729.03	23,948.32	29,277.95	6,625.50	7,509.68
iii. Other income to total income ratio iii = (i/ii)	**13.61%**	**11.81%**	**9.64%**	**8.93%**	**3.95%**

Reconciliation of Net Tangible Assets #

Net Tangible Assets is calculated after subtracting Intangible assets and Deferred tax assets from Total Assets:

		As of March 31,		
	Particulars	**2018**	**2019**	**2020**
		(₹ million)		
i.	Cash and balances with Reserve Bank of India	3,860.81	4,027.04	3,808.64
ii.	Balance with Banks and Money at call and short notice	8,250.84	8,579.12	21,559.79
iii.	Investments	38,568.41	23,444.54	23,425.06
iv.	Advances	77,060.29	115,935.65	137,472.42
v.	Fixed Assets	2,808.83	2,373.36	2,127.69
vi.	Other Assets	2,462.32	3,267.20	4,751.87
vii.	**Total (I)**	**133,011.50**	**157,626.91**	**193,145.47**
viii.	Less: Intangible assets (II)	662.35	666.67	791.29
ix.	Less: Deferred tax assets (net) (III)	628.77	875.60	1,133.37
x.	Less: Provision for standard assets (including restructured standard assets) (IV)	210.76	309.63	460.95
xi.	**Net Tangible Assets (I-II-III) - IV**	**131,509.62**	**155,775.01**	**190,759.86**

"Net Tangible Assets" mean the sum of all net assets of the Bank excluding intangible assets as defined in Accounting Standard 26 (AS 26), issued by the Institute of Chartered Accountants of India, as defined in Securities and Exchange Board of India (Issue of Capital and disclosure Requirements) Regulations, 2018

Reconciliation of Monetary Assets #

Monetary assets are the sum of Balance with Reserve Bank of India and Balances with Banks and Money at call and short notice.

	As of March 31,		
Particulars	**2018**	**2019**	**2020**
	(₹ million)		
Balance with Reserve Bank of India			
In current account	2,701.55	2,868.44	2,423.74
In other accounts	-	-	-
Cash in hand	1,159.26	1,158.60	1,384.90
TOTAL (I)	**3,860.81**	**4,027.04**	**3,808.64**
Balances with Banks and Money at call and short notice			
In India			
Balance with Banks			
In current account	612.63	689.08	706.21
In other deposit accounts	608.21	52.95	53.58
Money at call & short notice			
With banks	2,300.00	-	0.00
With other institutions	500.00	-	0.00
Lending under Reverse Repo	4,230.00	7,837.09	20,800.00
TOTAL (II)	**8,250.84**	**8,579.12**	**21,559.79**
MONETARY ASSETS (I+II)	**12,111.65**	**12,606.16**	**25,368.43**

For the purpose of the above computation, "Monetary Assets" is computed by adding "Cash and Balances with Reserve Bank of India" and "Balances with Banks and Money at Call and Short Notice".

Reconciliation of Pre-Tax Operating Profit #

Pre-operating profit is the difference of Total operating income and total expenses.

Particulars	**As of March 31,**		
	2018	**2019**	**2020**
	(₹ million)		
Operating Income			
(i) Interest / discount on advances/bills	15,316.88	21,119.34	26,454.44
(ii) Other Income	2,412.15	2,828.98	2,823.51
(iii) Total Operating Income (i +ii)	**17,729.03**	**23,948.32**	**29,277.95**
Expenses			
(iv) Interest Expended	6,711.47	9,602.00	11,501.38
(v) Operating Expenses	8,811.13	10,084.87	11,800.79

Particulars	As of March 31,		
	2018	2019	2020
	(₹ million)		
(vi) Provisions & Contingencies	1,888.12	2,155.79	3,539.43
(vii) Provisions for taxes (net)	358.68	1,378.57	1,330.82
(viii) Deferred tax (net)	(191.85)	(246.86)	(257.77)
(ix) Total (iv+v+vi-vii-viii)	**17,243.89**	**20,710.95**	**25,768.55**
(x) Pre-tax operating profit (iii – ix)	**485.14**	**3,237.37**	**3,509.40**

[#] *For the purpose of above computation, "Pre-Tax Operating Profit" is computed by deducting Interest Expense, Operating Expense and Provisions and Contingencies (excluding taxes) from Interest Earned by the Bank.*

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED FINANCIAL INFORMATION

The Board of Directors
Equitas Small Finance Bank Limited
4th Floor, Phase II, Spencer Plaza,
No. 769, Mount Road,
Anna Salai, Chennai- 600 002

Dear Sirs /Madams,

1. We have examined the attached Restated Financial Information of Equitas Small Finance Bank Limited (the "Bank") comprising the Restated Statement of Assets and Liabilities as at June 30, 2020, June 30, 2019, March 31, 2020, 2019 and 2018, the Restated Statement of Profit & Loss, the Restated Cash Flow Statement for the three months periods ended June 30, 2020 and June 30, 2019 and for each of the years ended March 31, 2020, 2019 and 2018, the summary statement of significant accounting policies and other explanatory information as approved by the board of directors of the Bank ("Board of Directors") at their meeting held on September 14, 2020 for the purpose of inclusion in the Red Herring Prospectus ("RHP") / Prospectus prepared by the Bank in connection with its proposed Initial Public Offer of equity shares of face value of Rs.10 each ("IPO") prepared in terms of requirements of:

   a. Section 26 of Part I of Chapter III of The Companies Act, 2013 (the "Act");

   b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and

   c. The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ('ICAI'), as amended from time to time (the 'Guidance Note')

2. The Bank's Board of Directors is responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the RHP / Prospectus to be filed with Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited and Registrar of Companies, Tamil Nadu situated at Chennai ("RoC Chennai") in connection with the proposed IPO of the Bank. The Restated Financial Information have been prepared by the management of the Bank on the basis of preparation stated in note 2 to the Restated Financial Information. The Board of Directors responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the bank complies with the Act, ICDR Regulations and the Guidance Note.

3. We have examined such Restated Financial Information taking into consideration:

   a) The terms of reference and our engagement agreed with you vide our engagement letter dated August 12, 2020, in connection with the proposed IPO ;

   b) The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;

   c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

d) The requirements of Section 26 of the Act and applicable provisions of the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the Proposed IPO.

4. The Restated Financial Information have been compiled by the management from:

   a) Audited interim financial statements of the Bank as at and for the three month ended June 30, 2020 and June 30, 2019 and audited financial statements of the Bank for the years ended March 31, 2020, 2019 and 2018 prepared in accordance with the Accounting Standard (AS) 25 specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, which have been approved by the Board of Directors in their meeting held on September 4, 2020, September 4, 2020 , May 14, 2020, May 9, 2019 and April 26, 2018 respectively.

5. For the purpose of our examination, we have relied on

   a) Auditor’s reports issued by us dated September 4, 2020 on the audited interim financial statements of the Bank as at and for the three months period ended June 30, 2020 and June 30, 2019, respectively, as referred in Paragraph 4 above.

   b) Auditor’s reports issued by Previous Auditor S.R.Batliboi & Associates LLP, dated May 14, 2020, May 9, 2019 and April 26, 2018 on the audited financial statements of the Bank as at for the years ended March 31, 2020, 2019 and 2018 respectively, as referred in Paragraph 4 above.

   The audited financial statements for the years ended March 31, 2020, 2019 and 2018 and the independent auditors' reports thereon issued by the Previous Auditor have been furnished to us by the Bank. We have examined and reported on the restated financial information for the years ended March 31, 2020, 2019 and 2018. The adjustments in so far as it relates to the amounts, disclosures, material errors, regrouping, reclassification, etc., included in respect of the years ended March 31, 2020, 2019 and 2018 is restricted to and based solely on the audited financial statements and auditor's reports issued by the Previous Auditor for such years. We have not performed any additional procedures other than those stated herein and do not accept any responsibility of whatsoever nature in this regard.

6. Based on the above and according to the information and explanations given to us, we report that the Restated Financial Information:

   a) have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended March 31, 2020, March 31 2019, March 31 2018 and three month ended June 30, 2019 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the three months period ended June 30, 2020.

   b) There are no qualifications in the auditors’ reports on the audited financial statements of the Bank as at and for the three month periods ended June 30, 2020 and June 30, 2019 and years ended March 31, 2020, 2019 and 2018; and

   Emphasis of matter paragraphs included in the auditors’ report on the financial statements as at and for the three month periods ended June 30, 2020 and June 30 2019 and for the year ended March 31, 2020 which does not require any corrective adjustment in the Restated Financial Information, are as follows:

Emphasis of Matter – June 30, 2020

We draw attention to the matter stated in

Schedule 17.2.1 to the accompanying Interim Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics.

Our opinion is not qualified with regard to this matter.

Emphasis of Matter – June 30, 2019

We draw attention to the matter stated in

Schedule 17.2.1 to the accompanying Interim Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Our opinion is not qualified with regard to this matter.

Emphasis of Matter – March 31, 2020

We draw attention to the matter stated in

Schedule 17.2.1 to the accompanying Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics.

Our opinion is not qualified with regard to this matter.

c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the report on the audited financial statements mentioned in paragraph 4 above.

8. In our opinion, the Restated Financial Information, read with Summary of Significant Accounting Policies disclosed in Note 2, accompanying this report, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Note 1 and have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us or Previous Auditor, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. Our report is intended solely for use of the Board of Directors for inclusion in the offer documents to be filed with Securities and Exchange Board of India, National Stock Exchange of India Limited, BSE Limited and the RoC Chennai in connection with proposed IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **T R Chadha & Co LLP**
Chartered Accountants
Firm's Registration No.: 006711N/ N500028

Sheshu Samudrala
Partner
Membership No.: 235031
UDIN: 20235031AAAAAM9902

Place: Chennai
Date: 14.09.2020

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Annexure - 1 : Restated Summary Statement of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

Particulars	Refer Note	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES						
Capital	3	10,534.02	10,059.43	10,534.02	10,059.43	10,059.43
Reserves and Surplus	4	17,484.18	13,054.36	16,907.47	12,483.75	10,378.09
Deposits	5	1,17,871.27	91,334.18	1,07,884.05	90,067.36	56,039.73
Borrowings	6	55,255.34	46,448.43	51,348.74	39,730.26	51,772.08
Other Liabilities and Provisions	7	7,776.58	5,751.59	6,471.19	5,286.11	4,762.17
TOTAL		**2,08,921.39**	**1,66,647.99**	**1,93,145.47**	**1,57,626.91**	**1,33,011.50**
ASSETS						
Cash and Balances with Reserve Bank of India	8	4,290.23	3,914.51	3,808.64	4,027.04	3,860.81
Balances with Banks and Money At Call and Short Notice	9	14,965.45	14,066.70	21,559.79	8,579.12	8,250.84
Investments	10	34,785.77	22,702.59	23,425.06	23,444.54	38,568.41
Advances	11	1,43,886.20	1,20,233.01	1,37,472.42	1,15,935.65	77,060.29
Fixed Assets	12	1,976.64	2,267.32	2,127.69	2,373.36	2,808.83
Other Assets	13	9,017.10	3,463.86	4,751.87	3,267.20	2,462.32
TOTAL		**2,08,921.39**	**1,66,647.99**	**1,93,145.47**	**1,57,626.91**	**1,33,011.50**
Contingent Liabilities	14	192.14	299.47	269.79	327.23	331.45

Summary of Significant Accounting Policies 2
The accompanying Notes are an integral part of the restated summary statements

As per our report of even date

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

For and on behalf of Board of Directors of
Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Vinod Kumar Sharma
Pro-tem Chairman - ACB
DIN: 02051084
Place : Pune

Place: Chennai
Date: September 14, 2020

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: September 14, 2020

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Annexure-2: Restated Summary Statement of Profit and Loss

(All amounts in ₹ millions, unless otherwise specified)

	Particulars	Refer Note	Three month period ended June 30, 2020	Three month period ended June 30, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
I	**INCOME**						
	Interest earned	15	7,213.12	6,033.87	26,454.44	21,119.34	15,316.88
	Other income	16	296.56	591.63	2,823.51	2,828.98	2,412.15
	TOTAL		**7,509.68**	**6,625.50**	**29,277.95**	**23,948.32**	**17,729.03**
II	**EXPENDITURE**						
	Interest expended	17	3,170.33	2,662.24	11,501.38	9,602.00	6,711.47
	Operating expenses	18	2,919.18	2,767.59	11,800.79	10,084.87	8,811.13
	Provisions and contingencies	19	843.46	625.07	3,539.43	2,155.79	1,888.12
	TOTAL		**6,932.97**	**6,054.90**	**26,841.60**	**21,842.66**	**17,410.72**
III	**PROFIT**						
	Net Profit for the period / year		**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
	TOTAL		**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
IV	**APPROPRIATIONS**						
	Transfer to						
	(a) Statutory reserves		-	-	609.09	526.41	79.58
	(b) Special reserve account		-	-	48.34	26.38	6.65
	(c) Investment Reserve		-	-	-	-	23.00
	(d) Investment Fluctuation Reserve		-	-	27.63	84.30	-
	(e) Balance carried over to Balance Sheet		576.71	570.60	1,751.29	1,468.57	209.08
	TOTAL		**576.71**	**570.60**	**2,436.35**	**2,105.66**	**318.31**
V	**Earnings per Equity Share (Face value of ₹10 per share)**						
	Basic (₹) [Refer Note 20(10.4)]		0.55	0.57	2.39	2.09	0.32
	Diluted (₹) [Refer Note 20(10.4)]		0.55	0.57	2.39	2.09	0.32

Summary of Significant Accounting Policies 2

The accompanying Notes are an integral part of the restated summary statements

As per our report of even date

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

per Sheshu Samudrala
Partner
Membership No: 235031

Place: Chennai
Date: September 14, 2020

For and on behalf of Board of Directors of
Equitas Small Finance Bank Limited

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Vinod Kumar Sharma
Pro-tem Chairman - ACB
DIN: 02051084
Place : Pune

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Place: Chennai
Date: September 14, 2020

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Annexure- 3: Restated Summary Statement of Cash Flows
(All amounts in ₹ millions, unless otherwise specified)

	Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
A.	**Cash Flow from Operating Activities**					
	Net Profit before taxation	**736.77**	**887.53**	**3,509.40**	**3,237.37**	**485.14**
	Adjustments for:					
	Depreciation and amortisation on fixed assets	194.45	230.36	964.54	917.78	875.05
	Depreciation on investments	1.55	5.07	-	-	(46.59)
	Amortization on Held to Maturity securities	21.65	12.90	60.04	51.62	50.66
	Provision for standard assets	6.99	25.30	151.30	98.87	53.67
	General Provision under COVID -19 Regulatory package	450.00	-	996.30	-	-
	Bad debts written off	81.65	88.99	715.04	607.71	1,902.26
	Provision for non performing assets	145.90	188.02	604.15	282.58	(204.97)
	Other provisions and contingencies	(2.69)	0.75	(0.45)	34.86	16.92
	Loss on sale of fixed assets	(0.04)	0.64	2.60	1.11	1.51
	Interest expenses on borrowings	1,216.18	980.58	4,361.73	4,591.90	4,380.03
	Interest expenses on bank balances not considered as cash and cash equivalents	(1.10)	(1.09)	(5.54)	20.32	70.94
	Operating Profit before working capital changes	**2,851.31**	**2,419.05**	**11,359.11**	**9,844.12**	**7,584.62**
	Adjustments for:					
	(Increase)/Decrease in investments	(11,383.91)	723.98	(40.56)	15,072.25	(19,667.53)
	(Increase)/Decrease in advances	(6,641.34)	(4,574.41)	(22,841.57)	(39,765.68)	(21,739.24)
	Increase/(Decrease) in deposits	9,987.22	1,266.82	17,816.69	34,027.63	36,826.84
	(Increase)/Decrease in other assets	(4,174.86)	(163.08)	(1,230.60)	(522.66)	226.17
	Increase/(Decrease) in other liabilities and provisions	647.90	342.75	673.83	819.03	(828.76)
	Cash (used in) / generated from operations	**(8,713.68)**	**15.11**	**5,736.90**	**19,474.69**	**2,402.10**
	Direct taxes paid	(250.07)	(349.38)	(1,340.76)	(1,441.03)	(296.96)
	Net cash (used in) / generated from operating activities (A)	**(8,963.75)**	**(334.27)**	**4,396.14**	**18,033.66**	**2,105.14**
B	**Cash Flow from Investing Activities**					
	Purchase of fixed assets	(45.01)	(131.75)	(743.72)	(516.37)	(812.84)
	Proceeds from sale of fixed assets	1.65	6.77	22.24	32.96	10.94
	(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	(0.01)	(0.62)	369.82	759.87
	Interest received from bank balances not considered as cash and cash equivalents	0.75	0.01	4.80	6.78	(70.94)
	Net cash (used in) / generated from Investing Activities (B)	**(42.61)**	**(124.98)**	**(717.30)**	**(106.81)**	**(112.97)**
C	**Cash Flow from Financing Activities**					
	Increase/(decrease) in borrowings (net)	3,906.60	6,718.17	11,618.48	(12,041.82)	3,983.12
	Proceeds from issue of share capital	-	-	2,461.95	-	-
	Interest paid on borrowings	(1,012.99)	(883.87)	(4,997.63)	(5,020.70)	(4,266.88)
	Net cash generated from / (used in) Financing Activities (C)	**2,893.61**	**5,834.30**	**9,082.80**	**(17,062.52)**	**(283.76)**

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Annexure- 3: Restated Summary Statement of Cash Flows
(All amounts in ₹ millions, unless otherwise specified)

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Net (decrease) / increase in cash and cash equivalents (A)+(B)+(C)	**(6,112.75)**	**5,375.05**	**12,761.64**	**864.33**	**1,708.41**
Cash and Cash equivalents at beginning of the period / year (Refer Note below)	**25,314.85**	**12,553.21**	**12,553.21**	**11,688.88**	**9,980.47**
Cash and Cash equivalents at end of the period / year (Refer Notes below)	**19,202.10**	**17,928.26**	**25,314.85**	**12,553.21**	**11,688.88**
Notes to cash flow statement :					
Cash and Cash equivalents include the following					
Cash and Balances With Reserve Bank of India (As per Note 8)	4,290.23	3,914.51	3,808.64	4,027.04	3,860.81
Balances With Banks and Money At Call and Short Notice (As per Note 9)	14,965.45	14,066.70	21,559.79	8,579.12	8,250.84
Balances not considered as part of cash and cash equivalents:					
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(53.58)	(52.95)	(53.58)	(52.95)	(422.77)
Cash and Cash equivalents at end of the period / year	**19,202.10**	**17,928.26**	**25,314.85**	**12,553.21**	**11,688.88**

2) The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Account) Rules, 2014 and Companies (Accounting Standards) Amended Rules, 2016.

3) Cash and Cash Equivalents comprises of "Cash and Bank Balances with Reserve Bank of India (Note 8)" and "Balances with Banks and Money at Call and Short Notice (Note 9)" with balances having original maturity of less than three months.

The accompanying Notes are an integral part of the restated summary statements

As per our report of even date

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

For and on behalf of Board of Directors of
Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031

Arun Ramanathan
Chairman
DIN:00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885

Vinod Kumar Sharma
Pro-tem Chairman - ACB
DIN: 02051084
Place : Pune

Place: Chennai
Date: September 14, 2020

N Sridharan
Chief Financial Officer

Place: Chennai
Date: September 14, 2020

Sampathkumar KR
Company Secretary
M.No: A27466

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Notes forming part of the Restated Summary of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Note 3 : Restated Statement of Capital					
Authorised capital					
Authorised equity shares (number of shares)	1,70,00,00,000	2,50,00,00,000	1,70,00,00,000	2,50,00,00,000	1,15,50,00,000
Authorised equity share capital of ₹ 10 each	17,000.00	25,000.00	17,000.00	25,000.00	11,550.00
Issued, subscribed and paid-up capital					
Equity shares issued (number of shares)	1,05,34,01,602	1,00,59,43,363	1,05,34,01,602	1,00,59,43,363	1,00,59,43,363
Issued equity share capital of ₹ 10 each [Refer note below]	10,534.02	10,059.43	10,534.02	10,059.43	10,059.43
TOTAL	**10,534.02**	**10,059.43**	**10,534.02**	**10,059.43**	**10,059.43**

Note:
The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 2,500.10 million on December 11, 2019.

Note 4 - Restated Statement of Reserves and Surplus

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**Statutory reserve**					
	Opening balance	2,376.67	1,767.57	1,767.57	1,241.16	1,161.58
	Add: Transfer from Profit and Loss account	-	-	609.09	526.41	79.58
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (A)	**2,376.67**	**1,767.57**	**2,376.67**	**1,767.57**	**1,241.16**
II	**Capital reserve**					
	Opening balance	132.80	132.80	132.80	132.80	132.80
	Additions during the period / year	-	-	-	-	-
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (B)	**132.80**	**132.80**	**132.80**	**132.80**	**132.80**
III	**Share premium account**					
	Opening balance	7,469.98	5,482.62	5,482.62	5,482.62	5,482.62
	Received during the period / year	-	-	2,025.51	-	-
	Deductions during the period / year	-	-	(38.15)	-	-
	Closing balance - (C)	**7,469.98**	**5,482.62**	**7,469.98**	**5,482.62**	**5,482.62**

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Notes forming part of the Restated Summary of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
IV	**Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961**					
	Opening balance	107.31	58.97	58.97	32.59	25.94
	Add: Transfer from profit and loss account	-	-	48.34	26.38	6.65
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (D)	**107.31**	**58.97**	**107.31**	**58.97**	**32.59**
V	**Revenue and other reserves**					
	Opening balance	254.40	254.40	254.40	254.40	254.40
	Additions during the period / year	-	-	-	-	-
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (E)	**254.40**	**254.40**	**254.40**	**254.40**	**254.40**
VI	**Investment Reserve**					
	Opening balance	23.00	23.00	23.00	23.00	-
	Additions during the period / year	-	-	-	-	23.00
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (F)	**23.00**	**23.00**	**23.00**	**23.00**	**23.00**
VII	**Investment Fluctuation Reserve**					
	Opening balance	111.93	84.30	84.30	-	-
	Additions during the period / year [Refer note below]	-	-	27.63	84.30	-
	Deductions during the period / year	-	-	-	-	-
	Closing balance - (G)	**111.93**	**84.30**	**111.93**	**84.30**	**-**
VIII	**Balance in Surplus in Profit and Loss account**					
	Opening balance	6,431.38	4,680.09	4,680.09	3,211.52	3,002.44
	Profits for the period / year	576.71	570.60	1,751.29	1,468.57	209.08
	Closing balance in Surplus in Profit and Loss account (H)	**7,008.09**	**5,250.69**	**6,431.38**	**4,680.09**	**3,211.52**
	TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	**17,484.18**	**13,054.36**	**16,907.47**	**12,483.75**	**10,378.09**

The Bank appropriates net profit towards various reserves only at the year end. For three month period ended June 30, 2020, corresponding appropriations required as per RBI guidelines in respect of FY 2020-21 would have been ₹ 144.18 million towards statutory reserves, ₹ 11.67 million towards special reserve, ₹ 150.79 million towards Investment Fluctuation Reserve, nil towards investment reserves and nil towards capital reserves.

The Bank appropriates net profit towards various reserves only at the year end. For three month period ended June 30, 2019, corresponding appropriations required as per RBI guidelines in respect of FY 2019-20 would have been ₹ 142.65 million towards statutory reserves, ₹ 7.96 million towards special reserve, ₹ 138.69 million towards Investment Fluctuation Reserve, nil towards investment reserves and nil towards capital reserves.

The Bank incurred an expenditure of ₹ 93.00 million as on June 30, 2020 in relation to the ongoing Initial Public Offer ('IPO') of equity shares of the Bank. Such expense is currently accounted as pre-paid expense under other assets. Upon completion of the IPO process, the Bank proposes to adjust the share issue expense (including expense yet to be incurred) from the Share Premium account as permitted by the Banking Regulation Act 1949, guidelines issued by RBI and applicable provisions of the Companies Act, 2013.

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Notes forming part of the Restated Summary of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

Note 5 - Restated Statement of Deposits

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
A	**I Demand Deposits**					
	(i) From banks	304.17	360.75	337.55	460.78	218.69
	(ii) From others	2,998.43	4,355.78	3,158.78	4,362.77	3,672.60
	II Savings Bank Deposits	20,237.49	17,653.21	18,585.80	17,919.12	12,487.10
	III Term Deposits					
	(i) From banks	41,484.13	27,435.64	35,392.17	23,750.88	13,643.32
	(ii) From others	52,847.05	41,528.80	50,409.75	43,573.81	26,018.02
	TOTAL (I+II+III)	**1,17,871.27**	**91,334.18**	**1,07,884.05**	**90,067.36**	**56,039.73**
B	**Deposits of Branches**					
	I In India	1,17,871.27	91,334.18	1,07,884.05	90,067.36	56,039.73
	II Outside India	-	-	-	-	-
	TOTAL (I+II)	**1,17,871.27**	**91,334.18**	**1,07,884.05**	**90,067.36**	**56,039.73**

Note 6 - Restated Statement of Borrowings

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**Borrowings in India**					
	(i) Reserve Bank of India	2,330.00	-	2,330.00	-	7,900.00
	(ii) Other banks	1,100.00	3,900.00	500.00	100.00	1,500.00
	(iii) Other institutions and agencies	49,625.34	38,848.43	46,318.74	34,830.26	22,322.08
	(iv) Tier II Capital (Non-convertible debentures)	2,200.00	2,200.00	2,200.00	2,700.00	2,700.00
	(v) Bonds and Debentures (excluding subordinated debt)	-	1,500.00	-	2,100.00	17,350.00
	TOTAL	**55,255.34**	**46,448.43**	**51,348.74**	**39,730.26**	**51,772.08**
II	Borrowings outside India	-	-	-	-	-
	TOTAL	-	-	-	-	-
	TOTAL (I+II)	**55,255.34**	**46,448.43**	**51,348.74**	**39,730.26**	**51,772.08**
Secured borrowings included in I and II above		2,690.94	453.54	2,690.94	1,504.76	17,189.58

Note 7 - Restated Statement of Other Liabilities and Provisions

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	Bills payable	485.29	437.76	514.72	627.04	84.45
II	Interest accrued	1,554.93	1,779.05	1,286.98	1,484.62	1,691.29
III	Tax paid in advance (Net of provision for tax)	229.91	6.93	-	-	-
IV	Others (including provisions)*	5,506.45	3,527.85	4,669.49	3,174.45	2,986.43
	TOTAL	**7,776.58**	**5,751.59**	**6,471.19**	**5,286.11**	**4,762.17**
	*Includes :-					
	Provision for standard assets	467.94	334.95	460.95	309.63	210.76
	Floating provision	190.00	190.00	190.00	190.00	190.00
	General provision made by Bank in respect of accounts in default but standard against the potential impact of COVID-19. Also, refer Schedule 20.5.2 and Note 2.3.0.	1446.30	-	996.30	-	-

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Notes forming part of the Restated Summary of Assets and Liabilities
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Note 8 - Restated Statement of Cash and Balances with Reserve Bank of India

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**Cash in hand (Including Cash at ATM)**	1,648.64	1,027.79	1,384.90	1,158.60	1,159.26
II	**Balances with Reserve Bank of India :**					
	(a) In current accounts	2,641.59	2,886.72	2,423.74	2,868.44	2,701.55
	(b) In other accounts	-	-	-	-	-
	TOTAL	**4,290.23**	**3,914.51**	**3,808.64**	**4,027.04**	**3,860.81**

Note 9 - Restated Statement of Balances with Banks and Money at Call and Short Notice

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**In India**					
	(i) Balances with banks :					
	(a) In current accounts	711.87	465.55	706.21	689.08	612.63
	(b) In other deposit accounts [Refer note below]	53.58	52.95	53.58	52.95	608.21
	(ii) Money at call and short notice :					
	(a) With banks	-	-	-	-	2,300.00
	(b) With other institutions	-	-	-	-	500.00
	(c) Lending under Reverse Repo [Note 20 (3.3)]	14,200.00	13,548.20	20,800.00	7,837.09	4,230.00
	TOTAL	**14,965.45**	**14,066.70**	**21,559.79**	**8,579.12**	**8,250.84**
II	**Outside India**					
	(i) In current accounts	-	-	-	-	-
	(ii) In deposit accounts	-	-	-	-	-
	(iii) Money at call and short notice	-	-	-	-	-
	TOTAL	-	-	-	-	-
	TOTAL (I+II)	**14,965.45**	**14,066.70**	**21,559.79**	**8,579.12**	**8,250.84**
	Note:					
	Comprises of deposits under lien	18.28	52.95	18.28	52.95	422.77
	Deposits with original maturity of more than three months	53.58	52.95	53.58	52.95	608.21

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Notes forming part of the Restated Summary of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

Note 10 - Restated Statement of Investments

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**Investments in India (Net of provision)**					
	(i) Government securities	33,047.84	21,700.59	22,923.06	22,442.54	28,402.36
	(ii) Other approved securities	-	-	-	-	-
	(iii) Shares	2.00	2.00	2.00	2.00	2.00
	(iv) Debentures and Bonds	1,735.93	1,000.00	500.00	1,000.00	1,250.00
	(v) Subsidiaries and / or Joint Ventures	-	-	-	-	-
	(vi) Others	-	-	-	-	8,914.05
	TOTAL	**34,785.77**	**22,702.59**	**23,425.06**	**23,444.54**	**38,568.41**
II	**Investments outside India**					
	(i) Government securities (including local authorities)	-	-	-	-	-
	(ii) Subsidiaries and/or joint ventures abroad	-	-	-	-	-
	(iii) Other investments	-	-	-	-	-
	TOTAL	-	-	-	-	-
	TOTAL (I+II)	**34,785.77**	**22,702.59**	**23,425.06**	**23,444.54**	**38,568.41**
III	**Gross value of investments**	34,787.32	22,707.66	23,425.06	23,444.54	38,568.41
	Less: Depreciation	(1.55)	(5.07)	-	-	-
	Net value of investments	**34,785.77**	**22,702.59**	**23,425.06**	**23,444.54**	**38,568.41**

Note 11 - Restated Statement of Advances (net)

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
A	(i) Bills purchased and discounted	-	-	-	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	5,891.11	2,851.47	5,788.57	2,789.99	1,316.70
	(iii) Term loans	1,37,995.09	1,17,381.54	1,31,683.85	1,13,145.66	75,743.59
	TOTAL	**1,43,886.20**	**1,20,233.01**	**1,37,472.42**	**1,15,935.65**	**77,060.29**
B	(i) Secured by tangible assets	1,07,265.38	86,305.00	1,04,192.89	81,932.39	51,850.56
	(ii) Covered by bank / government guarantees	-	-	-	-	-
	(iii) Unsecured	36,620.82	33,928.01	33,279.53	34,003.26	25,209.73
	TOTAL	**1,43,886.20**	**1,20,233.01**	**1,37,472.42**	**1,15,935.65**	**77,060.29**
C	I Advances in India					
	(i) Priority sector	94,231.85	79,736.63	94,532.49	76,892.28	53,996.30
	(ii) Public sector	-	-	-	-	-
	(iii) Banks	0.00	1.80	0.04	700.39	600.84
	(iv) Others	49,654.35	40,494.58	42,939.89	38,342.98	22,463.15
	TOTAL	**1,43,886.20**	**1,20,233.01**	**1,37,472.42**	**1,15,935.65**	**77,060.29**
	II Advances outside India					
	(i) Due from banks	-	-	-	-	-
	(ii) Due from others	-	-	-	-	-
	(a) Bills purchased and discounted	-	-	-	-	-
	(b) Syndicated loans	-	-	-	-	-
	(c) Others	-	-	-	-	-
	TOTAL	-	-	-	-	-
	TOTAL (I+II)	**1,43,886.20**	**1,20,233.01**	**1,37,472.42**	**1,15,935.65**	**77,060.29**

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Notes forming part of the Restated Summary of Assets and Liabilities
(All amounts in ₹ millions, unless otherwise specified)

Note 12 - Restated Statement of Fixed Assets

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	**Premises**					
	Cost					
	As at beginning of the period / year	**1,199.05**	**1,131.94**	**1,131.94**	**1,049.83**	**745.19**
	Additions during the period / year	11.79	7.58	69.03	84.50	305.28
	Deductions during the period / year	(0.93)	(0.76)	(1.92)	(2.39)	(0.64)
	As at end of the period / year	**1,209.91**	**1,138.76**	**1,199.05**	**1,131.94**	**1,049.83**
	Depreciation					
	As at beginning of the period / year	**502.45**	**361.40**	**361.40**	**220.93**	**83.35**
	Additions during the period / year	34.82	36.92	142.97	142.85	138.21
	Deductions during the period / year	(0.93)	(0.76)	(1.92)	(2.38)	(0.63)
	As at end of the period / year	**536.34**	**397.56**	**502.45**	**361.40**	**220.93**
	Net block	**673.57**	**741.20**	**696.60**	**770.54**	**828.90**
II	**Other fixed assets (including furniture and fixtures)**					
	Cost					
	As at beginning of the period / year	**4,304.52**	**3,739.46**	**3,739.46**	**3,396.93**	**2,781.02**
	Additions during the period / year	20.25	119.21	668.20	427.13	643.50
	Deductions during the period / year	(6.57)	(17.21)	(103.14)	(84.60)	(27.59)
	As at end of the period / year	**4,318.20**	**3,841.46**	**4,304.52**	**3,739.46**	**3,396.93**
	Depreciation					
	As at beginning of the period / year	**2,896.16**	**2,152.87**	**2,152.87**	**1,428.49**	**706.79**
	Additions during the period / year	159.63	193.44	821.59	774.92	736.85
	Deductions during the period / year	(4.96)	(9.83)	(78.30)	(50.54)	(15.15)
	As at end of the period / year	**3,050.83**	**2,336.48**	**2,896.16**	**2,152.87**	**1,428.49**
	Net block	**1,267.37**	**1,504.98**	**1,408.36**	**1,586.59**	**1,968.44**
III	**Capital work-in-progress**	**35.70**	**21.14**	**22.73**	**16.23**	**11.49**
	TOTAL (I+II+III)	**1,976.64**	**2,267.32**	**2,127.69**	**2,373.36**	**2,808.83**

Note 13 - Restated Statement of Other Assets

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	Interest accrued	6,277.15	1,536.90	2,306.38	1,462.87	1,155.39
II	Tax paid in advance (Net of provision for tax)	-	-	66.79	56.85	(5.62)
III	Deferred tax asset [Refer Note 20 (10.5)]	1,290.18	964.90	1,133.37	875.60	628.77
IV	Others *	1,449.77	962.06	1,245.33	871.88	683.78
	TOTAL	**9,017.10**	**3,463.86**	**4,751.87**	**3,267.20**	**2,462.32**

*Includes expenses amounting to ₹ 93.00 million relating to listing of shares under Initial Public Offer ("IPO"). These expenses will be drawndown from/adjusted against the Securities Premium Reserve upon completion of the IPO in accordance with the provisions of Companies Act 2013 and the Banking Regulation Act 1949.

Note 14 - Restated Statement of Contingent Liabilities

		As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I	Claims against the bank not acknowledged as debts					
	(a) Service tax	12.55	8.66	12.55	8.66	8.66
	(b) Provident Fund [Refer Note 20 (20)]				-	18.82
	(c) Income tax	-	-	-	1.14	1.37
	(d) Others	17.15	12.65	17.15	10.46	9.76
II	Guarantees given on behalf of constituents					
	In India	162.44	278.16	240.09	306.97	292.84
	TOTAL	**192.14**	**299.47**	**269.79**	**327.23**	**331.45**

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Notes forming part of the Restated Summary Statement of Profit and Loss
(All amounts in ₹ millions, unless otherwise specified)

Particulars		Three month period ended June 30, 2020	Three month period ended June 30, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Note 15 - Restated Statement of Interest Earned						
I	Interest on advances	6,616.06	5,500.15	24,200.07	18,236.56	13,312.17
II	Income from investments	438.66	390.82	1,576.52	2,579.61	1,812.42
III	Interest on balance with RBI and other inter-bank funds	158.40	142.90	677.85	303.17	192.29
	TOTAL	**7,213.12**	**6,033.87**	**26,454.44**	**21,119.34**	**15,316.88**
Note 16 - Restated Statement of Other Income						
I	Commission, exchange and brokerage	38.37	39.86	210.41	186.01	101.71
II	Profit / (loss) on sale of investments (net)	40.15	3.91	33.77	32.73	(102.99)
III	Profit / (loss) on sale of building and other assets (net)	0.04	(0.64)	(2.60)	(1.11)	(1.51)
IV	Miscellaneous income*	218.00	548.50	2,581.93	2,611.35	2,414.94
	TOTAL	**296.56**	**591.63**	**2,823.51**	**2,828.98**	**2,412.15**
* Includes PSLC fee income on account of sale of PSL certificates		-	-	223.35	281.54	607.18
Note 17 - Restated Statement of Interest Expended						
I	Interest on deposits	2,091.51	1,682.12	7,381.18	5,097.01	2,441.70
II	Interest on RBI / inter-bank borrowings	42.04	71.39	273.28	529.30	472.62
III	Other interest	1,036.78	908.73	3,846.92	3,975.69	3,797.15
	TOTAL	**3,170.33**	**2,662.24**	**11,501.38**	**9,602.00**	**6,711.47**
Note 18 - Restated Statement of Operating Expenses						
I	Payments to and provisions for employees	1,944.80	1,693.72	7,097.89	5,513.06	5,154.10
II	Rent, taxes and lighting	217.77	228.17	980.92	906.14	814.84
III	Printing and stationery	8.41	19.16	103.33	96.86	109.54
IV	Advertisement and publicity	9.02	49.48	181.93	162.48	107.38
V	Depreciation and amortisation	194.45	230.36	964.54	917.78	875.05
VI	Directors' fees, allowances and expenses	5.64	4.16	19.37	8.84	8.46
VII	Auditors' fees and expenses	2.00	1.28	9.65	8.73	6.14
VIII	Legal and Professional Fees	35.35	62.03	235.48	158.38	117.05
IX	Postage, telegram, telephone etc.	38.59	54.97	211.11	208.43	262.51
X	Repairs and maintenance	60.89	48.10	215.60	193.51	173.26
XI	Insurance	26.13	21.13	82.49	62.56	34.76
XII	Commission and Brokerage	9.07	33.37	182.02	184.75	176.33
XIII	Information Technology Expenses	157.36	111.15	475.24	377.33	360.61
XIV	Travel & Conveyance	30.89	106.49	483.66	400.39	349.87
XV	Bank and Other finance charges	11.63	8.93	58.62	42.97	20.49
XVI	Cash handling charges	7.16	16.31	77.34	51.66	43.27
XVII	CSR contributions	21.70	32.60	132.70	87.49	23.91
XVIII	Other expenditure*	138.32	46.18	288.90	703.51	173.56
	TOTAL	**2,919.18**	**2,767.59**	**11,800.79**	**10,084.87**	**8,811.13**
* Includes PSLC fee paid towards purchase of PSL certificates		-	-	-	294.13	-

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Notes forming part of the Restated Summary Statement of Profit and Loss
(All amounts in ₹ millions, unless otherwise specified)

Particulars	Three months period ended June 30, 2020	Three months period ended June 30, 2019	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2018
Note 19 - Restated Statement of Provisions and Contingencies					
I Provisions for depreciation on Investment	1.55	5.07	-	-	(46.59)
II Provision for NPA (including write off)	227.55	277.05	1,319.23	890.29	1,697.29
III Net Provision / (reversal) towards Standard assets	6.99	25.30	151.30	98.87	53.67
IV Floating provision	-	-	-	-	-
V Provision for taxes (net)	316.86	406.23	1,330.82	1,378.57	358.68
VI Deferred tax (net)	(156.80)	(89.30)	(257.77)	(246.86)	(191.85)
VII General Provison	450.00	-	996.30	-	-
VIII Other Provision and Contingencies	(2.69)	0.72	(0.45)	34.92	16.92
Total	**843.46**	**625.07**	**3,539.43**	**2,155.79**	**1,888.12**

Note 1 – Statement on Material Adjustments and Regroupings

Material Adjustments

The accounting policies as at and for the three-month periods ended 30th June, 2020 are materially consistent with the policies adopted for each of the year ended 31st March 2020, 31st March 2019 and 31st March 2018 and three months ended 30th June 2019. The Restated Summary Statements have been prepared based on the respective audited Historical Financial Statements for the years ended 31st March 2020, 2019 and 2018 and the three-month periods ended 30th June 2020 and 2019.

Accounting for Priority Sector Lending Certificate ("PSLC")

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs) to achieve the yearly priority sector lending target and sub-targets or earn revenue of surplus portfolio. Up to 31st March 2018, the Bank had recognised the fee paid for purchase of the PSLC and income from sale of PSLC on an upfront basis. Effective, April 1, 2018, the income and expense are recognised over the tenor of the PSLCs within the respective year. As the PSLC period is always up to 31st March, this change in accounting policy does not have any impact on a full financial year and accordingly does not result in a restatement adjustment for year ended 31st March 2018, 2019 and 2020. Further as there were no PSLC transaction during three months period ended 30th June 2020 & 30th June 2019 there is no restatement adjustment required for said periods.

1.2 Non-adjusting items:

<u>1.2.1 Emphasis of matter paragraph in auditor's report</u>

<u>1.2.1.1 On the financial statements for the three-month period June 30, 2020</u>

The auditors' report on the financial statements for the three-months period ended June 30, 2020 included the following Emphasis of Matter paragraph, which does not require any adjustment in the Restated Summary Statements:

Schedule 17.2.1 to the accompanying Interim Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics,

Our opinion is not qualified with regard to this matter.

<u>1.2.1.2 On the financial statements for the three-month period June 30, 2019</u>

The auditors' report on the financial statements for the three-months period ended June 30, 2019 included the following Emphasis of Matter paragraph, which does not require any adjustment in the Restated Summary Statements:

We draw attention to the matter stated in Schedule 17.2.1 to the accompanying Interim Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Our opinion is not qualified with regard to this matter.

Note 1 – Statement on Material Adjustments and Regroupings

<u>**1.2.1.2 On the financial statements for the Year ended March 31, 2020**</u>

The auditors' report on the financial statements for the year ended March 31, 2020 included the following Emphasis of Matter paragraph, which does not require any adjustment in the Restated Summary Statements:

Schedule 17.2.1 to the accompanying Interim Financial Statements regarding management's plans relating to compliance by the Bank, with relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics,

Our opinion is not qualified with regard to this matter.

1.2.2 Changes in estimates

<u>1.2.2.1 Classification of advances and provisioning of non-performing advances</u>

Advances are classified as performing advances (Standard) and non-performing advances (NPA) in accordance with the RBI guidelines on Income Recognition and Asset Classification ('IRAC'). Further, NPA are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Effective September 1, 2018, non-performing advances ('NPA') are identified on a daily basis as against month end NPA identification followed by the Bank earlier.

These changes are considered as changes in estimates, and consequently no retrospective adjustments have been made in this regard to the Restated Summary Statements.

<u>1.2.2.2 Accounting for subsequent Events</u>

Pursuant to the order of the Supreme Court of India dated February 28, 2019 ("SC order"), regarding the applicability of certain provisions of the Employees Provident Fund Act, 1952, the Bank had recognised an amount of Rs 55.00 million as additional expenses in the financial statements for the year ended March 31, 2019 towards contribution to provident fund for the period Feb 2009 to March 2015. The Bank had already aligned its PF contribution from April 2015 on the principles indicated in the PF Authority and upheld by the SC in its order dated February 29, 2019 there is no additional liability towards Provident Fund effective April 2015.

In respect of the years ended 31st March 2018 and 31st March 2017, financial statements were adopted prior to the date of the SC order and as it represents only a change in estimates no retrospective adjustments have been made in this regard to the Restated Summary Statements.

1.3 Material regroupings

Appropriate regrouping/reclassifications have been made in the Restated Summary Statements in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2019 (as amended), in respect of the corresponding items of assets, liabilities, income, expenses, and cash flows in order to align them with the groupings as per the audited interim financial statements of the Bank as at and for three-months period ended June 30, 2020. Details of all re grouping done in Restated summary statements are given in **Annexure-1**

Note 1 – Statement on Material Adjustments and Regroupings

Non-financial information including ratios, percentages, etc, disclosed in Note 20, have been updated to the extent applicable, as a consequence of regroupings / reclassifications made, as indicated above.

1.4 Material errors

There are no material errors that require any adjustment in the Restated Summary Statements.

Annexure-1- Changes in Grouping / Subgrouping Summary

Rs. In Millions

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Advances		(14.39)			(6.64)	
Other Assets		14.39			6.64	
Note: The staff advances by a bank as an employer and not as a banker were earlier shown under advances and later rectified the same and re-grouped to Other Assets as per the ICAI Guidance note on Audit of Banks in Year 2019-20. Hence regrouping is done for previous year ended 31st March 2018 , 2019. .						

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Other Assets					88.08	
Deposits					0.43	
Other Liabilities and Provisions					(88.51)	
Note: Few General Ledgers were regrouped based on their nature in 2018-19 hence regrouping is done for previous year ended 31st March 2018. .						

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Borrowings in India -Other Banks	800	(700)	100	1800`	300	1500
Borrowings in India - Tier II capital (Non-Convertible Debentures)	2000	700	2700	2400	300	2700
Note: Non-Convertible Debentures taken from Banks and other institutions were earlier shown under borrowings from banks and other institutions. Same has been shown separately under Tier II capital (Non-Convertible Debentures) in Year 2019-20 hence regrouping of same in previous year ended 31st March 2019, 2018.						

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Money at call & short notice - With other institutions	2298.26	(2298.26)	0			
Money at call & short notice - Lending under Reverse Repo	5538.83	2298.26	7837.09			

Note 1 – Statement on Material Adjustments and Regroupings

Note: Reverse Repo with RBI, Reverse repo with other banks and Reverse Repo with other institutions were shown separately which was shown together under "Lending under Reverse Repo in 2019-20 as per the ICAI Guidance note on Audit of bank hence same is regrouped for previous year ended 31st March 2019..

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Interest earned	21206.25	(86.91)	21119.34	15427.12	110.24	15316.88
Interest expended	9688.91	(86.91)	9602.00	6821.72	110.25	6711.47
Note: Interest paid on IBPC borrowings earlier were shown as Interest Expense rather than reducing from Interest earned on Advances which was rectified in 2019-20 hence is now been regrouped for previous year ended 31st March 2019, 2018.						

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Advances in India -Secured by Tangible Assets					1937.44	
Advances in India -Unsecured					(1937.44)	
Note: Corporate Loans were grouped in Unsecured advances which were rectified in 2018-19 hence same is regrouped for previous year ended 31st March 2018.						

	2018-19			2017-18		
Account Group Head in Financial Statement	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**	**Audited Financial Statements**	**Changes**	**Restated Summary Statements**
Advances in India -Priority Sector		158.23			(47.87)	
Advances in India -Others		(158.23)			47.87	
Note: Few advances were categorized as priority sector, which were rectified in 2018-19 and 2017-18, hence same is regrouped now in previous year ended 31st March 2018 and 31st March 2019.						

Change in Notes in Restatement Financial	**2018-19**	**2017-18**
Note: Business loans given to MSME against Property as security were not clubbed in figures disclosed under Exposure to real estate sector but were given note for same in 2018-19. However, figures for such loans are shown as Real estate sector exposure since 2019-20 hence note in restated financial is now modified.		

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")
Note 2 – Significant accounting policies forming part of the Restated Summary Statement

(All amounts are rupees in million unless otherwise stated)

1. Corporate information and background

Equitas Small Finance Bank Limited (""ESFBL" or the "Bank", or the "Company") was incorporated in 1993 as V.A.P Finance Private Limited, later renamed as Equitas Finance Private Limited in August 2011. In 2011, the Company was acquired by Equitas Holdings Limited ("EHL"). The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the "Scheme"), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed Equitas Small Finance Bank Limited ("ESFBL"). The Bank commenced its banking operations after the receipt of banking license from the Reserve Bank of India on September 5, 2016. Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 2, 2016.

The Bank is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

a. The Restated Summary Statements have been compiled by the management from the audited financial statements of each of the three-month periods ended June 30, 2020 and 2019 and the years ended March 31, 2020, 2019 and 2018 (together, the "Historical Audited Financial Statements"). The accounting policies have been consistently applied by the Bank in preparation of the Restated Summary Statements and are consistent with those adopted in the preparation of financial statements for the three-month period ended June 30, 2020.

b. The Restated Summary Statements have been prepared by the Bank in accordance with the requirements of relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992, to the extent applicable. The Restated Summary Statements have been prepared by the Bank specially for inclusion in the offer document to be filed by the Bank with the Securities and Exchange Board of India ("SEBI") to facilitate the management discussion and analysis of the Bank's financial performance in connection with its proposed initial public offering, and were approved by the Board on September 14, 2020.

c. The Historical Audited Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with accounting principles generally accepted in India including the accounting standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, the provisions of Section 29 of the Banking Regulation Act 1949, and circulars, guidelines and directions issued by Reserve Bank of India from time to time . The accounting and reporting policies of the Bank used in preparation of these Historical Audited Financial Statements conform, in all material aspects, to Generally Accepted Accounting Principles in India ("Indian GAAP"), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time, Accounting Standards specified under Section 133 of the Companies Act, 2013, (as amended) and practices prevailing within the banking industry in India, as applicable.

d. As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank was required to be listed within 3 years from the date of commencement of operations (i.e from 5th September 2016). In the absence of Securities Exchange Board of India's ("SEBI") approval to a scheme of arrangement, which would have resulted in the listing of the Bank's shares, and the consequent non-compliance of the relevant listing condition, the Reserve Bank of India vide its letter dated September 06, 2019 has imposed regulatory action on the Bank, by way of restriction on opening of new branches and on the remuneration of the MD & CEO of the Bank frozen at current level,till further advice. (In December 2019, the Bank obtained the specific approval of the RBI for opening 240 banking outlets). On September 10, 2019, the Board of directors of the Bank approved an initial public offer and listing of the equity shares on stock exchanges in India, to comply with the licensing guidelines. Subsequently, the Bank filed a Draft Red Herring Prospectus with SEBI on December 16, 2019 and Stock Exchanges (National Stock Exchange of India Limited and BSE Limited). The Bank has received in principle approval from stock exchanges (National Stock Exchange of India Limited and BSE Limited) and observations from the SEBI on its Draft Red Herring Prospectus ("DRHP"). In March 2020, the Bank filed a revised DRHP after addressing the SEBI's comments, and was in the process of completing the Initial Public Offer ("IPO") of shares. However, due to the COVID-19 global pandemic and consequent lockdowns across the country, the completion of the listing process and the IPO of shares has been delayed. Management and the Board of Directors remain committed to completing the IPO of shares in due course, once normalcy in business operations is restored. Read with the above, the Bank continues normal course of business and operates as a going concern, and no adjustments have been considered necessary in this regard.

e. The COVID-19 pandemic (declared as such by the World Health Organisation on March 11,2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict 40-day lockdown in India to contain the spread of the virus till May 3, 2020, which was further extended from time to time with some relaxations in specific areas. This has led to significant disruptions and dislocations for individuals and businesses, and has had consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. In respect of the Bank's loan book, Management has made provisions as more fully explained in note 2.3.0.a. however, the full extent of impact of the COVID-19 pandemic on the Bank's operations, and financial metrics (including impact on provisioning on advances) will further depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

3. Significant accounting policies

3.0. Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

a. In terms of the COVID-19 Regulatory Package of the RBI, vide guidelines dated March 27, 2020 , April 17, 2020 and May 23, 2020, the Bank has granted a moratorium of upto six months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the Schemes approved by the Bank's Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms). The Bank has maintained provisions as on June 30, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as required under the IRAC norms and based on management's assessment, the Bank has made provision of ₹. 99.63 crore in the quarter ended March 20 (including ₹.2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in paragraph 5 of the RBI's guidelines dated April 17, 2020). Further, the Bank has made general provision of ₹. 45.00 crore during the quarter ended June 2020. With this The Bank has accumulated general Provision of ₹. 144.63 crore (including ₹.43.11 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in paragraph 5 of the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by the bank is in excess of the RBI prescribed norms.

b. As regards interest income during the moratorium period, the Bank continues to recognise simple interest on the loans outstanding as at February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules.

3.1. Use of Estimates

The preparation of the Historical Financial Statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the Historical Financial Statements and the Restated Summary Statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3.2.Investments

Classification:
In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories (hereinafter called "categories") as below:

i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity
ii) Held for Trading ("HFT") – Securities acquired with the intention to trade
iii) Available for Sale ("AFS") – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:
Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:
The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories
Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation:
Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. ("FBIL") , based on relevant RBI circular.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ("SLR") securities included in the AFS and HFT categories is valued as per rates published by FBIL.

The valuation of other unquoted fixed income securities (viz., state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at Rs.1 as per the RBI guidelines.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Security receipts, if any, are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:
Profit / loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account.

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the Bank achieve a reserve balance of2% of the HFT and AFS portfolio.

3.3. Advances

Classification:
Advances are classified as Performing Assets (Standard) and Non-performing Assets ("NPA") in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

The Bank transfers advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are 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 in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:
In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of NPAs are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet

Provisions made in excess of the Bank's policy for specific loan loss provisions for NPAs and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

The Bank considers restructured account, if any, 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 advance / securities, which would generally include, amongst 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 the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank’s policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation
Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in Historical financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments and transfer of assets

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles ("SPV").

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the SPV. Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets [Property, Plant and Equipment ("PPE")] and depreciation

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 Years
Furniture and Fixtures	3 Years	10 Years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- Point of Sale terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortisation period and the amortisation method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

3.7. Impairment of assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition
Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date
Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ("FEDAI"). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences
Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on NPAs is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight- line basis over the period of contract.Interest income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight-line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:
The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan
For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
(b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits
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 Banks' obligation is 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.

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Bank measures compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of Priority Sector Lending Certificate (PSLC)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

3.13. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

3.14. Earnings per share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

Proposed dividend after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared / approved.

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020 has not proposed any dividend for the year ended March 31, 2020.

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the Bank has adopted segment reporting as under:

Treasury includes all investment portfolios, profit/loss on sale of investments, PSLC fee, profit/loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under ‘Retail Banking’.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other unallocable assets, liabilities, income and expenditure.

Geographic segment
The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.17. Provisions and Contingencies

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

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 company or a present obligation that is not recognized because it is not probable that an 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 recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

3.18.Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in hand and Balances with RBI and balances with banks and money at call and short notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

The following disclosures have been made, taking into account the requirements of the Accounting Standards (AS's) and the Reserve Bank of India (RBI) guidelines in this regard.

1 CAPITAL

1.1 Capital adequacy

The Capital Risk Adequacy Ratio ("CRAR") of the Bank, calculated as per the standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
1	Common Equity Tier 1 Capital Ratio (as a percentage of Credit RWA)	21.04%	20.65%	22.44%	20.93%	27.07%
2	Tier 1 Capital Ratio (as a percentage of Credit RWA)	21.04%	20.65%	22.44%	20.93%	27.07%
3	Tier 2 Capital Ratio (as a percentage of Credit RWA)	0.98%	1.38%	1.17%	1.52%	2.53%
4	**Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit RWA)**	**22.02%**	**22.03%**	**23.61%**	**22.45%**	**29.60%**
5	Total Credit to Risk Weighted Assets	-	-		-	-
6	Amount of equity capital raised *	-	-	474.59	-	-
7	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares ("PNCPS"): Perpetual Debt Instruments ("PDI") :	-	-		-	-
8	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares ("PCPS") / Redeemable Non Cumulative Preference Shares ("RNCPS") / Redeemable Cumulative Preference Shares ("RCPS")]	-	-	-	-	-

*The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 2,500.10 million on December 11, 2019.

2 BUSINESS RATIOS

S.no	Particulars	For the three month period ended June 30, 2020 (Unannualised)	For the three month period ended June 30, 2019 (Unannualised)	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
(i)	Interest income as a percentage to Working Funds *	3.51%	3.77%	15.02%	14.33%	14.50%
(ii)	Non interest income as a percentage to Working Funds *	0.14%	0.37%	1.60%	1.92%	2.28%
(iii)	Operating Profit as a percentage to Working Funds * ^	0.69%	0.75%	3.39%	2.89%	2.09%
(iv)	Return on Assets @ *	0.28%	0.36%	1.38%	1.43%	0.30%
(v)	Business (deposits plus advances) per employee # & (₹ in million)	13.81	12.30	13.47	13.20	8.90
(vi)	Profit per employee & (₹ in million)	0.04	0.04	0.16	0.15	0.02

Notes:
* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949. (i.e. after commencement of banking operations from September 5, 2016).

@ Return represents net profit for the year. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits).

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

3 INVESTMENTS

3.1 Category-wise details of Investments (Net of provision for depreciation):

S.No	Particulars	As at June 30, 2020			As at June 30, 2019		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	20,413.61	11,989.02	645.21	11,552.97	8,714.86	1,432.76
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	2.00	-	-	2.00	-
iv)	Debentures and bonds	1,235.93	500.00	-	-	1,000.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	-	-
	Total	**21,649.54**	**12,491.02**	**645.21**	**11,552.97**	**9,716.86**	**1,432.76**

S.No	Particulars	As at March 31, 2020			As at March 31, 2019		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	17,828.60	5,044.92	49.54	10,807.04	11,635.50	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	2.00	-	-	2.00	-
iv)	Debentures and bonds	-	500.00	-	-	1,000.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	-	-
	Total	**17,828.60**	**5,546.92**	**49.54**	**10,807.04**	**12,637.50**	**-**

S.No	Particulars	As at March 31, 2018		
		HTM	AFS	HFT
i)	Government securities	9,570.12	18,832.24	-
ii)	Other approved securities	-	-	-
iii)	Shares	-	2.00	-
iv)	Debentures and bonds	-	1,250.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	8,914.05	-
	Total	**9,570.12**	**28,998.29**	**-**

3.2 Details of investments

S.No	Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
1	Value of Investments					
	(i) Gross Value of Investments					
	(a) In India	34,787.33	22,707.66	23,425.06	23,444.54	38,568.41
	(b) Outside India	-	-	-	-	-
	(ii) Provisions for Depreciation					
	(a) In India	(1.55)	(5.07)	-	-	-
	(b) Outside India	-	-	-	-	-
	(iii) Net Value of Investments					
	(a) In India	34,785.78	22,702.59	23,425.06	23,444.54	38,568.41
	(b) Outside India	-	-	-	-	-
2	Movement of provisions held towards depreciation on investments					
	(i) Opening balance	-	-	-	-	46.59
	(ii) Add: Provisions made during the period / year	6.11	8.70	64.64	37.59	67.69
	(iii) Less: Write off / write back of excess provisions during the period / year	4.56	3.63	64.64	37.59	114.28
	(iv) Closing balance	1.55	5.07	-	-	-

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility ("LAF") transactions (in Face value terms) :

As at June 30, 2020

Sl.no	Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily Average outstanding during the period	Outstanding As at June 30, 2020 #
1	**Securities sold under repo**				
	i. Government securities	2,330.00	6,282.50	2,735.74	2,330.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	8,150.00	24,420.00	17,044.29	14,200.00
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms

As at June 30, 2019

Sl.no	Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily Average outstanding during the period	Outstanding As at June 30, 2019 #
1	**Securities sold under repo**				
	i. Government securities	-	4,105.89	853.51	1,140.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	3,000.00	13,980.35	9,292.54	13,477.77
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms

As at March 31, 2020

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As at March 31, 2020 #
1	**Securities sold under repo**				
	i. Government securities	-	7,503.98	1,316.43	2,330.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	3,000.00	26,001.35	12,444.04	20,800.00
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms

As at March 31, 2019

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As at March 31, 2019 #
1	**Securities sold under repo**				
	i. Government securities	-	11,998.07	3,598.64	-
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	-	13,300.00	1,525.18	7,837.09
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms

As at March 31, 2018

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding As at March 31, 2018 #
1	**Securities sold under repo**				
	i. Government securities	-	7,900.00	1,034.30	7,900.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	-	4,230.00	324.00	4,230.00
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms

3.4 Non-SLR Investment Portfolio:

Issuer composition of Non SLR investments as at June 30, 2020:

S.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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	1,737.93	752.00	-	2.00	2.00
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**1,737.93**	**752.00**	**-**	**2.00**	**2.00**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

Issuer composition of Non SLR investments as at June 30, 2019:

S.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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	1,002.00	1,002.00	-	2.00	2.00
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**1,002.00**	**1,002.00**	**-**	**2.00**	**2.00**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

Issuer composition of Non SLR investments as at March 31, 2020:

S.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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	502.00	502.00	-	2.00	2.00
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**502.00**	**502.00**	**-**	**2.00**	**2.00**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

Issuer composition of Non SLR investments as at March 31, 2019:

S.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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	1,002.00	1,002.00	-	2.00	2.00
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**1,002.00**	**1,002.00**	**-**	**2.00**	**2.00**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

Issuer composition of Non SLR investments as at March 31, 2018:

S.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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	9,916.05	7,931.40	-	2.00	2.00
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	250.00	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**10,166.05**	**7,931.40**	**-**	**2.00**	**2.00**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

3.5 Non performing Non-SLR investments

The Bank does not have any non performing non SLR investments as at June 30, 2020, June 30, 2019, March 31, 2020, March 31, 2019 and March 31, 2018.

3.6 Sale and transfer of securities to / from HTM category

The Bank has not sold or transferred any security to/from HTM category as at and for the three month periods ended June 30, 2020 and June 30, 2019 and for the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018.

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in foreign exchange or domestic treasury operations. The Bank does not have any forward rate agreement or interest rate swaps.

5 ASSET QUALITY

5.1 Non-Performing Assets ("NPA")

S.no	Particulars	As at June 30, 2020	As at June 30, 2019
(i)	**Net NPAs to Net Advances (%)**	**1.48%**	**1.56%**
(ii)	**Movement of NPAs (Gross)**		
	(a) Opening balance	4,173.21	2,957.11
	(b) Additions during the period	153.88	793.50
	(c) Reductions during the period	160.44	407.66
	(d) Closing balance	**4,166.65**	**3,342.95**
(iii)	**Movement of Net NPAs**		
	(a) Opening balance	2,476.26	1,864.27
	(b) Additions during the period	(77.64)	481.04
	(c) Reductions during the period	74.91	283.23
	(d) Closing balance	**2,323.71**	**2,062.08**
(iv)	**Movement of provisions for NPAs (excluding provisions on standard assets)**		
	(a) Opening balance	1,696.95	1,092.84
	(b) Additions during the period	231.52	312.46
	(c) Reductions during the period	85.53	124.43
	(d) Closing balance	**1,842.94**	**1,280.87**

S.no	Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
(i)	**Net NPAs to Net Advances (%)**	**1.66%**	**1.44%**	**1.46%**
(ii)	**Movement of NPAs (Gross)**			
	(a) Opening balance	2,957.11	2,125.32	2,064.80
	(b) Additions during the year	4,092.95	3,173.00	3,442.72
	(c) Reductions during the year	2,876.85	2,341.21	3,382.20
	(d) Closing balance	**4,173.21**	**2,957.11**	**2,125.32**
(iii)	**Movement of Net NPAs**			
	(a) Opening balance	1,864.27	1,315.06	1,049.52
	(b) Additions during the year	2,509.96	2,067.85	1,543.64
	(c) Reductions during the year	1,897.97	1,518.64	1,278.10
	(d) Closing balance	**2,476.26**	**1,864.27**	**1,315.06**
(iv)	**Movement of provisions for NPAs (excluding provisions on standard assets)**			
	(a) Opening balance	1,092.84	810.26	1,015.28
	(b) Additions during the year	1,582.99	1,105.15	1,899.08
	(c) Reductions during the year	978.88	822.57	2,104.10
	(d) Closing balance	**1,696.95**	**1,092.84**	**810.26**

5.1.1 Movement of NPAs

Particulars	As at June 30, 2020	As at June 30, 2019
Gross NPAs as at April 1	4,173.21	2,957.11
Additions during the period	153.88	793.50
Subtotal - (A)	**4,327.09**	**3,750.61**
Less:		
(i) Upgradations	31.91	142.33
(ii) Recoveries (excluding recoveries made from upgraded accounts)	46.89	176.26
(iii) Technical or Prudential write offs	52.11	33.76
(iv) Write offs other than those under (iii) above	29.53	55.31
Subtotal - (B)	**160.44**	**407.66**
Gross NPAs as at the period end (A-B)	**4,166.65**	**3,342.95**

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Gross NPAs as at April 1	2,957.11	2,125.32	2,064.80
Additions during the year	4,092.95	3,173.00	3,442.72
Subtotal - (A)	**7,050.06**	**5,298.32**	**5,507.52**
Less:			
(i) Upgradations	1,011.88	812.80	534.26
(ii) Recoveries (excluding recoveries made from upgraded accounts)	1,149.89	920.70	945.63
(iii) Technical or Prudential write offs	172.74	317.58	1,421.12
(iv) Write offs other than those under (iii) above	542.34	290.13	481.19
Subtotal - (B)	**2,876.85**	**2,341.21**	**3,382.20**
Gross NPAs as at the year end (A-B)	**4,173.21**	**2,957.11**	**2,125.32**

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	As at June 30, 2020	As at June 30, 2019
Opening balance of Technical / Prudential write off accounts	1,843.54	1,692.30
Add : Technical / Prudential write offs during the period	52.11	33.76
Subtotal	**1,895.65**	**1,726.06**
Less: Recoveries made from previously technical / prudential written off accounts during the period	0.18	7.23
Less: Actual write off during the period	-	-
Closing balance of technical / prudential write-offs accounts as at the period end	**1,895.47**	**1,718.83**

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Opening balance of Technical / Prudential write off accounts	1,692.30	1,421.12	-
Add : Technical / Prudential write offs during the year	172.74	317.58	1,421.12
Subtotal	**1,865.04**	**1,738.70**	**1,421.12**
Less: Recoveries made from previously technical / prudential written off accounts during the year	21.50	46.40	-
Less: Actual write off during the year	-	-	-
Closing balance of technical / prudential write-offs accounts as at the year end	**1,843.54**	**1,692.30**	**1,421.12**

5.2 Details of Loan Moratorium provided to customers - COVID19 Regulatory Package - Asset Classification and Provisioning

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning (COVID circular)

Particulars	As at June 30, 2020	As at March 31, 2020
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the COVID circular	9,323.79	9,963.00
Respective amount where asset classification benefits is extended	26,839.30	297.80
Provisions made during the Q4FY2020 in terms of paragraph 5 of the COVID circular	1,446.30	996.30
Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of the COVID circular	Nil	Nil

5.3 Divergence in Asset Classification and Provisioning for NPAs:

The divergence observed by Reserve Bank of India ('RBI') for the financial year 2017-18 in respect of the Bank's asset classification and provisioning under the applicable prudential norms on income recognition, asset classification and provision is below the regulatory threshold requirement for the disclosure and hence the disclosure requirement under RBI circular No. RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 April 18, 2017 read with circular No. RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 are not made in the Historical Financial Statements and consequently, the Restated Summary Statements.
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5.4 (a) Details of Financial Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction:

During the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018, there were no sale of non-performing financial assets to securitisation company / reconstruction company for asset reconstruction.

(b) Details of book value of Investment in Security Receipts(SR):

There were no investments made by the Bank in security receipts during the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018.

5.5 Details of Non-performing Assets purchased/sold:

There were no purchase / sale of non-performing assets during the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018. Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.6 Provision on Standard Assets:

Particulars	As at June 30, 2020	As at June 30, 2019
Provision towards standard assets	467.10	332.52
Provisions for restructured standard advances	0.84	2.43
Total	**467.94**	**334.95**

Particulars	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Provision towards standard assets	459.81	307.05	210.76
Provisions for restructured standard advances	1.14	2.58	-
Total	**460.95**	**309.63**	**210.76**

*Does not include general provision of ₹ 1,446.30 million made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on June 30, 2020 and ₹ 996.30 million made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

5.7 Disclosures on Change in Ownership of Projects Under Implementation

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on June 30, 2020, June 30, 2019, March 31,2020, March 31, 2019 and March 31, 2018.

5.8 Resolution of Stressed Assets – Revised Framework

The Bank does not have any stressed Assets (Revised Framework) as per RBI Circular RBI/2017 -131 DBR.No.BP.BC. 101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No. BP.BC.45/21.04.048/2018-19 as on June 30, 2020, June 30, 2019, March 31,2020, March 31, 2019 and March 31, 2018.

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

5.9.1 Details of Loan Assets subjected to Restructuring

a) As on June 30, 2020

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679	118	85	-	2,882
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	22.67	15.79	0.78	-	39.24	22.67	15.79	0.78	-	39.24
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.14	2.48	0.78	-	4.40	1.14	2.48	0.78	-	4.40
2	Fresh restructuring during the three months ended June 30, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-
3	Upgradations to restructured standard category during the three months ended June 30, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-					-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-					-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-					-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2019-20 and hence need not be shown as restructured standard advances at the beginning of the next FY 2020-21	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the three months ended June 30, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(594)	29	565	-	-	(594.00)	29.00	565.00	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(5.56)	0.24	5.32	-	-	(5.56)	0.24	5.32	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.28)	0.06	5.32		5.10	(0.28)	0.06	5.32	-	5.10
6	Write-offs of restructured accounts during the three months ended June 30, 2020*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2	0	0		2	2	0	0.01	-	2
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.07	-	0.01		1.08	1.07	-	0.01	-	1.08
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.05	-	0.01		0.06	0.05	-	0.01	-	0.06
7	Restructured Accounts as on June 30, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,083	147	650		2,880	2,083	147	650	-	2,880
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	16.04	16.03	6.09		38.16	16.04	16.03	6.09	-	38.16
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.81	2.54	6.09		9.44	0.81	2.54	6.09	-	9.44

* Write-off of restructured accounts includes recoveries in existing balances.
Figures under Sr No.5 ( ) represents downgradation of restructured accounts from Standard to Sub standard and Doubtful.
The figures under Sr No 2 includes Nil million of additional sanction (Nil accounts and Nil million Provision there on).

b) As on June 30, 2019

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	51.51	0.53	1.82	-	53.86	51.51	0.53	1.82	-	53.86
		Provision thereon	-	-	-	-	-	-	-	-	-	-	2.58	0.13	1.82	-	4.53	2.58	0.13	1.82	-	4.53
2	Fresh restructuring during the three months ended June 30, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	223	2	5		230	223	2	5	-	230
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.46	0.01	0.04		5.52	5.46	0.01	0.04	-	5.52
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.27	-	0.04		0.31	0.27	-	0.04	-	0.31
3	Upgradations to restructured standard category during the three months ended June 30, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	(1)		-	1	-	(1)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.01	-	(0.01)		-	0.01	-	(0.01)	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	(0.01)		(0.01)	-	-	(0.01)	-	(0.01)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2019-20	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the three months ended June 30, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(5)	2	3	-	-	(5.00)	2.00	3.00	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.07)	0.03	0.04	-	(0.00)	(0.07)	0.03	0.04	-	(0.00)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	0.04		0.05	-	0.01	0.04	-	0.05
6	Write-offs of restructured accounts during the three months ended June 30, 2019*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	33	-	-		33	33	-	-	-	33
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	8.38	0.04	0.23		8.65	8.38	0.04	0.23	-	8.65
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.42	0.01	0.23		0.66	0.42	0.01	0.23	-	0.66
7	Restructured Accounts as on June 30, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3,141	147	294		3,582	3,141	147	294	-	3,582
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	48.53	0.53	1.66		50.72	48.53	0.53	1.66	-	50.72
		Provision thereon	-	-	-	-	-	-	-	-	-	-	2.43	0.13	1.66		4.22	2.43	0.13	1.66	-	4.22

* Write-off of restructured accounts includes recoveries in existing balances.

Figures under Sr No.5 ( ) represents downgradation of restructured accounts from Standard to Sub standard and Doubtful.

The figures under Sr No 2 includes ₹ 5.52 million of additional sanction (230 accounts and ₹ 0.31 million Provision there on).

5.9.2 Details of Loan Assets subjected to Restructuring

a) As on March 31, 2020

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	51.51	0.53	1.82	-	53.86	51.51	0.53	1.82	-	53.86
		Provision thereon	-	-	-	-	-	-	-	-	-	-	2.58	0.13	1.82	-	4.53	2.58	0.13	1.82	-	4.53
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	223	4	6	-	233	223	4	6	-	233
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.46	15.68	0.04	-	21.18	5.46	15.68	0.04	-	21.18
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.27	2.35	0.04	-	2.66	0.27	2.35	0.04	-	2.66
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	360	(110)	(250)	-	-	360	(110)	(250)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.97	(0.27)	(0.82)	-	(0.11)	0.97	(0.27)	(0.82)	-	(0.11)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.05	(0.07)	(0.82)	-	(0.84)	0.05	(0.07)	(0.82)	-	(0.84)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2019-20	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(131)	85	46	-	-	(131)	85	46	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(1.87)	1.29	0.58	-	(0.00)	(1.87)	1.29	0.58	-	(0.00)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.09)	0.32	0.58	-	0.81	(0.09)	0.32	0.58	-	0.81
6	Write-offs of restructured accounts during the year*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	728	4	4	-	736	728	4	4	-	736
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	33.40	1.44	0.84	-	35.68	33.40	1.44	0.84	-	35.68
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.67	0.25	0.84	-	2.76	1.67	0.25	0.84	-	2.76
7	Restructured Accounts as on March 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679	118	85	-	2,882
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	22.67	15.79	0.78	-	39.24	22.67	15.79	0.78	-	39.24
		Provision thereon	-	-	-	-	-	-	-	-	-	-	1.14	2.48	0.78	-	4.40	1.14	2.48	0.78	-	4.40

* Write-off of restructured accounts includes recoveries in existing balances.
Figures under Sr No.5 ( ) represents downgradation of restructured accounts from Standard to Sub standard and Doubtful.
The figures under Sr No 2 includes ₹ 21.18 million of additional sanction (233 accounts and ₹ 2.66 million Provision there on).

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

b) As on March 31, 2019

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	16.47	-	-	16.47	-	16.47	-	-	16.47
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	4.12	-	-	4.12	-	4.12	-	-	4.12
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,265	135	287	-	2,687	2,265	135	287	-	2,687
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	51.92	0.45	2.11	-	54.48	51.92	0.45	2.11	-	54.48
		Provision thereon	-	-	-	-	-	-	-	-	-	-	2.60	0.11	2.11	-	4.82	2.60	0.11	2.11	-	4.82
3	Upgradations to restructured standard category during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	699	(699)	-	-	-	699	(699)	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	7.50	(7.50)	-	-	-	7.50	(7.50)	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.38	(1.88)	-	-	(1.50)	0.38	(1.88)	-	-	(1.50)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2018-19*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(9)	(17)	-	-	(26)	(9)	(17)	-	-	(26)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(7.91)	(8.89)	(0.29)	-	(17.09)	(7.91)	(8.89)	(0.29)	-	(17.09)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.40)	(2.22)	(0.29)	-	(2.91)	(0.40)	(2.22)	(0.29)	-	(2.91)
7	Restructured Accounts as on March 31,2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	51.51	0.53	1.82	-	53.86	51.51	0.53	1.82	-	53.86
		Provision thereon	-	-	-	-	-	-	-	-	-	-	2.58	0.13	1.82	-	4.53	2.58	0.13	1.82	-	4.53

* Write-off of restructured accounts includes recoveries in existing balances.
The figures under Sr No 2 includes ₹ 54.48 million of additional sanction (2687 accounts and ₹ 4.82 million Provision there on).

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

c) As on March 31, 2018

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2017	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	18.31	-	-	18.31	-	18.31	-	-	18.31
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	4.58	-	-	4.58	-	4.58	-	-	4.58
3	Upgradations to restructured standard category during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2017-18*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(1.84)	-	-	(1.84)	-	(1.84)	-	-	(1.84)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.46)	-	-	(0.46)	-	(0.46)	-	-	(0.46)
7	Restructured Accounts as on March 31,2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	16.47	-	-	16.47	-	16.47	-	-	16.47
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	4.12	-	-	4.12	-	4.12	-	-	4.12

* Write-off of restructured accounts includes recoveries in existing balances.
The figures under Sr No 2 includes ₹ 18.31 million of additional sanction (724 accounts and ₹ 4.58 million Provision there on).

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at June 30, 2020

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	2,112.49	5,400.88	1,873.58	5,532.86	8,095.47	5,489.08	14,164.53	32,143.28	43,029.57	12.92	16.61	1,17,871.27
Advances	52.39	799.51	759.97	591.08	2,130.68	(2,304.40)	9,248.23	23,621.28	61,907.91	20,145.81	26,933.74	1,43,886.20
Investments	11,929.31	500.00	-	1,580.46	2,314.81	806.69	2,111.20	4,764.79	9,988.18	412.18	378.15	34,785.77
Borrowings	79.55	-	557.30	500.00	3,784.30	999.30	5,340.45	15,823.40	23,374.90	4,780.78	15.36	55,255.34
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank and the same estimates and assumptions have been used by the Bank for computing the returns submitted to RBI. These estimates may vary from actual maturity pattern.

b) As at June 30, 2019

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	442.28	2,666.64	1,823.95	1,587.93	2,858.12	6,025.54	10,919.55	26,184.56	38,808.16	12.43	5.02	91,334.18
Advances	118.35	1,365.65	1,419.05	1,349.00	3,947.16	3,865.07	10,482.12	21,336.62	44,921.04	15,246.48	16,182.47	1,20,233.01
Investments	4,299.61	-	-	1,711.13	1,361.14	1,534.24	1,817.22	4,268.63	6,903.01	658.32	149.29	22,702.59
Borrowings	1,219.23	-	950.00	-	6,135.62	2,907.00	2,801.05	6,994.16	19,123.60	6,290.89	26.88	46,448.43
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank and the same estimates and assumptions have been used by the Bank for computing the returns submitted to RBI. These estimates may vary from actual maturity pattern.

c) As at March 31, 2020

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	1,589.20	4,621.20	1,341.10	3,645.30	4,713.30	5,947.60	14,569.60	30,441.20	40,993.30	12.10	10.15	1,07,884.05
Advances	5.50	322.70	-	(4,000.00)	(1,751.70)	2,817.80	7,803.70	25,263.80	62,241.40	19,758.40	25,010.82	1,37,472.42
Investments	2,439.80	-	-	1,381.00	1,497.60	953.40	2,847.30	4,749.00	8,982.20	412.70	162.06	23,425.06
Borrowings	-	-	557.30	-	1,721.80	1,264.30	5,420.50	10,133.40	26,199.90	6,032.30	19.24	51,348.74
Foreign Currency Assets												-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank and the same estimates and assumptions have been used by the Bank for computing the returns submitted to RBI. These estimates may vary from actual maturity pattern.

d) As at March 31, 2019

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	354.10	3,279.60	2,863.60	7,570.70	3,767.90	5,468.20	8,018.10	23,393.30	35,320.70	24.40	6.76	90,067.36
Advances	117.60	1,299.10	1,490.90	1,084.11	5,380.50	3,698.40	10,707.40	19,952.00	42,906.40	14,603.80	14,695.44	1,15,935.65
Investments	6,175.40	-	-	1,208.20	2,176.20	971.30	2,067.60	3,948.40	6,318.50	443.70	135.24	23,444.54
Borrowings	-	100.00	150.00	-	2,314.50	836.60	6,172.20	6,414.60	19,169.20	4,542.50	30.66	39,730.26
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank and the same estimates and assumptions have been used by the Bank for computing the returns submitted to RBI. These estimates may vary from actual maturity pattern.

e) As at March 31, 2018

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	1,843.50	623.10	84.60	2,703.60	4,967.30	9,303.70	7,675.00	9,896.70	18,922.90	5.20	14.13	56,039.73
Advances	197.60	1,015.00	1,000.40	993.66	3,151.10	1,426.00	8,383.40	13,939.00	30,945.30	9,005.50	7,003.33	77,060.29
Investments	7,552.70	5,547.20	898.70	2,896.50	-	245.80	3,625.30	7,230.10	2,558.50	3,079.30	4,934.31	38,568.41
Borrowings	-	8,777.60	661.80	2,398.40	261.80	1,069.40	11,707.10	6,701.30	16,254.00	3,894.60	46.08	51,772.08
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank and the same estimates and assumptions have been used by the Bank for computing the returns submitted to RBI. These estimates may vary from actual maturity pattern.

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

Sl No	Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
(a)	**Direct Exposures**					
	(i) Residential Mortgages	63,508.86	48,402.71	61,500.80	44,856.38	26,039.14
	- of which housing loans eligible for inclusion in priority sector advances are rendered	4,822.60	2,979.78	4,637.10	2,767.10	2,117.94
	(ii) Commercial Real Estate	1,158.66	555.12	1,149.40	545.40	269.59
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –					
	a. Residential	-	-	-	-	-
	b. Commercial Real Estate	-	-	-	-	-
(b)	**Indirect Exposures**					
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3,083.99	1,468.39	2,424.12	1,225.00	3,326.60
	Total exposure to Real Estate Sector	**67,751.51**	**50,426.22**	**65,074.32**	**46,626.78**	**29,635.33**

The above disclosure is prepared without considering the IBPC sold on partial risk sharing basis.

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.
The above disclosure includes the IBPC exposure of ₹ 4,500 million as at June 30, 2020, ₹ 1,000 million as at June 30, 2019, ₹ 10,500 million as at March 31, 2020, NIL as at March 31, 2019 and NIL as at March 31, 2018 and includes a) Exposure to Home Loans, Loan against property against Residential mortgages other than classified under CRE-RH b)Exposure to Real Estate Builders/ Developers c)exposures where the primary source of cash flow, i.e. more than 50% of cash flows, for repayment / recovery is from lease or rental payments and such assets are taken as security and d) Indirect exposure to HFC.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

7.2 Exposures to Capital Market

Sl No	Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
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;	2.00	2.00	2.00	2.00	2.00
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;	2.03	2.08	2.03	2.11	2.60
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;	-	-	-	-	-
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	Venture Capital Funds (both registered and unregistered)	-	-	-	-	-
	Total exposure to Capital market	**4.03**	**4.08**	**4.03**	**4.11**	**4.60**

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures. Accordingly, no provision is maintained with regard to country risk exposure during the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018.

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020, March 31, 2019 and March 31, 2018, the Bank has not exceeded the prudential credit exposure limit prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers.

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is intangible assets such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances as on June 30, 2020 of ₹ 36,620.82 million, June 30, 2019 of ₹ 33,928.01 million, March 31, 2020 of ₹33,279.53 million, March 31, 2019 of ₹ 34,003.26 million, March 31, 2018 of ₹ 25,209.73 million disclosed in Note 11 (B) (iii) are without any collateral or security.

8 Disclosures relating to Penalties imposed by RBI

During the three month periods ended June 30, 2020 and June 30, 2019 and financial years ended March 31, 2020 and March 31, 2019, RBI had not imposed any penalties on the Bank. (Also, refer Note 2.2.d for the regulatory action taken by the RBI)

During the financial year ended March 31, 2018, the Bank had paid monetary penalty of ₹ 1 million for its lapse in getting approval for distribution of third party product from RBI. Under licensing guidelines issued for Small Finance Banks ("SFB"), an SFB is required to take prior approval from Reserve Bank of India ("RBI") for distribution of third party products like mutual fund units, insurance policies etc. However, this was not obtained due to oversight although other requisite approvals from other regulators viz., Insurance Regulatory Development Authority of India ("IRDAI"), Association of Mutual Funds of India ("AMFI") were duly obtained.

ESFBL was formed by merger of three NBFC subsidiaries carrying on micro finance, vehicle finance and housing finance businesses respectively. These companies were arranging/ distributing insurance for its borrowers, primarily to secure the loans in the event of their death or incapacitation due to accident or otherwise as well as insuring the asset which is secured to the loan, such as vehicles, property, etc. This legacy arrangement was continued after becoming an SFB however there was an oversight in seeking RBI approval.

Soon after noticing this omission in an internal compliance review, the Bank reported the matter to RBI admitting its lapse and sought its approval for distribution of third party products. The approval was received from RBI vide letter dated December 29, 2017. Subsequently, RBI vide Press Release dated March 8, 2018, levied a monetary penalty of ₹ 1 million on the Bank for the aforesaid omission to obtain prior RBI approval.

9 Disclosure on remuneration

Qualitative disclosures

The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of four (4) other Independent Directors and one (1) Non-Executive Non-Independent Director.

(a) Remuneration Policy of the Bank covers remuneration payable for directors and employees of the Bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for bonus payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOP Scheme) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank. Also, refer Note 2.2.d.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

The Bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by RBI vide their Master Circular Reference no DBOD No.BC.72 /29.67.001/2011-12 dated January 31, 2012.

(c)Description of the ways in which current and future risks are taken into account in the remuneration processes.

The Board of Directors through the Nomination and Remuneration Committee ("NRC") shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Management Persons ("KMP") and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors ("NED") including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial years as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are paid such sitting fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Section 35B (1) of the Banking Regulation Act 1989. NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them while performing duties for the Bank.

The remuneration payable to Managing Director ("MD")/ Chief Executive Officer ("CEO") shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the Nomination and Remuneration Committee may fix a maximum ceiling on the fixed/variable component of compensation, subject the approval of Reserve Bank of India.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

The Bank did not have an ESOP scheme for its employees till November 21, 2019. Select employees including MD & CEO was eligible for Employee Stock Options ("ESOP") of the Holding Company, as determined from time to time by the NRC of the Holding Company and subject to the approval of Reserve Bank of India (RBI). The proposal for grant of ESOPs of the Holding Company to MD & CEO was not acceded to by RBI as conveyed vide its letter dated April 2, 2019. As a result of this, ESOPs of Holding Company are not allotted to MD & CEO.

On November 22, 2019, the Board of the Bank has approved an ESOP scheme for the Bank for eligible employees as determined from time to time by the NRC of the bank.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

The Bank follows Annual Performance Review (12 months period) to link performance and remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business and individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets etc.

(e) A discussion of the Bank's 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.

Currently the Bank does not follow any deferred remuneration.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

A variable component would also be made available for specific employees as agreed and included as a part of compensation. The percentage of variable component may be fixed upto 25% of remuneration.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above defined grade are eligible for Employee Stock Options issued by the Bank determined by the Nomination and Remuneration Committee of the Bank. In addition, some of the employees are holding stock options issued by the Holding company under the Holding Company's Employee Stock Option scheme.

Quantitative disclosures

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019
Number of meetings held by the Nomination and Remuneration Committee during the period	2	1
Remuneration paid to its members (In million)	0.31	0.13
(i) Number of employees having received a variable remuneration award during the period	-	-
(ii) Number and total amount of sign on awards made during the period	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the period	-	-
<u>Breakdown of amount of remuneration awards for the period to show fixed and variable, deferred and non deferred:</u>		
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
(ii) Total amount of reductions during the period due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the period due to ex post implicit adjustments.	-	-

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Number of meetings held by the Nomination and Remuneration Committee during the financial year	6	6	5
Remuneration paid to its members (In million)	0.84	0.30	0.30
(i) Number of employees having received a variable remuneration award during the financial year.	-	-	-
(ii) Number and total amount of sign on awards made during the financial year.	-	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-	-
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-	-
<u>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:</u>			
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-	-
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-	-
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

10 Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

As at / period ended June 30, 2020

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**611.58**	**6,569.65**	**217.56**	**110.89**	**7,509.68**
Segment Results	(6.70)	803.61	50.58	46.87	894.36
Unallocated income/(expenses)					157.59
Operating profit					736.77
Income taxes					160.06
Net Profit					**576.71**
Other information					
Segment assets	39,076.00	1,57,614.01	9,988.90	-	2,06,678.91
Unallocated assets					2,242.48
Total assets					**2,08,921.39**
Segment liabilities	34,099.08	1,37,966.76	8,757.32	-	1,80,823.16
Unallocated liabilities					80.03
Total liabilities					**1,80,903.19**
Additional information					
Capital expenditure	-	42.33	2.68	-	**45.01**

As at / period ended June 30, 2019

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**537.85**	**5,853.00**	**166.77**	**67.88**	**6,625.50**
Segment Results	87.87	897.58	50.83	15.02	1,051.30
Unallocated income/(expenses)					163.77
Operating profit					887.53
Income taxes					316.93
Net Profit					**570.60**
Other information					
Segment assets	26,617.10	1,31,516.34	6,618.10	-	1,64,751.54
Unallocated assets					1,896.45
Total assets					**1,66,647.99**
Segment liabilities	23,117.50	1,14,532.13	5,775.44	-	1,43,425.07
Unallocated liabilities					109.13
Total liabilities					**1,43,534.20**
Additional information					
Capital expenditure	0.43	124.98	6.29	-	**131.70**

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

As at / for the year ended March 31, 2020

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**2,478.50**	**25,584.70**	**863.30**	**351.50**	**29,278.00**
Segment Results	779.80	3,103.10	231.10	126.50	4,240.50
Unallocated income/(expenses)					731.10
Operating profit					3,509.40
Income taxes					1,073.05
Net Profit					**2,436.35**
Other information					
Segment assets	27,233.70	1,53,941.16	9,936.70	-	1,91,111.56
Unallocated assets					2,033.92
Total assets					**1,93,145.48**
Segment liabilities	23,533.05	1,33,444.83	8,625.47	-	1,65,603.35
Unallocated liabilities					100.63
Total liabilities					**1,65,703.98**
Net assets / Capital employed	3,700.65	20,496.33	1,311.23	-	**25,508.21**
Additional information					
Capital expenditure	0.98	697.70	45.04	**-**	**743.72**

As at / for the year ended March 31, 2019

Particulars	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**3,182.59**	**20,027.96**	**449.44**	**288.33**	**23,948.32**
Segment Results	1,124.72	2,581.11	27.70	101.51	3,835.04
Unallocated income/(expenses)					597.67
Operating profit					3,237.37
Income taxes					1,131.71
Net Profit					**2,105.66**
Other information					
Segment assets	27,471.58	1,21,785.72	6,459.77	-	1,55,717.07
Unallocated assets					1,909.84
Total assets					**1,57,626.91**
Segment liabilities	23,761.29	1,05,620.33	5,614.10	-	1,34,995.72
Unallocated liabilities					88.01
Total liabilities					**1,35,083.73**
Additional information					
Capital expenditure	1.64	488.80	25.92	**-**	**516.36**

As at / for the year ended March 31, 2018

Particulars	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**2,473.88**	**15,044.89**	**14.76**	**195.50**	**17,729.03**
Segment Results	291.30	807.20	(199.30)	24.10	923.30
Unallocated income/(expenses)					(438.16)
Operating profit					485.14
Income taxes					166.83
Net Profit					**318.31**
Other information					
Segment assets	42,409.61	85,963.49	4,015.25	**-**	1,32,388.35
Unallocated assets					623.15
Total assets					**1,33,011.50**
Segment liabilities	36,029.97	73,032.05	3,411.29	**-**	1,12,473.31
Unallocated liabilities					100.67
Total liabilities					**1,12,573.98**
Additional information					
Capital expenditure	**-**	776.53	36.27	**-**	**812.80**

Geographic segments
The Bank's operations are confined to one geography (India).
Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions.

10.2 Related Party Transactions

i. Names of Related Parties and Nature of Relationship

List of Related Parties	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Holding Company					
Equitas Holdings Limited	✔	✔	✔	✔	✔
Fellow Subsidiary					
Equitas Technologies Private Limited	✔	✔	✔	✔	✔
Entities under the same Management					
Equitas Development Initiatives Trust	✔	✔	✔	✔	✔
Equitas Dhanyakosha India	✔	✔	✔	✔	✔
Equitas Healthcare Foundation	✔	✔	✔	✔	✔
Key Management Personnel					
Vasudevan PN, MD & CEO (wef July 23, 2016)	✔	✔	✔	✔	✔
N Sridharan, Chief Financial Officer (wef September 4, 2016)	✔	✔	✔	✔	✔
Sampathkumar KR, Company Secretary (wef September 4, 2016)	✔	✔	✔	✔	✔

Relatives of Key Management Personnel

List of Relatives of Key Management Personnel	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended 31 March 2020	For the year ended 31 March 2019	For the year ended 31 March 2018
Vasudevan PN, MD & CEO (wef July 23, 2016)					
Smt P V Choodamani	✔	✔	✔	✔	✔
Shri Pathangi Narasimhan	✔	✔	✔	✔	✔
Smt Komala P N	✔	✔	✔	✔	✔
Ms P.V. Varshini	✔	✔	✔	✔	✔
Shri P.N. Sriraman	✔	✔	✔	✔	✔
Shri P.N. Malolan	✔	✔	✔	✔	✔
Shri P.N. Janardhanan	✔	✔	✔	✔	✔
N Sridharan, Chief Financial Officer (wef September 4, 2016)					
Smt Balambika Sridharan	✔	✔	✔	✔	✔
Late Shri P K Nanu Iyer	✔	✔	✔	✔	✔
Late Smt Visalakshi N	✔	✔	✔	✔	✔
Shri S Aparajith	✔	✔	✔	✔	✔
Selvi Himaja Sridharan	✔	✔	✔	✔	✔
Shri N Krishnamurthy	✔	✔	✔	✔	✔
Shri N Suryakumar	✔	✔	✔	✔	✔
Shri N K Vasan	✔	✔	✔	✔	✔
Shri N Gunasekaran	✔	✔	✔	✔	✔
Shri N Ravi	✔	✔	✔	✔	✔
Shri N Mahesh	✔	✔	✔	✔	✔
Sampathkumar KR, Company Secretary (wef September 4, 2016)					
Shri P.N. Madhavan	✔	✔	✔	✔	✔
Smt S Sangeetha	✔	✔	✔	✔	✔
Shri K Ragunathan	✔	✔	✔	✔	✔
Smt R Kanagavalli	✔	✔	✔	✔	✔
Ms S Sahasra	✔	✔	✔	✔	✔
Shri K.R. Sudharsan	✔	✔	✔	✔	✔

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenses						
CSR Contribution	Equitas Development Initiatives Trust	-	32.60	109.00	86.50	23.91
	Equitas Healthcare Foundation	-	-	23.70	3.00	-
Deposits						
Term deposits received	Equitas Holdings Limited	383.66	65.26	603.37	2,075.90	275.60
	Equitas Technologies Private Limited	-	-	-	-	93.50
	Equitas Development Initiatives Trust	0.74	0.01	107.55	0.36	0.36
	Key Management Personnel	0.82	1.27	6.69	2.02	0.05
Term deposits closed	Equitas Holdings Limited	356.50	36.00	552.01	765.80	171.10
	Equitas Technologies Private Limited	-	-	-	35.26	58.50
	Equitas Development Initiatives Trust	-	-	67.00	-	-
	Key Management Personnel	-	1.02	3.14	-	5.86
Interest on Term Deposits	Equitas Holdings Limited	37.06	36.32	148.30	110.52	34.58
	Equitas Development Initiatives Trust	0.83	0.02	2.96	0.02	0.02
	Key Management Personnel	0.14	0.05	0.34	0.09	0.20
	Equitas Technologies Private Limited	-	-	-	0.48	0.72
Interest on Savings Deposits	Equitas Development Initiatives Trust	0.72	0.85	3.10	1.10	0.48
	Equitas Healthcare Foundation	0.62	0.04	0.68	0.00	-
	Key Management Personnel	0.11	0.10	0.60	0.31	0.22
Savings Deposits	Equitas Development Initiatives Trust	18.51	151.39	396.14	231.91	156.82
	Equitas Healthcare Foundation	19.50	3.00	27.47	-	-
	Key Management Personnel	2.91	8.12	24.04	14.13	16.16
Demand Deposits	Equitas Technologies Private Limited	34.20	17.18	92.59	57.62	176.51
	Equitas Holdings Limited	391.67	92.61	737.93	2,241.22	707.31
	Equitas Dhanyakosha India	-	-	0.02	0.03	5.19
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	44.54	94.84	383.81	197.82	155.15
	Key Management Personnel	3.00	4.33	22.75	13.79	13.48
	Equitas Healthcare Foundation	3.47	-	0.09	-	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	406.57	93.79	728.77	2,260.20	681.58
	Equitas Dhanyakosha India	-	0.00	0.21	0.46	5.18
	Equitas Technologies Private Limited	30.16	15.31	96.19	58.62	171.94
Borrowings						
Borrowings Repaid	Equitas Holdings Limited	-	-	-	1,217.00	-
Interest on Borrowings	Equitas Holdings Limited	-	-	-	26.47	97.36
Other transactions						
Reimbursement of Expenses	Equitas Development Initiatives Trust	-	-	-	2.21	-
	Equitas Technologies Private Limited	-	-	-	0.24	-
	Equitas Holdings Limited	-	-	-	0.03	-
Staff Loan transferred in	Equitas Technologies Private Limited	-	-	-	-	0.02
	Equitas Dhanyakosha India	-	-	-	-	0.08
Staff Loan transferred out	Equitas Technologies Private Limited	-	-	-	-	0.03
	Equitas Development Initiatives Trust	-	-	-	-	0.03
Guarantees released during the period / year	Equitas Holdings Limited	-	-	-	1,500.00	2,230.00
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	2.55	2.77	16.50	11.06	4.95
	N Sridharan, Chief Financial Officer	2.11	2.26	9.38	7.91	7.14
	Sampathkumar KR, Company Secretary	0.54	0.58	2.40	1.79	1.51

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 company as a whole.

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited, the Key Management Personnel were allotted the following shares:

Name of the Key Management Personnel	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Sridharan N	-	-	-	5,400	10,800
Sampathkumar K R	-	-	-	1,194	774
Total	**-**	**-**	**-**	**6,594**	**11,574**

iii. Balances outstanding

Particulars	Name of the Related Party	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Payables						
Borrowings outstanding	Equitas Holdings Limited	-	-	-	-	1,217.00
Term Deposit outstanding	Equitas Holdings Limited	1,843.37	1,794.10	1,816.20	1,764.84	454.69
	Equitas Technologies Private Limited	-	-	-	-	35.02
	Equitas Development Initiatives Trust	42.12	0.86	41.38	0.84	0.43
	Key Management Personnel	6.43	2.27	5.61	2.02	-
Interest Payable on term deposits	Equitas Holdings Limited	20.20	20.87	21.29	20.32	1.95
	Equitas Technologies Private Limited	-	-	-	-	0.55
	Equitas Development Initiatives Trust	0.39	0.00	0.38	0.00	0.00
	Key Management Personnel	0.08	0.05	0.08	0.00	-
Demand Deposits	Equitas Holdings Limited	8.60	13.16	23.50	14.35	33.32
	Equitas Dhanyakosha India	-	0.19	-	0.19	0.21
	Equitas Technologies Private Limited	4.11	5.53	0.07	3.67	4.67
Savings Deposit	Equitas Development Initiatives Trust	28.47	95.75	53.77	38.34	3.15
	Equitas Healthcare Foundation	44.83	3.15	28.17	0.11	-
	Key Management Personnel	6.98	8.95	6.96	5.02	4.37
Others						
Corporate Guarantees	Equitas Holdings Limited	520.00	520.00	520.00	520.00	2,020.00

iv. Maximum Outstanding during the period / year

Particulars	Name of the Related Party	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Payables						
Borrowings outstanding	Equitas Holdings Limited	-	-	-	1,217.00	1,217.00
Term Deposit outstanding	Equitas Holdings Limited	1,843.37	1,798.10	1,827.20	1,770.17	454.69
	Equitas Technologies Private Limited	-	-	-	35.26	47.52
	Equitas Development Initiatives Trust	42.12	0.86	66.01	0.84	0.43
	Key Management Personnel	6.43	2.27	5.61	2.06	0.05
Demand Deposits	Equitas Holdings Limited	127.70	30.53	116.27	433.29	58.82
	Equitas Dhanyakosha India	-	0.19	0.19	0.23	0.58
	Equitas Technologies Private Limited	9.73	8.81	10.79	28.20	50.71
Savings Deposit	Equitas Development Initiatives Trust	59.17	132.30	100.42	40.46	34.92
	Equitas Healthcare Foundation	44.83	3.15	28.17	0.11	-
	Key Management Personnel	7.69	8.97	14.37	7.61	7.69
Others						
Corporate Guarantees	Equitas Holdings Limited	520.00	520.00	520.00	520.00	2,020.00

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Future lease rentals payable at the end of the year					
- Not later than one year	621.93	543.59	648.91	531.42	491.14
- Later than one year but not later than five years	2,387.14	2,063.33	2,392.26	2,013.87	1,873.54
- Later than five years	492.45	809.59	623.58	888.14	1,286.23
Total minimum lease payments recognised in the Profit and loss account	155.70	152.62	646.89	589.94	569.10
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-	-	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

10.4 Earnings per Share (AS 20)

Particulars	For the three month period ended June 30, 2020 (Unannualised)	For the three month period ended June 30, 2019 (Unannualised)	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit for the year	576.71	570.60	2,436.35	2,105.66	318.31
Basic weighted average number of equity shares (in absolute terms)	1,05,34,01,602	1,00,59,43,363	1,02,04,66,103	1,00,59,43,363	1,00,59,43,363
Diluted weighted average number of equity shares (in absolute terms)	1,05,34,01,602	1,00,59,43,363	1,02,04,66,103	1,00,59,43,363	1,00,59,43,363
Nominal value of Equity shares (₹)	10.00	10.00	10.00	10.00	10.00
Basic Earnings per share (₹)	0.55	0.57	2.39	2.09	0.32
Diluted Earnings per share (₹)	0.55	0.57	2.39	2.09	0.32

During the year ended March 31, 2020, the Bank granted 4,14,08,728 options to its employees and the employees of Equitas Holding Limited under the ESFB Employees Stock Option Scheme 2019. These options does not have any dilutive impact on the earnings per share for the three months ended June 20 and for the year ended March 31, 2020

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	As at June 30, 2020		As at June 30, 2019	
Timing difference on account of:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	182.55	-	142.62	-
Expenditure charged to the profit and loss account during the year/period but allowed for tax purposes on payment basis	269.48	-	287.36	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961	264.12		288.72	-
Provision for advances	529.59	-	182.59	-
Others	71.44	-	84.22	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	27.00		20.61
Net closing balance carried to the Balance Sheet (included in Note 13 - Restated Statement of Other Assets)	**1,317.18**	**27.00**	**985.51**	**20.61**

Particulars	As at March 31, 2020		As at March 31, 2019		As at March 31, 2018	
Timing difference on account of:	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	166.40	-	104.44	-	-	22.90
Expenditure charged to the profit and loss account during the year/period but allowed for tax purposes on payment basis	221.30	-	242.50	-	252.40	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961	287.10	-	296.40	-	217.30	-
Provision for advances	414.57	-	174.60	-	140.00	-
Others	71.00	-	78.27	-	53.37	-
Provision for special reserve u/s 36(i)(viii) of Income	-	27.00	-	20.61	-	11.40
Net closing balance carried to the Balance Sheet (included in Note 13 - Restated Statement of Other Assets)	**1,160.37**	**27.00**	**896.21**	**20.61**	**663.07**	**34.30**

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

The Company recognised the following amounts towards Provident Fund contributions in the Profit and Loss Account

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Contribution to Provident Fund	93.14	83.54	352.61	287.34	273.63

Defined Benefit Plan

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	June 30, 2020	June 30, 2019	March 31, 2020	March 31, 2019	March 31, 2018
Change in defined benefit obligations					
Opening Balance of Present value of defined benefit obligation	326.63	235.00	235.00	178.74	135.27
Current service cost	32.15	46.30	106.77	73.77	63.69
Interest cost	4.91	4.09	15.75	15.62	8.69
Benefits paid	(4.46)	(3.71)	(20.60)	(16.06)	(13.95)
Actuarial (gains)	10.81	(4.20)	(10.29)	(17.07)	(14.96)
Closing Balance of Present value of Defined Benefit Obligation	**370.04**	**277.48**	**326.63**	**235.00**	**178.74**
Change in Fair Value of Assets					
Opening Balance of Plan Assets	220.80	206.34	206.34	118.51	104.90
Add: Adjustments to the opening balance	-	-	-	-	13.61
Expected return on plan assets	3.34	3.62	14.46	11.82	9.54
Actual company contributions	-	-	-	87.83	-
Benefits paid out of the asset	-	-	-	-	-
Actuarial gain / (loss)	(3.34)	(3.62)	0.00	(11.82)	(9.54)
Closing Balance of Plan Assets	**220.80**	**206.34**	**220.80**	**206.34**	**118.51**
Liability Recognised in the Balance Sheet					
Present value of defined benefit obligation	(370.04)	(277.48)	(326.63)	(235.00)	(178.74)
Fair value of plan assets	220.80	206.34	220.80	206.34	118.51
Unrecognized actuarial (gain) / loss	-	-	-	-	-
Net Liability Recognised in the Balance Sheet	**(149.24)**	**(71.14)**	**(105.83)**	**(28.66)**	**(60.22)**
Cost of Defined Benefit Plan					
Current service cost	32.15	46.30	106.77	73.77	63.69
Interest cost	4.91	4.09	15.75	15.62	8.69
Expected return on plan assets	(3.34)	(3.62)	(14.46)	(11.82)	(9.54)
Net actuarial gains	14.15	(0.58)	(10.29)	(5.25)	(5.42)
Net Cost Recognized in the Profit and Loss account	**47.87**	**46.19**	**97.77**	**72.32**	**57.42**
Return on Plan Assets	**3.34**	**3.62**	**14.46**	**11.82**	**9.54**
Assumptions					
Discount rate (Refer Note (b))	5.36%	6.68%	6.06%	7.01%	7.28%
Interest rate (Estimated rate of return on assets)	7.00%	7.05%	7.00%	8.05%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%	10.00%	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%	20.00%	20.00%	20.00%

Notes:

a) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the relevant Balance Sheet date for the estimated term of the obligation.

c) Experience Adjustments:

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Projected benefit obligation	370.04	277.48	326.63	235.00	178.74
Fair value of plan assets	220.80	206.34	220.80	206.34	118.51
Surplus/ (Deficit)	(149.24)	(71.14)	(105.83)	(28.66)	(60.22)
Experience adjustments on plan liabilities - gains	(10.81)	4.20	10.29	17.07	14.96
Experience adjustments on plan assets - gains / (losses)	(3.34)	(3.62)	-	(11.82)	(9.54)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets June 30, 2020	% of fair value to total plan assets June 30, 2019	% of fair value to total plan assets March 31, 2020	% of fair value to total plan assets March 31, 2019	% of fair value to total plan assets March 31, 2018
Government securities	0%	0%	0%	0%	0%
Debenture and bonds	0%	0%	0%	0%	0%
Equity shares	0%	0%	0%	0%	0%
Others	100%	100%	100%	100%	100%

Long-term Compensated Absences and Leave Encashment
The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the actuarial valuation done by an Independent Actuary are as given below:

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Assumptions:					
Discount rate	5.36%	6.68%	6.06%	7.01%	7.28%
Future salary increase	10.00%	10.00%	10.00%	10.00%	10.00%
Attrition rate	20.00%	20.00%	20.00%	20.00%	20.00%

11 Additional disclosures

a) Movement in provision for debit card reward points

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening provision for reward points	2.17	3.27	3.27	0.79	-
Provision for reward points made during the period / year	2.29	1.08	2.20	3.27	0.79
Utilisation / Write back of provision for reward points	2.15	3.27	3.30	0.79	-
Effect of change in rate for accrual of reward points	-	-	-	-	-
Effect of change in cost of reward points	-	-	-	-	-
Closing provision for reward points	2.31	1.08	2.17	3.27	0.79

b) Movement in provision for frauds included under Other Liabilities

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening provision	13.25	4.24	4.24	2.70	2.90
Provision during the period / year	0.01	1.19	9.58	3.65	1.10
Utilisation/Write back of provision	0.12	0.25	0.57	2.11	1.30
Closing provision	13.13	5.18	13.25	4.24	2.70

11.1 Floating provision

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening Balance	190.00	190.00	190.00	190.00	190.00
Provisions made during the period / year	-	-	-	-	-
Drawdown made during the period / year	-	-	-	-	-
Closing Balance	**190.00**	**190.00**	**190.00**	**190.00**	**190.00**

11.2 Drawdown from reserves

The Bank has not undertaken any drawdown from reserves during the three month periods ended June 30, 2020 and June 30, 2019 and the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018.

11.3 Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit.

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Transfer to Statutory Reserve	-	-	609.09	526.41	79.58

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity.

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Transfer to Special Reserve	-	-	48.34	26.38	6.65

Investment reserve

In accordance with Reserve Bank of India guidelines, reversal of excess depreciation on Investments to the profit and loss account, net off taxes and transfer to Statutory reserve is transferred to investment reserve. The total amount required to be transferred to the investment reserve is as follows:

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Transfer to Investment Reserve	-	-	-	-	23.00

Investment Fluctuation Reserve

During the year ended March 31, 2020 and March 31, 2019, the bank has apportioned ₹ 27.63 million ₹ 84.30 million respectively to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

There are no transfers to Investment Fluctuation Reserve during the three month periods ended June 30, 2020 and June 30, 2019 and financial year ended March 31, 2018.

11.4 Disclosure relating to Complaints

A

a) **Customer complaints**

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
No. of complaints pending at the beginning of the period / year	54	7	7	81	63
No. of complaints received during the period / year	793	71	1,979	3,452	2,826
No. of complaints redressed during the period / year	795	64	1,932	3,526	2,808
No. of complaints pending at the end of the period / year	52	14	54	7	81

b) **ATM transaction disputes relating to the Bank's customers on the Bank's ATMs**

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
No. of complaints pending at the beginning of the period / year	4	6	6	4	-
No. of complaints received during the period / year	51	87	547	748	523
No. of complaints redressed during the period / year	55	87	549	746	519
No. of complaints pending at the end of the period / year	-	6	4	6	4

Note 20 - Notes forming part of the Restated Summary Statements
(All amounts in ₹ millions, unless otherwise specified)

c) **ATM transaction disputes relating to the Bank's customers on other banks' ATMs**

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
No. of complaints pending at the beginning of the period / year	16	19	19	12	-
No. of complaints received during the period / year	379	574	2,513	6,373	2,210
No. of complaints redressed during the period / year	382	573	2,516	6,366	2,198
No. of complaints pending at the end of the period / year	13	20	16	19	12

d) **Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above]**

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
No. of complaints pending at the beginning of the period / year	74	32	32	97	63
No. of complaints received during the period / year	1,223	732	5,039	10,573	5,559
No. of complaints redressed during the period / year	1,232	724	4,997	10,638	5,525
No. of complaints pending at the end of the period / year	65	40	74	32	97

B Awards Passed by the Banking Ombudsman

Particulars	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
No. of unimplemented awards at the beginning of the period / year	-	-	-	-	-
No. of awards passed by the Banking Ombudsmen during the period / year	-	2	3	-	-
No. of awards implemented during the period / year	-	2	3	-	-
No. of unimplemented awards at the end of the period / year	-	-	-	-	-

The above details are furnished by Management

11.5 Letters of Comfort

The Bank has not issued any letters of comfort during the three month periods ended June 30, 2020 and June 30, 2019 and the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018.

11.6 Provision Coverage ratio

The Provision Coverage ratio is computed on the advances as at respective year end.

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Provision Coverage Ratio	48.79%	44.00%	45.22%	43.38%	47.07%

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Note 16 include the following fees earned on Bancassurance business:

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
On Insurance products	36.72	34.01	194.66	166.02	89.18
On mutual fund products	1.53	5.75	15.02	19.26	12.18
Total	**38.25**	**39.76**	**209.68**	**185.28**	**101.36**

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Total deposits of twenty largest depositors *	38,015.45	32,256.07	34,464.52	29,411.37	20,778.60
Percentage of deposits of twenty largest depositors to total deposits of the Bank	32.25%	35.32%	31.95%	32.65%	37.08%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Total advances of twenty largest borrowers	7,300.44	5,988.60	7,588.50	5,565.90	4,212.00
Percentage of advances of twenty largest borrowers to total advances of the Bank	5.01%	4.93%	5.45%	4.76%	5.41%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures *

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Total exposure of twenty largest borrowers	8,262.63	7,062.26	7,896.45	6,545.10	4,242.00
Percentage of exposures of twenty largest borrowers to total exposures of the bank on borrowers	5.49%	5.64%	5.58%	5.51%	5.32%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

11.8.4 Concentration of NPA

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Total exposure of top four NPA accounts	109.81	51.96	68.01	47.74	27.17

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines is given below

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Inter-bank participation with risk sharing	10,000.00	1,000.00	14,500.00	-	1,500.00

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	For the three month period ended June 30, 2020		For the three month period ended June 30, 2019	
	PSLCs bought during the period	PSLCs sold during the period	PSLCs bought during the period *	PSLCs sold during the period
Agriculture	-	-	-	-
Small and marginal farmers	-	-	-	-
Micro enterprises	-	-	-	-
General	-	-	-	-
Total	**-**	**-**	**-**	**-**

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	PSLCs bought during the year	PSLCs sold during the year	PSLCs bought during the year *	PSLCs sold during the year
Agriculture	-	-	3,940.00	-
Small and marginal farmers	-	15,000.00	4,160.00	9,750.00
Micro enterprises	-	5,000.00	-	15,437.50
General	-	-	46,650.00	10,575.00
Total	**-**	**20,000.00**	**54,750.00**	**35,762.50**

Particulars	For the year ended March 31, 2018	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and marginal farmers	-	9,500.00
Micro enterprises	-	14,742.50
General	-	17,812.50
Total	**-**	**42,055.00**

* As permitted by the RBI

11.8.7. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not restructured advances in Micro, Small and Medium Enterprises (MSME) sector as per the RBI guidelines RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019.

11.8.8. Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

The Bank does not have any exposure (advances/investments) to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities.

Position as on March 31, 2019

Amount outstanding	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA.	Provisions required to be made as per IRAC norms.	Provisions actually held
Nil	Nil	Nil	Nil

12 Sector-wise advances

Sector	As at June 30, 2020			As at June 30, 2019		
	Outstanding Advances	Gross NPAs	% of Gross NPAs	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	**95,692.32**	**3,005.22**	**3.14%**	**80,852.31**	**2,717.67**	**3.36%**
(i) Agriculture	23,259.86	290.17	1.25%	24,733.07	176.19	0.71%
(ii) Micro, Small and Medium Enterprises	67,811.99	2,561.09	3.78%	53,107.98	2,386.35	4.49%
(iii) Export Credit	-	-	0.00%	-	-	-
(iv) Education	-	-	0.00%	-	-	-
(v) Housing	4,620.47	153.96	3.33%	3,011.26	155.13	5.15%
(vi) Social Infrastructure	-	-	0.00%	-	-	-
(vii) Renewable Energy	-	-	0.00%	-	-	-
(viii) Others	-	-	0.00%	-	-	-
B. Non-priority sector	**50,036.82**	**1,161.43**	**2.32%**	**40,661.56**	**625.28**	**1.54%**
Total	**1,45,729.14**	**4,166.65**	**2.86%**	**1,21,513.87**	**3,342.95**	**2.75%**

Sector	As at March 31, 2020			As at March 31, 2019		
	Outstanding Advances	Gross NPAs	% of Gross NPAs	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	**95,892.29**	**3,087.20**	**3.22%**	**77,858.97**	**2,486.02**	**3.19%**
(i) Agriculture	24,615.40	287.86	1.17%	24,245.50	146.80	0.61%
(ii) Micro, Small and Medium Enterprises	66,839.31	2,640.83	3.95%	50,807.80	2,181.90	4.29%
(iii) Export Credit	-	-	-	-	-	-
(iv) Education	-	-	-	-	-	-
(v) Housing	4,437.59	158.51	3.57%	2,805.67	157.32	5.61%
(vi) Social Infrastructure	-	-	-	-	-	-
(vii) Renewable Energy	-	-	-	-	-	-
(viii) Others	-	-	-	-	-	-
B. Non-priority sector	**43,277.16**	**1,086.01**	**2.51%**	**39,183.93**	**471.09**	**1.20%**
Total	**1,39,169.45**	**4,173.21**	**3.00%**	**1,17,042.90**	**2,957.11**	**2.53%**

Sector	As at March 31, 2018		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	**54,749.63**	**1,887.66**	**3.45%**
(i) Agriculture	15,342.57	59.00	0.38%
(ii) Micro, Small and Medium Enterprises	37,289.12	1,724.27	4.62%
(iii) Export Credit	-	-	-
(iv) Education	-	-	-
(v) Housing	2,117.94	104.39	4.93%
(vi) Social Infrastructure	-	-	-
(vii) Renewable Energy	-	-	-
(viii) Others	-	-	-
B. Non-priority sector	**23,127.58**	**237.66**	**1.03%**
Total	**77,877.21**	**2,125.32**	**2.73%**

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports.

13 Securitisation/Assignment

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Number of SPVs sponsored by the bank for securitisation transactions	1	4	2	5	5
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	1,781.86	4,323.25	2,334.48	4,872.80	4,872.80
Total amount of exposures retained by the Bank to comply with Minimum Retention					
Requirement (MRR) as on the date of Balance Sheet					
a) Off-balance sheet exposures					
First loss (Corporate Guarantee)	138.37	260.00	217.85	288.86	288.86
Others (Corporate Guarantee)	-	-	-	-	-
b) On-balance sheet exposures					
First loss (Cash Collateral & Retained Assets)	-	254.31	42.84	301.90	317.77
Others	-	-	-	-	-
Amount of exposure to securitisation transactions other than MRR					
a) Off-balance sheet exposures					
i) Exposure to own securitisation					
First loss	-	-	-	-	-
Others	-	-	-	-	-
ii) Exposure to third party securitisation					
First loss	-	-	-	-	-
Others	-	-	-	-	-
b) On-balance sheet exposures					
i) Exposure to own securitisation					
First loss	-	11.52	2.11	12.60	27.80
Others	-	-	-	-	-
ii) Exposure to third party securitisation					
First loss	-	-	-	-	-
Others	-	-	-	-	-

13.2 Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Number of Direct Assignments	1	1	1	1	1
Total amount of Loans directly transferred / Assigned	1,111.09	1,111.09	1,111.09	1,111.09	1,111.09
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet					
a) Off-balance sheet exposures					
First loss	-	-	-	-	-
Others	-	-	-	-	-
b) On-balance sheet exposures					
First loss	-	-	-	-	-
Others	0.00	6.00	0.00	11.20	38.20
Amount of exposure to Assignment transactions other than MRR					
a) Off-balance sheet exposures					
i) Exposure to own Assignment					
First loss	-	-	-	-	-
Others	-	-	-	-	-
ii) Exposure to third party Assignment					
First loss	-	-	-	-	-
Others	-	-	-	-	-
b) On-balance sheet exposures					
i) Exposure to own Assignment					
First loss	-	-	-	-	-
Others	-	-	-	-	-
ii) Exposure to third party Assignment					
First loss	-	-	-	-	-
Others	-	-	-	-	-

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the three month periods ended June 30, 2020 and June 30, 2019 and the financial years ended March 31, 2020, March 31, 2019 and March 31, 2018 .

15 Intra-Group Exposures

The Bank does not have any exposure (advances/investments) within the group as at June 30, 2020, June 30, 2019, March 31, 2020, March 31, 2019 and March 31, 2018.

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF): Nil

Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	For the three months period ended June 30, 2020	For the three months period ended June 30, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018
Opening balance of amounts transferred to DEAF	0.15	-	-	-	-
Add : Amounts transferred to DEAF during the period / year	-	0.15	0.15	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-	-	-	-
Closing balance of amounts transferred to DEAF	**0.15**	**0.15**	**0.15**	**-**	**-**

17 Unhedged foreign currency exposure

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Unhedged foreign currency exposure	0.27	0.03	0.27	0.03	-

18 Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

		Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020		Quarter ended June 30, 2020	
		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)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
	High Quality Liquid Assets										
1	Total High Quality Liquid Assets (HQLA)		26,113.85		33,198.29		31,861.90		34,900.35		41,983.34
	Cash Outflows										
2	**Retail deposits and deposits from small business customers, of which:**										
(i)	Stable deposits	3,813.81	190.69	4,194.98	209.75	4,229.18	211.46	6,293.01	314.65	7,398.55	369.93
(ii)	Less stable deposits	24,333.19	2,433.32	26,882.13	2,688.21	29,067.97	2,906.80	30,628.67	3,062.87	33,117.42	3,311.74
3	**Unsecured wholesale funding, of which:**										
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	30,131.52	23,915.92	30,554.79	24,237.43	25,622.53	19,638.80	28,559.22	22,096.24	28,808.33	22,597.32
(iii)	Unsecured debt	239.13	239.13	485.71	485.71	2,241.22	2,241.22	2,597.03	2,597.03	1,265.81	1,265.81
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	940.00	277.98	1,484.80	505.49	1,863.91	563.73	1,713.41	523.95	1,458.11	462.30
6	**Other contractual funding obligations**	920.00	920.00	1,331.63	1,331.63	1,829.35	1,829.35	2,292.65	2,292.65	3,995.25	3,995.25
7	**Other contingent funding obligations**	1,310.00	56.64	1,534.56	71.17	1,498.36	69.45	1,542.74	71.58	1,486.05	69.16
8	**TOTAL CASH OUTFLOWS**		**28,033.68**		**29,529.39**		**27,460.81**		**30,958.97**		**32,071.51**
	Cash Inflows										
9	Secured lending (e.g. reverse repos)	7,733.69	-	12,329.29	0.00	11,603.80	0.00	15,960.15	0.00	17,044.29	0.00
10	Inflows from fully performing exposures	4,100.77	2,300.83	3,931.92	2,052.60	4,282.54	2,258.49	4,596.14	2,435.55	473.85	293.28
11	Other cash inflows	1,022.38	511.19	1,581.47	1,020.12	1,721.81	1,187.18	1,848.86	1,224.12	1,097.25	1,024.51
12	**TOTAL CASH INFLOWS**	**12,856.83**	**2,812.02**	**17,842.68**	**3,072.72**	**17,608.15**	**3,445.67**	**22,405.15**	**3,659.67**	**18,615.39**	**1,317.79**
13	**TOTAL HQLA**		**26,113.85**		**33,198.29**		**31,861.90**		**34,900.35**		**41,983.34**
14	**TOTAL NET CASH OUTFLOWS**		**25,221.66**		**26,456.67**		**24,015.14**		**27,299.30**		**30,753.72**
15	**LIQUIDITY COVERAGE RATIO (%)**		**103.54**		**125.48**		**132.67**		**127.84**		**136.51**

The disclosures relating to the quarters given above are based on daily average of LCR starting from May 1, 2019.

18 Liquidity Coverage Ratio (LCR) Continued

Quantitative information on Liquidity coverage ratio (LCR) is given below:

		Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
		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								
1	Total High Quality Liquid Assets (HQLA)		22,928.28		23,600.96		22,128.65		27,371.23
	Cash Outflows								
2	**Retail deposits and deposits from small business customers, of which:**								
(i)	Stable deposits	4,373.23	218.66	4,844.66	242.23	4,636.70	231.84	5,033.31	251.67
(ii)	Less stable deposits	13,804.47	1,380.45	15,101.51	1,510.15	17,971.33	1,797.13	23,912.37	2,391.24
3	**Unsecured wholesale funding, of which:**					0.00	0.00		
(i)	Operational deposits (all counterparties)					0.00	0.00		
(ii)	Non-operational deposits (all counterparties)	15,170.89	12,237.29	20,552.86	16,303.80	21,864.66	16,494.18	27,177.96	22,484.96
(iii)	Unsecured debt								
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								
6	**Other contractual funding obligations**					1,414.73	1,414.73	551.37	551.37
7	**Other contingent funding obligations**	3,932.23	1,847.03	2,722.99	808.81	1,583.77	294.72	1,640.57	189.00
8	**TOTAL CASH OUTFLOWS**		**15,683.43**		**18,864.99**		**20,232.60**		**25,868.24**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	881.45	0.00	326.67	0.00	466.61	0.00	6,978.83	0.00
10	Inflows from fully performing exposures	3,210.24	1,605.12	3,343.50	1,671.75	3,475.64	1,737.82	3,611.91	1,805.95
11	Other cash inflows	3,453.11	3,453.11	3,721.68	3,721.68	1,875.48	1,875.48	978.74	778.03
12	**TOTAL CASH INFLOWS**	**7,544.80**	**5,058.23**	**7,391.85**	**5,393.43**	**5,817.73**	**3,613.30**	**11,569.48**	**2,583.98**
13	**TOTAL HQLA**		**22,928.28**		**23,600.96**		**22,128.65**		**27,371.23**
14	**TOTAL NET CASH OUTFLOWS**		**10,625.20**		**13,471.56**		**16,619.30**		**23,284.26**
15	**LIQUIDITY COVERAGE RATIO (%)**		**215.79**		**175.19**		**133.15**		**117.55**

18 Liquidity Coverage Ratio (LCR) Continued

Quantitative information on Liquidity coverage ratio (LCR) is given below:

		As at March 31, 2017		Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
		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)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
	High Quality Liquid Assets										
1	Total High Quality Liquid Assets (HQLA)	1,374.85	1,374.85	15,517.66	15,517.66	15,339.98	15,339.98	14,857.94	14,857.94	16,607.93	16,607.93
	Cash Outflows	-	-	-	-	-	-	-	-	-	-
2	**Retail deposits and deposits from small business customers, of which:**	-	-	-	-	-	-	-	-	-	-
(i)	Stable deposits	127.40	6.37	1,669.90	83.49	2,446.95	122.35	3,262.14	163.11	3,648.58	182.43
(ii)	Less stable deposits	475.72	47.57	5,860.63	586.06	7,726.14	772.61	9,177.23	917.72	10,422.76	1,042.28
3	**Unsecured wholesale funding, of which:**	219.91	203.49	-	-	-	-	-	-	-	-
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	-	-	647.35	490.94	2,245.92	1,590.70	3,516.99	2,377.07	9,428.87	6,056.86
(iii)	Unsecured debt	-	-	3,299.26	3,299.26	3,911.44	3,911.40	3,430.01	3,430.01	4,236.83	4,236.83
4	**Secured wholesale funding**	-	-	-	-	-	-	5,231.76	-	8,157.62	-
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	-	-	-	-	-	-	-	-	-	-
6	**Other contractual funding obligations**			-	-	-	-	-	-	-	-
7	**Other contingent funding obligations**	187.20	8.36	1,349.37	57.80	1,048.96	42.96	1,098.93	46.30	2,110.24	97.79
8	**TOTAL CASH OUTFLOWS**	**1,010.23**	**265.79**	**12,826.51**	**4,517.55**	**17,379.41**	**6,440.02**	**25,717.06**	**6,934.21**	**38,004.90**	**11,616.19**
	Cash Inflows	-	-								
9	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	400.00	-	1,560.00	-
10	Inflows from fully performing exposures	-	-	2,636.38	1,318.19	2,801.13	1,400.57	2,024.74	1,012.37	3,127.10	1,563.55
11	Other cash inflows	986.61	700.75	2,325.42	2,325.42	1,256.70	1,256.70	1,680.30	1,680.30	2,258.99	2,258.99
12	**TOTAL CASH INFLOWS**	986.61	700.75	**4,961.80**	**3,643.61**	**4,057.83**	**2,657.27**	**4,105.04**	**2,692.67**	**6,946.09**	**3,822.54**
13	**TOTAL HQLA**	**1,374.85**	**1,374.85**		**15,517.66**		**15,339.98**		**14,857.94**		**16,607.93**
14	**TOTAL NET CASH OUTFLOWS**	**252.56**	**66.45**	**7,864.71**	**873.94**	**13,321.58**	**3,782.75**	**21,612.02**	**4,241.54**	**31,058.81**	**7,793.65**
15	**LIQUIDITY COVERAGE RATIO (%)**		**2,070.29**		**1,373.99**		**405.52**		**350.30**		**213.10**

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI.

* For March 2017, the LCR is computed based on the year end observations, compiled by the management.

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016. The data given above is from the quarter ended March 31, 2017 based on the returns submitted by the Bank to the RBI.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank’s ALCO for perusal and review.

19 Fixed Assets - details of software

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Opening cost	791.29	666.67	666.67	662.35	734.37
Additions	11.97	53.40	415.30	220.39	118.97
Less: Deletions	-	-	29.42	-	-
Less: Amortization to date	79.26	60.30	261.26	216.07	190.99
Closing balance	**724.00**	**659.77**	**791.29**	**666.67**	**662.35**

20 Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. The Bank has made a provision on a retrospective basis from the date of inception of the Company. Accordingly, during the year ended March 31, 2019, based on internal computation, the Bank has provided ₹ 55.00 million towards provident fund and interest thereon at simple rate of interest in terms of the provisions of section 7Q of the The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Bank will update its provision, on receiving further clarity on the subject (also refer note 1.2.2.2- Accounting for subsequent event)

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfil their financial or performance obligations.

21 Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

Details of CSR expenditure	For the three month period ended June 30, 2020	For the three month period ended June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
a) Gross amount required to be spent by the Bank	12.39	9.19	36.75	23.46	23.90
b) Amount spent					
i) Construction/acquisition of any asset	-	-	-	-	-
ii) On purposes other than (i) above	0.00	32.60	132.70	87.49	23.91
% of Average net profit spent for the last three financial years	0.00%	1.77%	7.22%	7.63%	2.00%

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the periods presented in the Restated Summary Statement.

23 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options are granted to some of the eligible employees of the Bank. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted. The outstanding options as at the respective periods is given below.

Particulars	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
Options outstanding	1,61,561	1,13,67,876	1,72,308	1,26,14,538	1,79,42,970

b) ESFB ESOP 2019

During the year, the bank established a employee stock option scheme titled ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP 2019) effective from November 22, 2019. Under the plan, the Bank was authorized to issue upto 110,000,000 options (including 33,487,873 options under Grant 1 issued as a replacement option for the Scheme under the Holding Company) to eligible employees of the Bank and the Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.

As at June 30, 2020, 38,598,842 (net of forfeitures and cancellation) options were outstanding, which were granted at various exercise prices. The following are the outstanding options as at June 30, 2020:

ESOP Scheme	**ESFB ESOP 2019**	**ESFB ESOP 2019**	**ESFB ESOP 2019**	**ESFB ESOP 2019**
Grant	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Date of Board Approval	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Exercise Price Per Option (₹)	27.00	27.00	38.00	38.00
Total Options granted	3,34,87,873	12,00,000	64,38,855	2,82,000
Vesting Period	(Vesting over 3 years) 30-Nov-20 to 15-Dec-22	(Vesting over 4 years) 12-Dec-20 to 12-Dec-23	(Vesting over a period of two years) 29 -Jan 2021 to 29-Jan-2022.	(Vesting over a period of four years – 25% at the end of each year) 1-Apr-2021 to 1-Apr-2024
Method of Settlement	Equity	Equity	Equity	Equity

Particulars	**Grant 1**	**Grant 2**	**Grant 3**	**Grant 4**
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
Graded Vesting				
1st Vesting	92 % on 12 months and 8 days from the date of grant	25 % on 12 months and 20 days from the date of grant	67 % on completion of One year from the date of grant	25 % on 12 months and 20 days from the date of grant
2nd Vesting	6% on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	33 % on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date
3rd Vesting	2% on expiry of two years from the 1st vesting date	25% on expiry of two years from the 1st vesting date	NA	25% on expiry of two years from the 1st vesting date
4th Vesting	NA	25% on expiry of three years from the 1st vesting date	NA	25% on expiry of three years from the 1st vesting date
Vesting Conditions	Partly based on continuance of service and party based on performance rating	Partly based on continuance of service and party based on performance rating	On Continuance of Service	Partly based on continuance of service and party based on performance rating

Exercise Period: Eligible to exercise the options during the next three years from the date of vesting.
Manner of vesting: In a graded manner over 3 to 4 years commencing from the date of grant

Particulars	**Grant 1**	**Grant 2**	**Grant 3**	**Grant 4**
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Outstanding Options as at April 1, 2020	NA	NA	NA	NA
Options granted during the Period	3,22,85,276	12,00,000	62,76,641	2,82,000
Less: Options Forfeited / Lapsed	(14,05,769)		(39,306)	-
Options Exercised	-	-	-	-
Outstanding options as at June 30, 2020	**3,08,79,507**	**12,00,000**	**62,37,335**	**2,82,000**
Vested	-	-		
Yet to vest	3,08,79,507	12,00,000	62,37,335	2,82,000
Options exercisable at the end of the period to be given	-	-	-	-
Weighted Average of the remaining maturity	3.52 Years	5.01 Years	3.91 Years	5.26 Years

Particulars	**Grant 1**	**Grant 2**	**Grant 3**	**Grant 4**
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Outstanding Options as at April 1, 2019	NA	NA	NA	NA
Options granted during the Period	3,34,87,873	12,00,000	64,38,855	2,82,000
Less: Options Forfeited / Lapsed	(12,02,597)	-	(1,62,214)	-
Options Exercised	-	-	-	-
Outstanding options as at March 31, 2020	**3,22,85,276**	**12,00,000**	**62,76,641**	**2,82,000**
Vested	-	-		
Yet to vest	3,22,85,276	12,00,000	62,76,641	2,82,000
Options exercisable at the end of the period to be given	-	-	-	-
Weighted Average of the remaining maturity	3.78 Years	5.26 Years	4.16 Years	5.51 Years

(b) The fair value of options used to compute Pro-forma net profit and earnings per Equity Share have been estimated on the date of the grant, using Black-Scholes model by an external firm of Chartered Accountants.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Variables	Grant 1	Grant 2	Grant 3	Grant 4
Grant Date	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Risk Free Interest Rate	5.56% to 6.06%	5.85% to 6.59%	5.83 % to 6.12%	5.81 % to 6.41%
Expected Life	2.52 to 4.53 yrs	2.50 to 5.51 yrs	2.50 to 3.51 yrs	2.52to 5.52 yrs
Expected Volatility	32.63% to 35.63%	32.71% to 35.41%	32.66% to 32.86%	32.86% to 35.33%
Dividend Yield	-	-	-	-
Price of the underlying Share at the time of the Option Grant (₹) adjusted after bonus option	27	27	38	38
Fair Value of the Option (₹)				
1st Stage	7.10	7.17	10.11	10.22
2nd Stage	8.70	8.82	12.41	12.45
3rd Stage	10.69	10.83	NA	14.53
4th Stage	-	12.13	NA	16.94

Volatility
Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

Dividend Yield
Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the Company's net profit / (loss) and earnings per share would have been as per the Proforma amounts indicated below:

Particulars	For the period ended June 30, 2020	For the year ended March 31, 2020
Net Profit as per Statement of Profit and Loss (as reported)	576.71	2,436.35
Add: Stock Based Employee Compensation Expense included in profit before tax	-	-
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)	(67.00)	(88.26)
Net Profit - Proforma	**509.71**	**2,348.09**

Basic Earnings per Share of ₹ 10 each (as reported)	0.55	2.39
Basic Earnings per Share of ₹ 10 each (Proforma)	0.48	2.30
Diluted Earnings per Share of ₹ 10 each (as reported)	0.55	2.39
Diluted Earnings per Share of ₹ 10 each (Proforma)	0.48	2.30

24 Comparatives
The comparative periods are regrouped/ reclassified by the management wherever required.

As per our report of even date

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

per Sheshu Samudrala
Partner
Membership No. 235031

Place: Chennai
Date: September 14, 2020

For and on behalf of Board of Directors of
Equitas Small Finance Bank Limited

Arun Ramanathan
Chairman
DIN: 00308848

Vasudevan PN
Managing Director and Chief Executive Officer
DIN: 01550885

Vinod Kumar Sharma
Pro-tem Chairman - ACB
DIN: 02051084
Place : Pune

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No:A27466

Place: Chennai
Date: September 14, 2020

OTHER FINANCIAL INFORMATION

A. The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Particulars	Fiscal 2020	Fiscal 2019	Fiscal 2018
Basic Earnings/ (loss) per Equity Share (in ₹) (Refer note 1)	2.39	2.09	0.32
Diluted Earnings/ (loss) per Equity Share (in ₹) (Refer note 1)	2.39	2.09	0.32
Return on Net Worth (%)(Refer note 1)	8.92%	9.40%	1.57%
Net Asset Value Per Equity Share (in ₹) (Refer note 2)	25.92	22.28	20.18
Net Asset Value Per Share considering dilutive potential equity shares (in ₹) (Refer note 2)	25.92	22.28	20.18

The following table sets forth the reconciliation of our Net profit/ (loss) to EBITDA:

(₹ in million)

		As at March 31, 2020	As at March 31, 2019	As at March 31, 2018
I.	Net Profit for the period/year	2,436.35	2,105.66	318.31
II.	Depreciation and amortization	964.54	917.78	875.05
III.	Provision for taxes (net)	1,330.82	1,378.57	358.68
IV.	Deferred Tax (net)	(257.77)	(246.86)	(191.85)
V.	EBITDA (I+II+III+IV)	4,473.94	4,155.15	1,360.19

Notes: *The ratios have been computed as under:*

1. *Basic and diluted EPS: Profit / (loss) for the period attributable to equity shareholders of the Bank divided by total weighted average number of equity shares outstanding at the end of the period. Basic and diluted EPS are computed in accordance with Accounting Standard 20.*

   Return on Net Worth Ratio: Profit/ (loss) for the period attributable to equity shareholders of the Bank divided by Net Worth as attributable to equity shareholders of the Bank at the end of the year/period.

2. *Net assets value per equity share (in ₹): Net assets at the end of the year/period divided by Total number of weighted average equity share outstanding at the end of the year/ period*

   Net asset means total assets minus total liabilities excluding revaluation reserves.

   Net Worth = Net worth means the aggregate value of equity share capital and other equity created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, derived from the Restated Financial Information, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

3. *EBITDA = EBITDA stands for earnings before taxes, depreciation and amortisation which has been arrived at by adding depreciation and amortisation, provision for taxes (net) and deferred taxes (net) to the net profit for the period/ year. Interest income and interest expense are not considered in arriving at EBITDA having regard to the nature of the Bank's business.*

   Accounting and other ratios is based on the financial statements derived from the Restated Financial Information.

In accordance with the SEBI ICDR Regulations the audited financial statements of the Bank for the period ended March 31, 2020, March 31, 2019 and March 31, 2018, prepared in accordance with Indian GAAP (collectively, the "**Audited Financial Statements**") are available on our website at https://www.equitasbank.com/ESFB-Investor-Info.php.

Our Bank is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document or recommendation or solicitation to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Bank and should not be relied upon or used as a basis for any investment decision. None of our Bank or any of its advisors, nor BRLMs or the Promoter Selling Shareholder, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, as per the requirements under applicable Accounting Standards i.e. Ind AS 18 'Related Party Disclosures' for Fiscal 2020, 2019 and 2018 and three month period ended June 30, 2020 and June 30, 2019 and as reported in the Restated Financial Informtion, see "*Financial Statements - Note 20 (10.2) - Related Party Transactions*" beginning on page 282**.**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Information on page 229. These Restated Financial Information have been derived from audited financial statements prepared in accordance with Indian GAAP and restated as per the SEBI ICDR Regulations.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 54.

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 23 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "– Factors Affecting our Results of Operations and Financial Condition" on pages 24 and 308, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Restated Financial Information included in this Prospectus.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Equitas Small Finance Bank Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Analysis of Small Finance Banks and Various Loan Products" dated November 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Offer. Neither we, nor the BRLMs, nor any of their affiliates or advisors, nor any other person connected with the Offer has independently verified such information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 20.*

OVERVIEW

We were the largest SFB in India in terms of number of banking outlets, and the second largest SFB in India in terms of assets under management and total deposits in Fiscal 2019. (*Source: CRISIL Report*). We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business as compared to other microfinance companies that have converted to SFBs (*Source: CRISIL Report*). We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, with our group beginning operations in 2007 as an NBFC providing microfinance loans through EMFL. We have been providing housing finance since 2011 through EHFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

Our focus customer segments include individuals with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We offer a range of financial products and services that address the specific requirements of these customer segments by taking into account their income profile, nature of business and type of security available. Our asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising LAPs, housing loans, and agriculture loans to micro-entrepreneurs, microfinance to JLGs predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs typically engaged in logistics, MSE loans to proprietorships, and corporate loans. On the liability side, our target customers comprise mass and mass-affluent individuals to whom we offer current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, and issuance of FASTags.

We have witnessed significant growth in our business, and in Fiscal 2019 had a market share of 16% in terms of assets under management in India (*Source: CRISIL Report*). Our Gross Advances (including IBPC issued) have grown from ₹79,370.55 million as of March 31, 2018 to ₹117,028.49 million as of March 31, 2019 and was ₹153,669.37 million as of March 31, 2020, and ₹155,729.14 million as of June 30, 2020. Of our Gross Advances (including IBPC issued), secured advances constituted 66.33% as of March 31, 2018, 70.72% as of March 31, 2019, and increased to 75.39% as of March 31, 2020 and further increased to 75.75% as of June 30, 2020.

In Fiscal 2019, we recorded the fourth lowest yields indicating our diversification away from microfinance (*Source: CRISIL Report*). We also witnessed the second fastest growth in deposits from Fiscal 2018 to Fiscal 2019 (*Source: CRISIL Report*). Our deposits have grown at a CAGR of 38.75% from ₹56,039.73 million as of March 31, 2018 to ₹107,884.05 million as of March 31, 2020. As of March 31, 2019 our CASA ratio was the second highest among SFBs in India, and our retail deposits to total deposits ratio was the third highest among SFBs in India (*Source: CRISIL Report*). As of June 30, 2020, our CASA ratio and retail deposits to total deposits ratio was 19.97% and 37.13%, respectively. Further, our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and non-convertible debentures/ subordinated debt have both been rated CRISIL A+/ Stable. We believe our widespread and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.36%, 8.13%, 7.97% and 7.63% (annualized)/ 1.91% (unannualized) as of March 31, 2018, 2019, 2020 and June 30, 2020, respectively.

Based on our experience, we apply different credit assessment procedures for our product segments, which is guided by our risk management framework, and supervised by our Risk Management Committee. We believe that our risk management framework together with our experience of dealing with unserved and underserved customer segments has helped us contain our NPA levels, and improve our credit ratings, which has allowed us to access capital from banks and financial institutions at competitive rates.

As of March 31, 2019, we had the largest network of banking outlets among all SFBs in India (*Source: CRISIL Report*). As of June 30, 2020, our distribution channels comprised 856 Banking Outlets and 322 ATMs across 17 states and union territories in India. We also distribute products through digital channels, and leverage technology to identify opportunities to better serve our target customer segment. To this end, we have introduced facial recognition features for transaction authentication in our mobile banking application. We have over the years also invested in building a large and trained employee base, and as of March 31, 2019, had the third largest number of employees among SFBs in India (*Source: CRISIL Report*). As our products comprise small ticket loans and retail deposits, our operations require a large number of employees in the field to generate volumes for this business. As a result, we train our employees to undertake assessment and appraisal of customer creditworthiness with limited documented income. As of March 31, 2019, we were third among SFBs in India in terms of advances made per employee and fourth in terms of deposits collected per employee (*Source: CRISIL Report*). As of March 31, 2018, 2019, 2020 and June 30, 2020, our Gross Advances (including IBPC issued) per employee was ₹5.88 million, ₹8.01 million, ₹9.54 million, and ₹9.83 million, respectively, and deposits per employee was ₹4.15 million, ₹6.17 million, ₹6.70 million and ₹7.44 million.

The table below sets forth certain performance metrics of our Bank for the periods and as of the dates indicated:

	As of and for the year ended March 31,			**As of and for the Three Months ended June 30,**	
Metric	**2018**	**2019**	**2020**	**2019**	**2020**
	(₹million, except percentages)				
Total Disbursements	58,087.04	85,783.11	99,110.73	20,083.98	5,642.46
Retail Deposits	6,426.29	16,362.50	38,112.87	22,473.65	43,771.18
CASA(1)	16,378.39	22,742.66	22,082.13	22,369.74	23,540.09
CASA Ratio(2)	29.23%	25.25%	20.47%	24.49%	19.97%
Net profit for the period / year	318.31	2,105.66	2,436.35	570.60	576.71
Net Interest Income(3)	8,605.41	11,517.34	14,953.06	3,371.63	4,042.79
Net Interest Margin(4)	9.02%	8.55%	9.11%	8.88%* [2.22%]	8.63%* [2.16%]
Cost to Income Ratio(5)	79.97%	70.30%	66.38%	69.83%	67.27%
Debt Equity Ratio	5.28	5.76	5.80	5.96	6.18
CRAR	29.60%	22.45%	23.61%	22.03%	22.02%
Common Equity Tier 1 Capital Ratio	27.07%	20.93%	22.44%	20.65%	21.04%
Net worth(6)	20,304.72	22,410.38	27,308.69	22,980.99	27,885.40
GNPA Ratio(7)	2.68%	2.53%	2.72%	2.73%	2.68%
Net NPA to net Advance (%)	1.46%	1.44%	1.66%	1.56%	1.48%
Provision coverage ratio(8)	47.07%	43.38%	45.22%	44.00%	48.79%
Return on Assets	0.30%	1.43%	1.38%	1.43%* [0.36%]	1.12%* [0.28%]
Net Profit as a Percentage of Average Shareholders' Equity	1.57%	9.85%	9.84%	10.00%* [2.50%]	8.32%* [2.08%]

annualized, and figures in square brackets represent unannualized figures

Notes: The below are certain non-GAAP financial measures, and reconciliation of these non-GAAP measures to the GAAP measures appearing in our Restated Financial Information is included in "Selected Statistical Information" on page 220..

1. *Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits.*
2. *CASA ratio is the ratio of CASA to total deposits.*
3. *Net Interest Income is difference of interest earned and interest expended.*

4. *Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average.*
5. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total operating is net of net interest income and non-interest income).*
6. *Net Worth represent sum of capital and reserve excluding capital reserve.*
7. *GNPA Ratio is calculated by dividing Gross NPA by Gross Advances (including IBPC issued).*
8. *Provision held as a percentage of Gross Advances.*

We typically sponsor social initiatives in specific regions and communities. We believe these initiatives, while carried out for the benefit of the communities, tend to foster customer loyalty and improve our visibility in these regions, thereby increasing the likelihood that customers will approach us for their general banking and financial needs. We will continue to build our brand and develop a wide range of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. To achieve this, we intend to increase the use of technology in our operations, by monetizing our back-end banking capabilities and applying data analytics to gather a deeper understanding of the segments we serve. We believe this will supplement our ongoing efforts to reduce costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The impact of COVID-19 on our results of operations and financial condition

In late 2019, COVID-19 emerged and by March 11, 2020 it was declared as a global pandemic by The World Health Organization. Governments and municipalities around the world instituted measures in an effort to control the spread of COVID-19, including quarantines, shelter-in-place orders, school closings, travel restrictions, and closure of non-essential businesses. By the end of March, the macroeconomic impacts became significant, exhibited by, among other things, a rise in unemployment and market volatility.

The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

- We have experienced and may continue to experience a significant decline in collections as a significant proportion of our collections are cash-based and involve physical presence of our employees, which has not been possible due to the nation-wide lockdown and travel restrictions that have been imposed. This decline in collections could persist through and beyond a recessionary period.

- There has been and there may continue to be a decline in disbursements due to reduced economic activity. As a result, related revenue generation from processing fees and documentation charges, has and may continue to decline.

- There may be a significant increase in our NPA levels due to possible deterioration in the credit quality of our customers. While most of these borrowers have opted for the moratoriums available, there can be no assurance that our customers will be able to make timely repayments once the moratorium is lifted. As a result, we may experience higher NPAs than anticipated due to our borrower's reduced ability to make timely repayments. However, the full impact of the pandemic on our asset quality may be realized only once the moratorium periods have lifted and the relevant asset classification periods have subsequently lapsed.

  As a result, we may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.

- We may witness adverse impacts to our income and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as employee benefit expenses, depreciation and other costs associated with operating and maintaining our Banking Outlets. While we are in the process of implementing certain cost control measures such as re-negotiation of rental arrangements, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- The rapid shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. The extent and/ or duration of ongoing workforce restrictions and limitations may result in us adopting alternative modes of introducing and growing our new products and services. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

- Reduction in policy rates may be passed on to customers, however, there may not be a corresponding reduction in borrowing costs in-line with the reduction in policy rates.

In addition, the RBI issued guidelines as part of a COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020. In terms of these guidelines, we have granted a moratorium of up to six months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms).

We have maintained provisions as on June 30, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as required under the IRAC norms and based on management's assessment, we have made provision of ₹996.30 million in the three months ended March 31, 2020 (including ₹29.80 million representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020). Further, we have made a general provision of ₹450.00 million during the three months ended June 30, 2020. With this we have accumulated a general provision of ₹1,446.30 million (including ₹431.10 million representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by us is in excess of the RBI prescribed norms. We continue to recognise simple interest on the loans outstanding as of February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with the COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules. For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268. These and any other measures taken by the RBI and other authorities that regulate our operations may impact our operations. For instance, the Supreme Court pursuant to an interim order passed on various petitions filed by borrowers, has extended the moratorium period introduced by the RBI until appropriate decisions have been taken. The matter is currently pending. Further, methodology of computation of interest on loans during the moratorium period is also subject to decision of the Supreme Court. In the event the moratorium is extended further or if there are adverse directions on the levy of interest on the borrowings during the moratorium period, it may adversely impact our business and operations and financial performance. Further, pursuant to the RBI notification titled *'Resolution Framework for COVID-19-related Stress*' dated August 6, 2020, we may extend viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. Further, in terms the RBI circular titled '*Micro, Small and Medium Enterprises sector – Restructuring of Advances*', dated August 6, 2020, our MSE loans may be restructured without a downgrade in the asset classification. In the event such measures are extended, or RBI issues further concessions to borrowers, it may adversely impact our business and operations and financial performance. Any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

The global health and economic implications of this pandemic could continue to have significant impact on our business, operations and future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, and the uncertainty related to the same, our quarterly and annual revenue growth rates and expenses as a percentage of our revenues may differ significantly from our historical rates, and our future operating results may fall below expectations. We are still assessing our business operations and system supports and the impact COVID-19 may have on our results and financial condition, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in our sector in particular. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. The extent to which the COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others.

Regulatory Developments

Our results of operations and continued growth depend on stable government policies and regulation. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As an SFB, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition.

Under the Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI (**"SFB Operating Guidelines"**), we are required to maintain a minimum capital adequacy ratio of 15% of the credit risk weighted assets ("**CRWAs**") on a continuous basis, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of at least 7.5% of the CRWAs, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. Our total capital to risk weighted asset ratio (CRAR) (as a percentage of credit RWA) was 29.60%, 22.45% and 23.61% as of March 31, 2018, March 31, 2019, and March 31, 2020, respectively, and was 22.03% and 22.02% as of June 30, 2019 and June 30, 2020, respectively. Further, currently, we are required to maintain a cash reserve ratio (**"CRR"**) of 3.00% of our net demand and time liabilities (**"NDTL"**) with the RBI, on which no interest is paid. In addition, we are also required to maintain, under the current requirements, a SLR equivalent to 18.00% of our NDTL, to be invested in state or central Government or other RBI-approved securities.We are also required to extend 75% of our ANBC to the sectors eligible for classification as priority sector lending by the RBI. In addition, under the SFB Operating Guidelines, at least 25% of our total Banking Outlets have to be located in unbanked rural centres ("**URCs**") and at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹2.5 million.

Further, certain requirements that are applicable to SFBs in terms of the SFB Licensing Guidelines, SFB Operating Guidelines, and other banking laws and regulations, are significantly more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to limit our ability to carry out certain businesses and improve our prospects, in order to ensure compliance. In addition, the SFB model is relatively new to India, and uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

Diversification of Product Offerings

We focus on customer segments that are unserved and underserved by formal financing channels, and believe that diversification of our business with respect to the products we offer is a key component of our success.

We believe that owing to our diversified asset base, we are relatively insulated from counter cyclical impacts across economic cycles. Further, we currently provide products and services to different customer profiles within our target segment with differentiated propositions for their banking and finance needs. Our asset products include provision of small business loans comprising LAPs, affordable housing loans, agriculture loans, microfinance to JLGs, used and new commercial vehicle loans, gold loans, MSE loans, and corporate loans. As of June 30, 2020, small business loans, microfinance, vehicle finance, MSE finance, and corporate loans represented 41.64%, 23.23%, 24.25%, 4.57% and 4.96%, respectively, of our Gross Advances (including IBPC issued) as of such date. Within our credit portfolio, our small business loans (including housing loan) and vehicle finance segments recorded significant growth with a CAGR of 53.34% and 29.62%, respectively, from March 31, 2018 to March 31, 2020.

Further, our group loan customers are gradually meeting eligibility requirements for individual loan products, based on their group loan repayment track records. We intend to capitalize on this development by diversifying our individual loan product, while focusing on growing our secured portfolio. By increasing the proportion of secured to unsecured products, we aim to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. Our secured advances have grown from ₹52,649.54 million as of March 31, 2018 (which constituted 66.33% of our Gross Advances (including IBPC issued)) to ₹115,849.63 million as of March 31, 2020 (which constituted 75.39% of our Gross Advances (including IBPC issued)) and were ₹117,968.54 million as of June 30, 2020 (which constituted 75.75% of our Gross Advances (including IBPC issued)). Further, our deposits have also increased from ₹56,039.73 million as of March 31, 2018 to ₹107,884.05 million as of March 31, 2020 and was ₹117,871.27 million as of June 30, 2020. For further information, see "*Business – Strengths – Continue to diversity product offerings and leverage cross-selling opportunitiesDiversification of product offerings*" on page 128.

Our liability product portfolio comprises deposits, savings and investment options for mass and mass-affluent customers in the urban and semi-urban areas. We also offer customers with ATM-cum-Debit cards and generate fee income from distribution of third party insurance products such as insurance, mutual funds and PMS products. For further information, see "*Our Business – Description of our Business*" on page 130. Our business is dependent on developing and introducing financial products and services relevant to our target customer segment on competitive terms and increasing our customer base for existing products as well as expanding our operations. In order to improve our financial performance, we continue to monitor and align our product mix across our businesses and focus on increasing cross-sales of our products and services. We cannot assure you that such diversification or expansion of operations will in future yield and/or continue to yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with scheduled banks, housing finance companies and other NBFCs that are already well established in this market segment. We also expect our new businesses and product offerings to require increasing management attention and capital investments.

Interest Rate Volatility

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest earned is the largest component of our total income, and represented 86.39%, 88.19% and 90.36% of our total income in Fiscal 2018, Fiscal 2019, and Fiscal 2020, respectively, and 91.07% and 96.05% of our total income in the three months ended June 30, 2019 and June 30, 2020, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2018, Fiscal 2019, and Fiscal 2020, the total interest expended represented 38.55%, 43.96% and 42.85% of our total expenditure in such periods, respectively, and 43.97% and 45.73% of our total expenditure in the three months ended June 30, 2019 and June 30, 2020, respectively.

Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our Net Interest Margins and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended.

Prior to operating as an SFB, we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements and securitization/ assignment of receivables. However, upon transitioning into an SFB, our primary source of funding has been deposits, inter-bank borrowings, certificate of deposits, refinancing and bank lines. As of March 31, 2020 and June 30, 2020, a significant portion of our funding consists of retail deposits accounting for 44.42% and 46.40%, respectively, of our total term deposits, with a CASA ratio of 20.47% and 19.97%, respectively, in the same period. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhancing our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits on suitable interest rates and terms, and in a timely manner. Our Net Interest Income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability. While we believe we have consistently been granted strong credit ratings from various agencies in the past, there can be no assurance that we will continue to be granted such credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Adverse conditions in the global and Indian economy resulting from economic dislocations or liquidity disruptions may adversely affect availability of credit, and decreased liquidity may lead to an increase in interest rates. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Operating Expenses and Productivity Levels

Our ability to continue controlling our operating expenses will directly impact our profitability. In Fiscal 2018, Fiscal 2019, and Fiscal 2020 and in the three months ended June 30, 2019 and June 30, 2020, our total expenditure were ₹17,410.72 million, ₹21,842.66 million, ₹26,841.60 million, ₹6,054.90 million and ₹6,932.97 million, respectively, of which operating expenses comprised 49.70%, 42.11%, 40.31%, 41.77% and 38.87% of our total income, respectively, in the same periods. We have incurred significant expenditure on our network of Banking Outlets, building a base of trained employees and information technology platforms for our operations.

Our results of operations are dependent upon the productivity levels of our Banking Outlets and employees and improving our operational efficiencies. The use of technology has helped microfinance institutions grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal (*Source: CRISIL Report*). As of June 30, 2020, we had invested ₹1,715.40 million in setting up our IT platforms. Further, our use of handheld devices has reduced our turn-around time to service our customers. The productivity levels of our Banking Outlets network may vary according to the stage of operation of a Banking Outlet and the number of customers that the Banking Outlet is able to serve. The revenue growth in a particular Banking Outlet is dependent on various factors, including the level and type of customer traffic, the quality of employees and their marketing efforts and the growth rate of the local economy. We monitor the productivity levels of our Banking Outlets and employees and seek to improve Gross Advances (including IBPC issued) and disbursements per Banking Outlet as well as the Gross Advances (including IBPC issued) and disbursement amount per employee. Our Gross Advances (including IBPC issued) per Banking Outlet increased from ₹89.28 million as of March 31, 2018 to ₹137.20 million as of March 31, 2019 and was ₹179.94 million as of March 31, 2020 and ₹181.93 million as of June 30, 2020. Further, our disbursements per Banking Outlet increased from ₹65.34 million in Fiscal 2018 to ₹100.57 million in Fiscal 2019 and was ₹116.05 million in Fiscal 2020 and ₹6.59 million in the three months ended June 30, 2020. In addition, our Gross Advances (including IBPC issued) per employee has also increased from ₹5.88 million as of March 31, 2018 to ₹8.01 million as of March 31, 2019 and was ₹9.54 million as of March 31, 2020 and ₹9.83 million as of June 30, 2020. For further information, see "*Selected Statistical Information*" on page 192.

Credit quality and provisioning

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. As the number of our loans that become NPAs increase, the credit quality of our loan portfolio will correspondingly decrease. Our credit quality is dependent upon our recovery mechanisms and credit appraisal processes. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,			**As of June 30,**	
	2018	**2019**	**2020**	**2019**	**2020**
NPAs					
Percentage of Gross NPAs to Total Advances	2.73%	2.53%	3.00%	2.75%	2.86%
Gross NPA/ Gross Advances (including IBPC issued) (%)	2.68%	2.53%	2.72%	2.73%	2.68%
Net NPAs / net Advances (%)	1.46%	1.44%	1.66%	1.56%	1.48%

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, central and state government decisions (including agricultural loan waivers) and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. Our provision coverage ratio was 45.22% and 48.79% in Fiscal 2020 and in the three months ended June 30, 2020, respectively, and there can be no assurance that our provision cover ratio will continue to increase or that it may not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Competition

We have a limited operating history as an SFB and the success of our banking operations depends on a number of factors, including the demand for our services and our ability to compete with other banks and financial institutions effectively. The banking and financing sector in India is highly competitive and we face competition in all our principal areas of business. We face our most significant organized competition from other small finance banks, NBFCs, microfinance institutions, cooperative banks which have significant presence in rural areas and housing finance companies. We also face competition from public sector banks, private sector banks, other financial services companies and payment banks in India. In addition, many of our potential customers in economically weaker segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates. In the organized sector, our competitors may have a better brand recognition, greater business experience, more diversified operations, greater customer and depositor base, larger Banking Outlets networks and better access to, and lower costs of funding than we do. Further, the RBI has issued Guidelines for On-Tap Licensing of SFBs in the Private Sector on December 5, 2019, which permits applicants to apply for SFB license to the RBI at any time, subject to fulfilment of certain eligibility criteria and other conditions. We anticipate that this will increase competition for us. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See *"Risk Factors – The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively."* on page 44.

Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April

1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter, and also required such entities to be in preparedness to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. In compliance of such regulatory requirements, we have submitted proforma Ind AS financial statements for the quarter ended June 30, 2017 and have continued to submit such proforma Ind AS financial statements every quarter to the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

However, being a subsidiary of EHL, our Promoter, which prepares its financial statements in accordance with Ind AS with effect from April 1, 2018, financial statements of the Bank are also prepared in accordance with accounting policies applicable to EHL for the limited purpose of preparation of the consolidated financial statements of EHL. Our Bank's business forms a significant majority of the consolidated operations of EHL. EHL is publicly listed and in compliance with its listing obligations and other applicable laws it makes its standalone and consolidated unaudited quarterly financial results and annual financial statements, respectively. Further, as part of EHL's investor presentation, it has also made public excerpts of the Bank's Indian GAAP quarterly financial results based on management records.

Ind AS differs in many respects from Indian GAAP, and our limited financial information prepared in accordance with the accounting policies applicable to EHL (for the limited purpose of inclusion in EHL's consolidated financial statements) is therefore not comparable to our financial statements prepared under Indian GAAP for such respective periods. The key areas of difference between Indian GAAP and Ind AS as it applies to our Bank (in accordance with accounting policies applicable to EHL) include recognition/ derecognition of financial instruments, classification and measurement of financial instruments, fair valuation of financial instruments, impairment by applying expected credit loss, accounting of fee income by effective interest rate, fair value of ESOP calculation, and accounting for leases. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations, Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials. Investors should rely solely on our Restated Financial Information for an assessment of our current financial position.

The Restated Financial Information included in this Prospectus are derived from our Indian GAAP audited financial statements for Fiscal 2018, 2019 and 2020 and the three months ended June 30, 2019 and 2020. To the extent that financial information relating to our Bank can be indirectly derived from the consolidated financial statements of EHL prepared in accordance with accounting policies under Ind AS, as well as related investor presentations and investor interaction information made available publicly in the ordinary course by EHL as a publicly listed entity, on a quarterly or annual basis, or from financial information of EHL included in this Prospectus, investors are cautioned against placing reliance on any such financial information relating to our Bank for making an investment decision. Such information is not a part of this Prospectus and our Bank, the BRLMs or any other person connected with the Offer do not take responsibility for such information. Any investment decision must be taken only on the basis of the Restated Financial Information included in this Prospectus.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Restated Financial Information have been compiled by the management from the audited financial statements of each of the three months ended June 30, 2019 and 2020 and the years ended March 31, 2018, 2019 and 2020. The accounting policies have been consistently applied in preparation of the Restated Financial Information and are consistent with those adopted in the preparation of financial statements for the three months ended June 30, 2020. For further information, see "*Financial Statements – Note 2 – Significant Accounting Policies forming part of the Restated Summary Statement – 2. Basis of Preparation*" on page 250.

The COVID-19 pandemic (declared as such by the World Health Organisation on March 11, 2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict 40-day lockdown in India to contain the spread of the virus till May 3, 2020, which was further extended from time to time with some relaxations in specific areas. This has led to significant disruptions and dislocations for individuals and businesses, and has had consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. In respect of our loan book, management has made provisions as more fully explained below. However, the full extent of impact of the COVID-19 pandemic on our operations, and financial metrics (including impact on provisioning on advances) will further depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of our financial statements is set out below:

Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

In terms of the COVID-19 Regulatory Package of the RBI in its guidelines dated March 27, 2020 , April 17, 2020 and May 23, 2020, we have granted a moratorium of up to six months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms). We have maintained provisions as of June 30, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as required under the IRAC norms and based on management's assessment, we have made provision of ₹996.30 million in the three months ended March 31, 2020 (including ₹29.80 million representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020). Further, we have made a general provision of ₹450.00 million during the three months ended June 30, 2020. With this we have accumulated a general provision of ₹1446.30 million (including ₹431.10 million representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by us is in excess of the RBI prescribed norms.

We continue to recognise simple interest on the loans outstanding as of February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with the COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules.

Investments

Classification. In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories: (i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity; (ii) Held for Trading ("HFT") – Securities acquired with the intention to trade; and (iii) available for Sale ("AFS") – Securities which do not fall within the other two categories

Subsequent shifting among categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups – government securities, other approved securities, shares, debentures and bonds, investments in subsidiaries / joint ventures and other investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification. Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries/ joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost. The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission, paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories. Transfer between categories is done at the lower of the acquisition cost/ book value/ market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation. Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation/ appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the

RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted investments are valued based on the trades/ quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Private Ltd. ("FBIL"), based on relevant RBI circular. The market value of unquoted government securities which are in the nature of SLR securities included in the AFS and HFT categories is valued as per rates published by FBIL. The valuation of other unquoted fixed income securities (state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the Yield to Maturity ("YTM") rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL. In case of unquoted bonds, debentures and preference shares where interest/ dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the YTM for government securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price/ net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost. Security receipts, if any, are valued as per the net asset value provided by the issuing asset reconstruction company from time to time. Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments. Non-performing investments are identified and depreciation/ provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in repo and reverse repo account as at the balance sheet date is shown as part of borrowings and money at call and at short notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments. Profit/ loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to capital reserve account as per RBI guidelines. In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the Bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

Advances

Classification. Advances are classified as performing assets (standard) and non-performing assets ("NPA") in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received. We transfer advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are 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 in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning. In accordance with RBI guidelines, we have provided general provision on standard assets at levels stipulated by the RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of NPAs are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under provisions and contingencies. Advances are disclosed, net of provisions in the Balance Sheet.

Provisions made in excess of our policy for specific loan loss provisions for NPAs and regulatory general provisions are categorised as floating provision. Creation of floating provision is considered to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are utilised to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating provisions have been included under 'Other Liabilities'.

We consider restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/ 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 us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation. Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in historical financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off/ settlement of the account. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under other liabilities and not netted off against Advances.

Securitisation transactions and direct assignments and transfer of assets

We transfer loan receivables both through direct assignment route as well as to special purpose vehicles ("SPV"). The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by us. Gains/ losses are recognized only if we surrender the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit/ premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the SPV. Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

Fixed Assets and Depreciation

Property, plant and equipment ("PPE"), capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, we depreciate them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as capital work in progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, where the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support:

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 Years
Furniture and Fixtures	3 Years	10 Years
Vehicles	4 Years	8 Years

Asset	**Estimated useful life as assessed by the Bank**	**Estimated useful life specified under Schedule II of the Companies Act 2013**
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- Point of Sale terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized. PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

Intangible Assets and Amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful economic life. We use a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of five years or license period, whichever is lower.

The amortisation period and the amortisation method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, prior period items and changes in accounting policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

Impairment of Assets

The carrying values of assets/ cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on NPAs is recognized upon realisation as per RBI norms. Fee and commission income are recognised as income when due, except in cases where we are uncertain of its ultimate collection. Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight- line basis over the period of contract. Interest income on deposits/ investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight-line basis. Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on securitisation transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan. Our contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan. For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term Employee Benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as follows: (i) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and (ii) in case of non-accumulating compensated absences, when the absences occur.

Long-term Employee Benefits. We accrue 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 our obligation is 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.

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. We measure compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Accounting of Priority Sector Lending Certificate (PSLC)

We enter into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, we sell the fulfilment of priority sector obligation and in the case of a purchase transaction we buy the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the PSLC.

Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and we have a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

At each reporting date, we re-assess unrecognized deferred tax assets. We recognize unrecognized 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 realized.

Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

Provisions and Contingencies

A provision is recognized when we have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

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 company or a present obligation that is not recognized because it is not probable that an 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 recognized because it cannot be measured reliably. We do not recognize a contingent liability but discloses its existence in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents comprises of cash in hand and balances with RBI and balances with banks and money at call and short notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

CHANGES IN ACCOUNTING POLICIES

We enter into transactions for the sale and purchase of PSLCs to achieve the yearly priority sector lending target and sub-targets or to earn revenue on surplus portfolio. Up to March 31, 2018, we had recognised the fee paid for purchase of the PSLC and income from sale of PSLC on an upfront basis. With effect from April 1, 2018, the income and expense are recognised over the tenure of the PSLCs within the respective year. For further information on changes to accounting policies, see "*Financial Statements – Note 1 – Statement on Material Adjustments and Regroupings – 1.1 Material Adjustments*" on page 246.

COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest on advances, income from investments, interest on balances with Reserve Bank of India and other inter-bank funds.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit on sale of land, buildings and other assets (net), and (iv) miscellaneous income, which includes processing fee income, income on account of sale of priority sector lending certificates, portfolio sale income, check bounce charges, loan loss recovery, liability fee income, and pre-closure penalty charges.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and other interest such as interest on non-bank borrowings, non-convertible debentures, and interest on commercial papers.

Operating Expenses

Our operating expenses includes (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation and amortization, (vi) directors' fees, allowances and expenses, (vii) auditors' fee and expenses, (viii) legal and professional fees, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, (xii) commission and brokerage, (xiii) information technology expenses, (xiv) travel and conveyance, (xv) bank and other finance charges, (xvi) cash handling charges, (xvii) CSR contribution, and (xviii) other expenditure, including fee paid towards purchase of priority sector lending certificates.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for depreciation on investments, (ii) provision for non-performing assets (including write off), (iii) net provision/ (reversal) towards standard assets, (iv) floating provision, (v) provision for taxes (net), (vi) deferred tax (net), and (vii) other provisions and contingencies.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2020 COMPARED TO THREE MONTHS ENDED JUNE 30, 2019

The following table sets forth certain information with respect to our results of operations for the periods indicated:

Particulars	Three Months ended June 30, 2019		Three Months ended June 30, 2020	
	Amount (₹million)	Percentage of total income (%)	Amount (₹million)	Percentage of total income (%)
Income				
Interest earned	6,033.87	91.07%	7,213.12	96.05%
Other income	591.63	8.93%	296.56	3.95%
Total	**6,625.50**	**100.00%**	**7,509.68**	**100.00%**
Expenditure				
Interest expended	2,662.24	40.18%	3,170.33	42.22%
Operating expenses	2,767.59	41.77%	2,919.18	38.87%
Provisions and contingencies	625.07	9.43%	843.46	11.23%
Total	**6,054.90**	**91.39%**	**6,932.97**	**92.32%**
Profit				
Net profit for the period/ year	**570.60**	**8.61%**	**576.71**	**7.68%**

Key Developments

- Our results of operations for the three months ended June 30, 2020, were impacted due to the COVID-19 pandemic and the related COVID-19 Regulatory Package issued by the RBI in its guidelines dated March 27, 2020, April 17, 2020 and May 23, 2020. In accordance with these guidelines, we have granted a moratorium of upto six months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under the IRAC norms). We have maintained provisions as of June 30, 2020 in respect of accounts in default but standard against the potential impact of COVID-19, and made a general provision of ₹450.00 million during the three months ended June 30, 2020.

For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268.

Income

Total income increased by 13.35% from ₹6,625.50 million in the three months ended June 30, 2019 to ₹7,509.68 million in the three months ended June 30, 2020 primarily due to the reasons discussed below.

Interest Earned

Interest earned increased by 19.54% from ₹6,033.87 million in the three months ended June 30, 2019 to ₹7,213.12 million in the three months ended June 30, 2020, primarily due to an increase in interest on advances by 20.29% from ₹5,500.15 million in the three months ended June 30, 2019 to ₹6,616.06 million in the three months ended June 30, 2020. Income from investments also increased by 12.24% from ₹390.82 million in the three months ended June 30, 2019 to ₹438.66 million in the three months ended June 30, 2020, as a result of increase in investments from ₹22,702.59 million as of June 30, 2019 to ₹34,785.77 million as of June 30, 2020. Interest on balance with RBI and other inter-bank funds also increased by 10.85% from ₹142.90 million in the three months ended June 30, 2019 to ₹158.40 million in the three months ended June 30, 2020.

Other Income

Other income decreased by 49.87% from ₹591.63 million in the three months ended June 30, 2019 to ₹296.56 million in the three months ended June 30, 2020, primarily due to a decrease in miscellaneous income comprising processing fees and documentation fees collected on disbursement of loans by 60.26% from ₹548.50 million in the three months ended June 30, 2019 to ₹218.00 million in the three months ended June 30, 2020, as a result of decrease in disbursements and waiver of account maintenance charges, which was partially offset by an increase in ATM-acquirer fees. Commission, exchange and brokerage income, also decreased by 3.74% from ₹39.86 million in the three months ended June 30, 2019 to ₹38.37 million in the three months ended June 30, 2020 on account of decrease in fee-income generated from sale/ distribution of third party products. This was partially offset by an increase in profit/ (loss) on sale of investments (net) from ₹3.91 million in the three months ended June 30, 2019 to ₹40.15 million in the three months ended June 30, 2020, as a result of sale of government securities. The components of other income for the three months ended June 30, 2019 and 2020, are as follows:

Particulars	Three months ended June 30,	
	2019	2020
Commission, exchange and brokerage	39.86	38.37
Profit / (loss) on sale of investments (net)	3.91	40.15
Profit / (loss) on sale of building and other assets (net)	(0.64)	0.04
Miscellaneous income*	548.50	218.00
Total	**591.63**	**296.56**
* Includes PSLC fee income on account of sale of PSL certificates	-	-

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure increased by 14.50% from ₹6,054.90 million in the three months ended June 30, 2019 to ₹6,932.97 million in the three months ended June 30, 2020 primarily due to the reasons discussed below.

Interest Expended

Interest expended increased by 19.09% from ₹2,662.24 million in the three months ended June 30, 2019 to ₹3,170.33 million in the three months ended June 30, 2020, primarily due to an increase in interest on deposits by 24.34% from ₹1,682.12 million in the three months ended June 30, 2019 to ₹2,091.51 million in the three months ended June 30, 2020 on account of increase in deposits from ₹91,334.18 million as of June 30, 2019 to ₹117,871.27 million as of June 30, 2020. Other interest also increased by 14.09% from ₹908.73 million in the three months ended June 30, 2019 to ₹1,036.78 million in the three months ended June 30, 2020 due to increase in non-bank borrowings from ₹42,548.43 million as of June 30, 2019 to ₹51,825.34 million as of June 30, 2020.

This was partially offset by a decrease in interest on RBI/ inter-bank borrowings by 41.11% from ₹71.39 million in the three months ended June 30, 2019 to ₹42.04 million in the three months ended June 30, 2020, due to reduction RBI/inter-bank borrowings from ₹ 3,900.00 million as of June 30, 2019 to ₹ 3,430.00 million as of June 30, 2020.

Operating Expenses

Operating expenses increased by 5.48% from ₹2,767.59 million in the three months ended June 30, 2019 to ₹2,919.18 million in the three months ended June 30, 2020 primarily due to an increase in payments to and provisions for employees by 14.82% from ₹1,693.72 million in the three months ended June 30, 2019 to ₹1,944.80 million in the three months ended June 30, 2020 on account of increase in number of employees from 15,261 employees as of June 30, 2019 to 15,843 employees as of June 30, 2020. Information technology expenses also increased by 41.57% from ₹111.15 million in the three months ended June 30, 2019 to ₹157.36 million in the three months ended June 30, 2020, as a result of incurring annual maintenance charges towards software deployed. Other expenditure significantly increased from ₹46.18 million in the three months ended June 30, 2019 to ₹138.32 million in the three months ended June 30, 2020. The increase in other expenditure was due to an increase in micro ATM switching expenses and loss incurred by way of payment to investors in respect of securitised receivables, while repayment from borrowers in respect of such receivables remained unpaid due to the lockdown imposed.

These increases were partially offset by a decrease in rent, taxes and lighting that decreased by 4.56% from ₹228.17 million in the three months ended June 30, 2019 to ₹217.77 million in the three months ended June 30, 2020, primarily due to re-negotiation of lease agreements. Depreciation and amortization expenses also decreased by 15.59% from ₹230.36 million in the three months ended June 30, 2019 to ₹194.45 million in the three months ended June 30, 2020, as there was substantial decrease in addition of furniture and fixtures in the three months ended June 30, 2020. Postage, telegram, telephone etc. expenses also decrease by 29.80% from ₹54.97 million in the three months ended June 30, 2019 to ₹38.59 million in the three months ended June 30, 2020. Advertisement and publicity expenses also decreased by 81.77% from ₹49.48 million in the three months ended June 30, 2019 to ₹9.02 million in the three months ended June 30, 2020, due to a decline in field activities such as operation of kiosks and distribution of product brochures on account of the COVID-19 related lockdowns. Travel and conveyance expenses also significantly decreased by 70.99% from ₹106.49 million in the three months ended June 30, 2019 to ₹30.89 million in the three months ended June 30, 2020, due to reduced travel as a result of COVID-19 related lockdowns and restrictions imposed by the Government.

Provisions and Contingencies

Provisions and contingencies increased by 34.94% from ₹625.07 million in the three months ended June 30, 2019 to ₹843.46 million in the three months ended June 30, 2020, primarily due to an increase in general provision from no such provision in the three months ended June 30, 2019 to a provision of ₹450.00 million in the three months ended June 30, 2020. The general provision of ₹450.00 million was made in the three months ended June 30, 2020, in respect of accounts in default but standard against the potential impact of COVID-19 as of June 30, 2020. For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268.

This increase in provision was significantly offset by a decrease in provision for NPAs (including write-off) by 17.87% from ₹277.05 million in the three months ended June 30, 2019 to ₹227.55 million in the three months ended June 30, 2020 on account of stand still of accounts in terms of asset classification where moratorium was granted in accordance with the COVID-19 Regulatory Package. In addition, there was a decrease in net provision/ (reversal) towards standard assets by 72.38% from ₹25.30 million in the three months ended June 30, 2019 to ₹6.99 million in the three months ended June 30, 2020, as a result of lower disbursements. There was also a decrease in provision for tax (net) including deferred tax, from ₹316.93 million in the three months ended June 30, 2019 to ₹160.06 million in the three months ended June 30, 2020, as a result of adopting the concessional tax regime introduced by way of the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019.

Profit

For the reasons discussed above, net profit for the period was ₹570.60 million in the three months ended June 30, 2019 compared to ₹576.71 million in the three months ended June 30, 2020.

FISCAL 2020 COMPARED TO FISCAL 2019

The following table sets forth certain information with respect to our results of operations for Fiscal 2019 and 2019:

Particulars	Fiscal 2019		Fiscal 2020	
	(₹million)	Percentage of total income	(₹million)	Percentage of total income
Income				
Interest earned	21,119.34	88.19%	26,454.44	90.36%
Other income	2,828.98	11.81%	2,823.51	9.64%
Total	**23,948.32**	**100.00%**	**29,277.95**	**100.00%**
Expenditure				
Interest expended	9,602.00	40.09%	11,501.38	39.28%

Particulars	Fiscal 2019		Fiscal 2020	
	(₹million)	Percentage of total income	(₹million)	Percentage of total income
Operating expenses	10,084.87	42.11%	11,800.79	40.31%
Provisions and contingencies	2,155.79	9.00%	3,539.43	12.09%
Total	**21,842.66**	**91.21%**	**26,841.60**	**91.68%**
Profit				
Net profit for the year	**2,105.66**	**8.79%**	**2,436.35**	**8.32%**

Key Developments

- Pursuant to the order of the Supreme Court of India dated February 28, 2019 regarding the applicability of certain provisions of the Employees Provident Fund Act, 1952, we recognised an amount of ₹55.00 million as additional expenses in the financial statements of Fiscal 2019 towards contribution to provident fund for the period between February 2009 to March 2015. For further information on material adjustments and regroupings, see "*Financial Statements – Note 1 – Statement on Material Adjustments and Regroupings – 1.2 Non-adjusting items – 1.2.2. Changes in estimates*" on page 247.

- Our results of operations for the three months ended June 30, 2020, were impacted due to the COVID-19 pandemic and the related COVID-19 Regulatory Package issued by the RBI in its guidelines dated March 27, 2020, April 17, 2020 and May 23, 2020. In accordance with these guidelines, we have granted a moratorium of upto six months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under the IRAC norms). Further, as required under the IRAC norms and based on management's assessment, we have made a provision of ₹996.30 million in the three months ended March 31, 2020 (including ₹29.80 million representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020).

  For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268.

Income

Total income increased by 22.25% from ₹23,948.32 million in Fiscal 2019 to ₹29,277.95 million in Fiscal 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 25.26% from ₹21,119.34 million in Fiscal 2019 to ₹26,454.44 million in Fiscal 2020, primarily due to an increase in interest on advances by 32.70% from ₹18,236.56 million in Fiscal 2019 to ₹24,200.07 million in Fiscal 2020 on account of an increase in advances. Interest on balances with RBI and other inter-bank funds also increased from ₹303.17 million in Fiscal 2019 to ₹677.85 million in Fiscal 2020. This was partially offset by a decrease in income from investments that decreased by 38.89% from ₹2,579.61 million in Fiscal 2019 to ₹1,576.52 million in Fiscal 2020, as a result of decrease in investments from ₹23,444.54 million as of March 31, 2019 to ₹23,425.06 million as of March 31, 2020.

Other Income

Other income decreased marginally by 0.19% from ₹2,828.98 million in Fiscal 2019 to ₹2,823.51 million in Fiscal 2020, primarily due to decrease in miscellaneous income. Miscellaneous income, comprising PSLC fee income on account of PSL certificates decreased by 1.13% from ₹2,611.35 million in Fiscal 2019 to ₹2,581.93 million in Fiscal 2020 due to decrease in value of PSLCs sold.

This was partially offset by an increase in commission, exchange and brokerage, that increased by 13.12% from ₹186.01 million in Fiscal 2019 to ₹210.41 million in Fiscal 2020 on account of increase in fee-income generated from sale/ distribution of third party products. Further, we recorded an increase in profit on sale of investments (net) by 3.18% from ₹32.73 million in Fiscal 2019 to ₹33.77 million in Fiscal 2020. The components of other income for Fiscal 2019 and 2020, are as follows:

Particulars	Fiscal	
	2019	2020
	(₹ million)	
Commission, exchange and brokerage	186.01	210.41
Profit / (loss) on sale of investments (net)	32.73	33.77
Profit / (loss) on sale of building and other assets (net)	(1.11)	(2.60)

Particulars	Fiscal	
	2019	2020
	(₹ million)	
Miscellaneous income*	2,611.35	2,581.93
Total	**2,828.98**	**2,823.51**
* Includes PSLC fee income on account of sale of PSL certificates	281.54	223.35

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure increased by 22.89% from ₹21,842.66 million in Fiscal 2019 to ₹26,841.60 million in Fiscal 2020 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 19.78% from ₹9,602.00 million in Fiscal 2019 to ₹11,501.38 million in Fiscal 2020, primarily due to an increase in interest on deposits by 44.81% from ₹5,097.01 million in Fiscal 2019 to ₹7,381.18 million in Fiscal 2020 on account of increase in deposits. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings that decreased by 48.37% from ₹529.30 million in Fiscal 2019 to ₹273.28 million in Fiscal 2020 due to reduced borrowing against surplus investment in securities during Fiscal 2020 as compared to Fiscal 2019. Other interest also decreased by 3.24% from ₹3,975.69 million in Fiscal 2019 to ₹3,846.92 million in Fiscal 2020, as a result of closure of grandfathered borrowings.

Operating Expenses

Operating expenses increased by 17.01% from ₹10,084.87 million in Fiscal 2019 to ₹11,800.79 million in Fiscal 2020 primarily due to an increase in payments to and provisions for employees by 28.75% from ₹5,513.06 million in Fiscal 2019 to ₹7,097.89 million in Fiscal 2020 on account of increase in employees from 14,608 as of March 31, 2019 to 16,104 employees as of March 31, 2020. Rent, taxes and lighting increased by 8.25% from ₹906.14 million in Fiscal 2019 to ₹980.92 million in Fiscal 2020 primarily due to revision in rent on account of renewal of lease agreements. There was also an increase in advertisement and publicity expenses by 11.97% from ₹162.48 million in Fiscal 2019 to ₹181.93 million in Fiscal 2020 due to execution of branding activities such as print media and display of hoardings. Depreciation and amortization expenses also increased by 5.09% from ₹917.78 million in Fiscal 2019 to ₹964.54 million in Fiscal 2020. Legal and professional fees also increased by 48.68% from ₹158.38 million in Fiscal 2019 to ₹235.48 million in Fiscal 2020. Repairs and maintenance expenses increased by 11.42% from ₹193.51 million in Fiscal 2019 to ₹215.60 million in Fiscal 2020, due to ageing of the assets in the Banking Outlets. Information technology expenses also increased by 25.95% from ₹377.33 million in Fiscal 2019 to ₹475.24 million in Fiscal 2020, as a result of setting up of a 'captive development centre' for in-house product development, including towards IT systems and resources. Travel and conveyance expenses increased by 20.80% from ₹400.39 million in Fiscal 2019 to ₹483.66 million in Fiscal 2020.

This was partially offset by a decrease in other expenditure, primarily comprising PSLC fees, that decreased significantly by 58.93% from ₹703.51 million in Fiscal 2019 to ₹288.90 million in Fiscal 2020, on account of nil PSLC fee incurred in Fiscal 2020, compared to a PSLC fee of ₹294.13 million incurred in Fiscal 2019. The decrease in other expenditure was also a result of redemption of non-convertible debentures with a premium on pre-closure in Fiscal 2019 compared to no such expense in Fiscal 2020.

Provisions and Contingencies

Provisions and contingencies increased by 64.18% from ₹2,155.79 million in Fiscal 2019 to ₹3,539.43 million in Fiscal 2020, primarily due to an increase in general provision from no such provision in Fiscal 2019 to a provision of ₹996.30 million in Fiscal 2020. The general provision of ₹996.30 million was made in the three months ended March 31, 2020, in respect of accounts in default but standard against the potential impact of COVID-19 as of March 31, 2020. For further information, see "*Financial Statements – Note 20 – 5.2. Details of Loan Moratorium provided to customers – COVID19 Regulatory Package – Asset Classification and Provisioning*" on page 268.

Provision for NPAs (including write-off) also increased by 48.18% from ₹890.29 million in Fiscal 2019 to ₹1,319.23 million in Fiscal 2020 as a result of increase in fresh slippages in vehicle finance, small business loans and unsecured business loans. Increase in fresh slippages was a result of deterioration in asset quality, and adverse economic developments including general slowdown in the Indian economy further triggered by the COVID-19 pandemic. Net provision/ (reversal) towards standard assets also increased by 53.03% from ₹98.87 million in Fiscal 2019 to ₹151.30 million in Fiscal 2020, due to increase in advances from ₹115,935.65 million as of March 31, 2019 to ₹137,472.42 million as of March 31, 2020.

This was partially offset by a decrease in provision for taxes that decreased by 3.46% from ₹1,378.57 million in Fiscal 2019 to ₹1,330.82 million in Fiscal 2020 on account of write-down in deferred tax assets as a result of adopting the concessional tax regime introduced by way of the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019.

Profit

For the reasons discussed above, net profit for the year was ₹2,105.66 million in Fiscal 2019 compared to ₹2,436.35 million in Fiscal 2020.

FISCAL 2019 COMPARED TO FISCAL 2018

The following table sets forth certain information with respect to our results of operations for Fiscal 2018 and 2019:

Particulars	Fiscal 2018		Fiscal 2019	
	(₹million)	Percentage of total income	(₹million)	Percentage of total income
Income				
Interest earned	15,316.88	86.39%	21,119.34	88.19%
Other income	2,412.15	13.61%	2,828.98	11.81%
Total	**17,729.03**	**100.00%**	**23,948.32**	**100.00%**
Expenditure				
Interest expended	6,711.47	37.86%	9,602.00	40.09%
Operating expenses	8,811.13	49.70%	10,084.87	42.11%
Provisions and contingencies	1,888.12	10.65%	2,155.79	9.00%
Total	**17,410.72**	**98.20%**	**21,842.66**	**91.21%**
Profit				
Net profit for the year	**318.31**	**1.80%**	**2,105.66**	**8.79%**

Key Developments

- With effect from September 1, 2018, the Bank recognizes NPAs on advances on a daily basis, as compared to the month-end recognition followed previously. For further information, see "*Financial Statements – Note 1 – Statement on Material Adjustments and Regroupings – 1.2 Non-adjusting items – 1.2.2. Changes in estimates – 1.2.2.1 Classification of advances and provisioning of non-performing advances*" on page 247.

- Pursuant to the order of the Supreme Court of India dated February 28, 2019 regarding the applicability of certain provisions of the Employees Provident Fund Act, 1952, we recognised an amount of ₹55.00 million as additional expenses in the financial statements of Fiscal 2019 towards contribution to provident fund for the period between February 2009 to March 2015. For further information on material adjustments and regroupings, see "*Financial Statements – Note 1 – Statement on Material Adjustments and Regroupings – 1.2 Non-adjusting items – 1.2.2. Changes in estimates*" on page 247.

Income

Total income increased by 35.08% from ₹17,729.03 million in Fiscal 2018 to ₹23,948.32 million in Fiscal 2019 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 37.88% from ₹15,316.88 million in Fiscal 2018 to ₹21,119.34 million in Fiscal 2019, primarily due to an increase in interest on advances by 36.99% from ₹13,312.17 million in Fiscal 2018 to ₹18,236.56 million in Fiscal 2019 on account of an increase in advances. Income from investments also increased by 42.33% from ₹1,812.42 million in Fiscal 2018 to ₹2,579.61 million in Fiscal 2019. Interest on balances with RBI and other inter-bank funds also increased by 57.66% from ₹192.29 million in Fiscal 2018 to ₹303.17 million in Fiscal 2019.

Other Income

Other income increased by 17.28% from ₹2,412.15 million in Fiscal 2018 to ₹2,828.98 million in Fiscal 2019, primarily due to increase in commission, exchange and brokerage income, profit/ (loss) on sale of investments (net) and miscellaneous income. Commission, exchange and brokerage increased by 82.88% from ₹101.71 million in Fiscal 2018 to ₹186.01 million in Fiscal 2019 on account of significant increase in fee-income generated from sale/ distribution of third party products. Further, we recorded a profit on sale of investments (net) of ₹32.73 million in Fiscal 2019, as compared to a loss on sale of investments of ₹102.99 million in Fiscal 2018 due to sale of securities in the available-for-sale category to mitigate mark-to-market losses. Miscellaneous income, comprising processing fee income, income on account of sale of priority sector lending certificates, portfolio sale income, check bounce charges, loan loss recovery, liability fee income, pre-closure penalty charges also increased by 8.13% from ₹2,414.94 million in Fiscal 2018 to ₹2,611.35 million in Fiscal 2019 due to increase in processing fees on account of increase in disbursements and increase in liability fee income, including ATM charges, non-maintenance of balance charges. This was partially offset by a decrease in PSLC fee income on account of sale of PCL certificates from ₹607.18 million in Fiscal 2018 to ₹281.54 million in Fiscal 2019. The components of other income for Fiscal 2018 and 2019, are as follows:

Particulars	Fiscal	
	2018	2019
	(₹ million)	
Commission, exchange and brokerage	101.71	186.01
Profit / (loss) on sale of investments (net)	(102.99)	32.73
Profit / (loss) on sale of building and other assets (net)	(1.51)	(1.11)
Miscellaneous income*	2,414.94	2,611.35
Total	**2,412.15**	**2,828.98**
* Includes PSLC fee income on account of sale of PSL certificates	607.18	281.54

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure increased by 25.46% from ₹17,410.72 million in Fiscal 2018 to ₹21,842.66 million in Fiscal 2019 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 43.07% from ₹6,711.47 million in Fiscal 2018 to ₹9,602.00 million in Fiscal 2019, primarily due to an increase in interest on deposits by 108.75% from ₹2,441.70 million in Fiscal 2018 to ₹5,097.01 million in Fiscal 2019 on account of increase in deposits. Other interest also increased by 4.70% from ₹3,797.15 million in Fiscal 2018 to ₹3,975.69 million in Fiscal 2019, as a result of increase in refinance facilities. Interest on RBI/ inter-bank borrowings also increased by 11.99% from ₹472.62 million in Fiscal 2018 to ₹529.30 million in Fiscal 2019 due to increased borrowing by way of call money, repo and collateralized borrowing and lending obligations.

Operating Expenses

Operating expenses increased by 14.46% from ₹8,811.13 million in Fiscal 2018 to ₹10,084.87 million in Fiscal 2019 primarily due to an increase in payments to and provisions for employees from ₹5,154.10 million in Fiscal 2018 to ₹5,513.06 million in Fiscal 2019 on account of increase in employees from 13,490 as of March 31, 2018 to 14,608 employees as of March 31, 2019. Rent, taxes and lighting increased by 11.20% from ₹814.84 million in Fiscal 2018 to ₹906.14 million in Fiscal 2019 primarily due to Banking Outlets opened previously being operational during Fiscal 2019. There was also an increase in advertisement and publicity expenses by 51.31% from ₹107.38 million in Fiscal 2018 to ₹162.48 million in Fiscal 2019 and travel and conveyance by 14.44% from ₹349.87 million in Fiscal 2018 to ₹400.39 million in Fiscal 2019. Other expenditure, primarily comprising CIBIL fees, documentation charges, staff recruitment charges, ATM forwarding fee, and PSLC premium fees, increased significantly by 305.34% from ₹173.56 million in Fiscal 2018 to ₹703.51 million in Fiscal 2019, on account of PSLC fee payment and redemption of non-convertible debentures with a premium on pre-closure.

Provisions and Contingencies

Provisions and contingencies increased by 14.18% from ₹1,888.12 million in Fiscal 2018 to ₹2,155.79 million in Fiscal 2019, primarily due to a significant increase in provision for taxes by 284.35% from ₹358.68 million in Fiscal 2018 to ₹1,378.57 million in Fiscal 2019 on account of increase in profit after tax recorded for Fiscal 2019 compared to Fiscal 2018.This increase was significantly offset by a decrease in the provision for NPAs (including write-off) by 47.55% from ₹1,697.29 million in Fiscal 2018 to ₹890.29 million in Fiscal 2019. Provision for non-performing assets (including write-off) amounted to ₹1,697.29 million in Fiscal 2018 due to write-off of advances in the microfinance segment that was largely a result of demonetisation that occurred in Fiscal 2017.

Profit

For the reasons discussed above, net profit for the year was ₹318.31 million in Fiscal 2018 compared to ₹2,105.66 million in Fiscal 2019.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,			As of June 30, 2019	As of June 30, 2020
	2018	2019	2020		
	(₹million)				
Cash and balances with the Reserve Bank of India	3,860.81	4,027.04	3,808.64	3,914.51	4,290.23
Balance with banks and money at call and short notice	8,250.84	8,579.12	21,559.79	14,066.70	14,965.45
Investments	38,568.41	23,444.54	23,425.06	22,702.59	34,785.77
Advances	77,060.29	115,935.65	137,472.42	120,233.01	143,886.20
Fixed assets	2,808.83	2,373.36	2,127.69	2,267.32	1,976.64
Other assets	2,462.32	3,267.20	4,751.87	3,463.86	9,017.10
Total	**133,011.50**	**157,626.91**	**193,145.47**	**166,647.99**	**208,921.39**

Total assets increased by 8.17% from ₹193,145.47 million as of March 31, 2020 to ₹208,921.39 million as of June 30, 2020. This increase was primarily due to an increase in investments by 48.50% from ₹23,425.06 million as of March 31, 2020 to ₹34,785.77 million as of June 30, 2020.

Total assets increased by 22.53% from ₹157,626.91 million as of March 31, 2019 to ₹193,145.47 million as of March 31, 2020. This increase was primarily due to an increase in advances by 18.58% from ₹115,935.65 million as of March 31, 2019 to ₹137,472.42 million as of March 31, 2020.

Total assets increased by 18.51% from ₹133,011.50 million as of March 31, 2018 to ₹157,626.91 million as of March 31, 2019. This increase was primarily due to an increase in advances by 50.45% from ₹77,060.29 million as of March 31, 2018 to ₹115,935.65 million as of March 31, 2019 on account of an increase in loan disbursements in existing and new markets, and increase in focus on customer acquisition and retention.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,			As of June 30, 2019	As of June 30, 2020
	2018	2019	2020		
	(₹million)				
Bills, purchased and discounted	-	-	-	-	-
Cash credits, overdrafts and loans repayable on demand	1,316.70	2,789.99	5,788.57	2,851.47	5,891.11
Term loans	75,743.59	113,145.66	131,683.85	117,381.54	137,995.09
Total	**77,060.29**	**115,935.65**	**137,472.42**	**120,233.01**	**143,886.20**
Secured by tangible assets	51,850.56	81,932.39	104,192.89	86,305.00	107,265.38
Covered by bank/ government guarantees	-	-	-	-	-
Unsecured	25,209.73	34,003.26	33,279.53	33,928.01	36,620.82
Total	**77,060.29**	**115,935.65**	**137,472.42**	**120,233.01**	**143,886.20**
Advances in India					
Priority sector	53,996.30	76,892.28	94,532.49	79,736.63	94,231.85
Public sector	-	-	-	-	-
Banks	600.84	700.39	0.04	1.80	0.00
Others	22,463.15	38,342.98	42,939.89	40,494.58	49,654.35
Total	**77,060.29**	**115,935.65**	**137,472.42**	**120,233.01**	**143,886.20**

Advances comprise small business loans, microfinance, commercial vehicle loans, micro and small enterprise loans, affordable housing loans, and corporate loans.

Total Advances increased by 4.67% from ₹137,472.42 million as of March 31, 2020 to ₹143,886.20 million as of June 30, 2020, primarily due to increase in small business loans, working capital advances and commercial vehicle finance.

Total Advances increased by 18.58% from ₹115,935.65 million as of March 31, 2019 to ₹137,472.42 million as of March 31, 2020 and by 50.45% from ₹77,060.29 million as of March 31, 2018 to ₹115,935.65 million as of March 31, 2019, primarily due to increase in loan disbursements. Disbursements increased in Fiscal 2019 as compared to Fiscal 2018 due to the reduced impact of demonetization: as a consequence of demonetization in Fiscal 2017, gross loan portfolio of the microfinance industry, which was growing at approximately 70% in the first half of Fiscal 2017 declined to 22% by the end of Fiscal 2017 (*Source: CRISIL Report*). Disbursements were most affected and declined by approximately 29% in the second half of Fiscal 2017 compared to 60% growth in the first half of Fiscal 2017 (*Source: CRISIL Report*). Newly converted SFBs witnessed decline in profitability in Fiscal 2018 due to losses in the second half of the financial year on account of stressed microfinance accounts, driven by the twin impact of demonetisation and loan waivers. Profitability revived in Fiscal 2019 as credit costs on newly originated loans disbursed post demonetisation was much lower (*Source: CRISIL Report*).

Investments

Our investments mainly represent investments in government securities.

Investments increased by 48.50% from ₹23,425.06 million as of March 31, 2020 to ₹34,785.77 million as of June 30, 2020, primarily due to increase in investments in government securities. Investment in government securities increased by 44.17% from ₹22,923.06 million as of March 31, 2020 to ₹33,047.84 million as of June 30, 2020 primarily due to increase in investments under HTM category.

Investments marginally decreased by 0.08% from ₹23,444.54 million as of March 31, 2019 to ₹23,425.06 million as of March 31, 2020, primarily due to a decrease in investments in debentures and bonds. This was partially offset by an increase in investment in government securities, that increased by 2.14% from ₹22,442.54 million as of March 31, 2019 to ₹22,923.06 million as of March 31, 2020 primarily due to an increase in deposits.

Investments decreased by 39.21% from ₹38,568.41 million as of March 31, 2018 to ₹23,444.54 million as of March 31, 2019, primarily due to a decrease in investment in government securities. Investment in government securities decreased by 20.98% from ₹28,402.36 million as of March 31, 2018 to ₹22,442.54 million as of March 31, 2019 primarily due to reduction in government securities.

Investments were ₹22,702.59 million as of June 30, 2019. Investment in government securities were ₹21,700.59 million as of June 30, 2019.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice was ₹14,965.45 million as of June 30, 2020 compared to ₹21,559.79 million as of March 31, 2020. The decrease as of June 30, 2020 was primarily driven by a decrease in money at call and short notice with lenders under reverse repo which decreased by 31.73% from ₹20,800.00 million as of March 31, 2020 to ₹14,200.00 million as of June 30, 2020.

Balances with banks and money at call and short notice was ₹21,559.79 million as of March 31, 2020 compared to ₹8,579.12 million as of March 31, 2019. The increase as of March 31, 2020 was primarily driven by an increase in money at call and short notice with lenders under reverse repo which increased by 165.40% from ₹7,837.09 million as of March 31, 2019 to ₹20,800.00 million as of March 31, 2020.

Balances with banks and money at call and short notice was ₹8,579.12 million as of March 31, 2019 compared to ₹8,250.84 million as of March 31, 2018. The marginal increase as of March 31, 2019 was primarily driven by increase in money at call and short notice with lender under reverse repo which increased by 85.27% from ₹4,230.00 million as of March 31, 2018 to ₹7,837.09 million as of March 31, 2019, which was significantly offset by a decrease in money at call and short notice with banks which decreased from ₹2,300.00 million as of March 31, 2018 to nil as of March 31, 2019.

As of June 30, 2019, balances with banks was ₹518.50 million and money at call and short notice was ₹13,548.20 million.

Other Assets

Other assets primarily include interest accrued, tax paid in advance (net of provision for tax), deferred tax asset, and others.

Other assets was ₹9,017.10 million as of June 30, 2020 compared to ₹4,751.87 million as of March 31, 2020. The increase in the three months ended June 30, 2020 was primarily driven by an increase in interest accrued from ₹2,306.38 million as of March 31, 2020 to ₹6,277.15 million as of June 30, 2020.

Other assets was ₹4,751.87 million as of March 31, 2020 compared to ₹3,267.20 million as of March 31, 2019. The increase in Fiscal 2020 was primarily driven by an increase in interest accrued by 57.66% from ₹1,462.87 million as of March 31, 2019 to ₹2,306.38 million as of March 31, 2020.

Other assets was ₹3,267.20 million as of March 31, 2019 compared to ₹2,462.32 million as of March 31, 2018. The increase in Fiscal 2019 was primarily driven by an increase interest accrued by 26.61% from ₹1,155.39 million as of March 31, 2018 to ₹1,462.87 million as of March 31, 2019.

As of June 30, 2019, other assets were ₹3,463.86 million and interest accrued was ₹1,536.90 million.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

	As of March 31,			As of June 30, 2019	As of June 30, 2020
	2018	2019	2020		
	(₹million)				
Capital	10,059.43	10,059.43	10,534.02	10,059.43	10,534.02
Reserves and surplus	10,378.09	12,483.75	16,907.47	13,054.36	17,484.18
Deposits	56,039.73	90,067.36	107,884.05	91,334.18	117,871.27
Borrowings	51,772.08	39,730.26	51,348.74	46,448.43	55,255.34
Other liabilities and provisions	4,762.17	5,286.11	6,471.19	5,751.59	7,776.58
Total	**133,011.50**	**157,626.91**	**193,145.47**	**166,647.99**	**208,921.39**

Total capital and liabilities amount of ₹208,921.39 million as of June 30, 2020 compared to ₹193,145.47 million as of March 31, 2020. Total capital and liabilities amounted to ₹193,145.47 million as of March 31, 2020 compared to ₹157,626.91 million as of March 31, 2019. Total capital and liabilities amounted to ₹157,626.91 million as of March 31, 2019 compared to ₹133,011.50 million as of March 31, 2018. The increase in Fiscal 2019 was primarily on account of increase in deposits and reserves and surplus, and in Fiscal 2020 was due to capital infusion and increase in deposits and reserves and surplus. The increase in the three months ended June 30, 2020 was due to increase in deposits and reserves and surplus.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of June 30, 2019		As of June 30, 2020	
	2018		2019		2020					
	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)	Amount (₹million)	Percentage of total deposits (%)
Demand Deposits										
(i) from banks	218.69	0.39%	460.78	0.51%	337.55	0.31%	360.75	0.39%	304.17	0.26%
(ii) from others	3,672.60	6.55%	4,362.77	4.84%	3,158.78	2.93%	4,355.78	4.77%	2,998.43	2.54%
Saving Bank Deposits	**12,487.10**	**22.28%**	**17,919.12**	**19.90%**	**18,585.80**	**17.23%**	**17,653.21**	**19.33%**	**20,237.49**	**17.17%**
Term Deposits										
(i) from banks	13,643.32	24.35%	23,750.88	26.37%	35,392.17	32.81%	27,435.64	30.04%	41,484.13	35.19%
(ii) from others	26,018.02	46.43%	43,573.81	48.38%	50,409.75	46.73%	41,528.80	45.47%	52,847.05	44.83%
Total	**56,039.73**	**100.00%**	**90,067.36**	**100.00%**	**107,884.05**	**100.00%**	**91,334.18**	**100.00%**	**117,871.27**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 9.26% from ₹107,884.05 million as of March 31, 2020 to ₹117,871.27 million as of June 30, 2020. Deposits increased by 19.78% from ₹90,067.36 million as of March 31, 2019 to ₹107,884.05 million as of March 31, 2020 and by 60.72% from ₹56,039.73 million as of March 31, 2018 to ₹90,067.36 million as of March 31, 2019 mainly due to operationalisation of our Banking Outlets, and increase in product and services offerings and increase in deposit rates.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, and tier 2 capital in the form of non-convertible debentures, and bonds and debentures.

Our borrowings increased by 7.61% from ₹51,348.74 million as of March 31, 2020 to ₹55,255.34 million as of June 30, 2020, primarily attributable to an increase in borrowings from other institutions and agencies from ₹46,318.74 million as of March 31, 2020 to ₹49,625.34 million as of June 30, 2020.

Our borrowings increased by 29.24% from ₹39,730.26 million as of March 31, 2019 to ₹51,348.74 million as of March 31, 2020, primarily attributable to an increase in borrowings from other institutions and agencies from ₹34,830.26 million as of March 31, 2019 to ₹46,318.74 million as of March 31, 2020. As of June 30, 2019, our borrowings were ₹46,448.43 million comprising primarily borrowings from other banks, other institutions and agencies, and tier II capital (NCDs) of ₹3,900.00 million, ₹38,848.43 million and ₹2,200.00 million, respectively. As of June 30, 2019, we had bonds and debentures (excluding subordinated debt) of ₹1,500 million

Our borrowings decreased by 23.26% from ₹51,772.08 million as of March 31, 2018 to ₹39,730.26 million as of March 31, 2019, primarily attributable to a decrease in borrowings from the RBI from ₹7,900.00 million as of March 31, 2018 to no such borrowing as of March 31, 2019. Bonds and debentures (excluding subordinated debt) also decreased by 87.90% from ₹17,350.00 million as of March 31, 2018 to ₹2,100.00 million as of March 31, 2019. This decrease was partially offset by an increase in borrowings from other institutions and agencies by 56.04% from ₹22,322.08 million as of March 31, 2018 to ₹34,830.26 million as of March 31, 2019.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions), interest payable on bank's borrowings, insurance payable, statutory dues, and others.

Other liabilities and provisions increased by 20.17% from ₹6,471.19 million as of March 31, 2020 to ₹7,776.58 million as of June 30, 2020, primarily due to an increase in (i) interest accrued by 20.82% from ₹1,286.98 million as of March 31, 2020 to ₹1,554.93 million as of June 30, 2020; (ii) tax paid in advance (net of provision for tax) from no such amount as of March 31, 2020 to ₹229.91 million as of June 30, 2020; and (iii) others (including provisions) by 17.92% from ₹4,669.49 million as of March 31, 2020 to ₹5,506.45 million as of June 30, 2020.

Other liabilities and provisions increased by 22.42% from ₹5,286.11 million as of March 31, 2019 to ₹6,471.19 million as of March 31, 2020, primarily due to an increase in others (including provisions) by 47.10% from ₹3,174.45 million as of March 31, 2019 to ₹4,669.49 million as of March 31, 2020. This was partially offset by a decrease in (i) bills payable by 17.91% from ₹627.04 million as of March 31, 2019 to ₹514.72 million as of March 31, 2020; and (ii) interest accrued by 13.31% from ₹1,484.62 million as of March 31, 2019 to ₹1,286.98 million as of March 31, 2020.

Other liabilities and provisions increased by 11.00% from ₹4,762.17 million as of March 31, 2018 to ₹5,286.11 million as of March 31, 2019, primarily due to (i) an increase in others (including provisions) by 6.30% from ₹2,986.43 million as of March 31, 2018 to ₹3,174.45 million as of March 31, 2019; (ii) an increase in bills payable from ₹84.45 million as of March 31, 2018 to ₹627.04 million as of March 31, 2019. This was partially offset by a decrease in interest accrued from ₹1,691.29 million as of March 31, 2018 to ₹1,484.62 million as of March 31, 2019.

Other liabilities and provisions amounted to ₹5,751.59 million as of June 30, 2019, comprising others (including provisions) of ₹3,527.85 million and interest accrued of ₹1,779.05 million.

LIQUIDITY AND CAPITAL RESOURCES

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and to fund our working capital requirements. As of March 31, 2020 and June 30, 2020, we had cash and cash equivalents available for use in our operations of ₹25,314.85 million and ₹19,202.10 million, respectively.

We manage our liquidity position by raising funds periodically. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors - We are required to comply with various restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security interests, which may adversely affect our business, results of operations, financial conditions and cash flows.*" on page 43.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal			Three Months ended June 30,	
	2018	2019	2020	2019	2020
	(₹million)				
Net cash generated from/ (used in) operating activities	2,105.14	18,033.66	4,396.14	(334.27)	(8,963.75)
Net cash generated from/ (used in) investing activities	(112.97)	(106.81)	(717.30)	(124.98)	(42.61)
Net cash generated from/ (used in) financing activities	(283.76)	(17,062.52)	9,082.80	5,834.30	2,893.61
Net increase/ (decrease) in cash and cash equivalents	1,708.41	864.33	12,761.64	5,375.05	(6,112.75)
Cash and cash equivalents as at the beginning of the period/ year	9,980.47	11,688.88	12,553.21	12,553.21	25,314.85
Cash and cash equivalents at the end of the period/ year	11,688.88	12,553.21	25,314.85	17,928.26	19,202.10

Operating Activities

Three Months Ended June 30, 2020

In the three months ended June 30, 2020, net cash used in operating activities was ₹8,963.75 million. Net profit before taxation was ₹736.77 million in the three months ended June 30, 2020, and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹1,216.18 million, general provision under COVID-19 regulatory package of ₹450.00 million, depreciation and amortization on fixed assets of ₹194.45 million, provision for non-performing assets of ₹145.90 million and bad debts written-off of ₹81.65 million. Operating profit before working capital changes was ₹2,851.31 million in the three months ended June 30, 2020. The main working capital adjustments in the three months ended June 30, 2020, included increase in investments of ₹11,383.91 million, increase in advances of ₹6,641.34 million and increase in other assets of ₹4,174.86 million. This was significantly offset by an increase in deposits of ₹9,987.22 million in the three months ended June 30, 2020. In the three months ended June 30, 2020, cash used in operations was ₹8,713.68 million and direct taxes paid amounted to ₹250.07 million.

Three Months Ended June 30, 2019

In the three months ended June 30, 2019, net cash used in operating activities was ₹334.27 million. Net profit before taxation was ₹887.53 million in the three months ended June 30, 2019, and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹980.58 million, depreciation and amortization on fixed assets of ₹230.36 million, provision for non-performing assets of ₹188.02 million and bad debts written-off of ₹88.99 million. Operating profit before working capital changes was ₹2,419.05 million in the three months ended June 30, 2019. The main working capital adjustments in the three months ended June 30, 2019, included increase in advances of ₹4,574.41 million and increase in other assets of ₹163.08 million. This was significantly offset by an increase in deposits of ₹1,266.82 million in the three months ended June 30, 2019. In the three months ended June 30, 2019, cash generated from operations was ₹15.11 million and direct taxes paid amounted to ₹349.38 million.

Fiscal 2020

In Fiscal 2020, cash generated from operating activities was ₹4,396.14 million. Net profit before taxation was ₹3,509.40 million in Fiscal 2020 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹4,361.73 million, depreciation and amortization on fixed assets of ₹964.54 million, general provision under COVID-19 regulatory package of ₹996.30 million, bad debts written off of ₹715.04 million, and provision for non-performing assets of ₹604.15 million. Operating profit before working capital changes was ₹11,359.11 million in Fiscal 2020. The main working capital adjustments in Fiscal 2020 included increase in advances of ₹22,841.57 million and increase in other assets of ₹1,230.60 million. This was significantly offset by an increase in deposits of ₹17,816.69 million in Fiscal 2020. In Fiscal 2020, cash generated from operations was ₹5,736.90 million and direct taxes paid amounted to ₹1,340.76 million.

Fiscal 2019

In Fiscal 2019, cash generated from operating activities was ₹18,033.66 million. Net profit before taxation was ₹3,237.37 million in Fiscal 2019 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹4,591.90 million, depreciation of fixed assets of ₹917.78 million, bad debts written-off of ₹607.71 million, provision for non-performing assets of ₹282.58 million and provision for standard assets of ₹98.87 million. Operating profit before working capital changes was ₹9,844.12 million in Fiscal 2019. The main working capital adjustments in Fiscal 2019, included increase in advances of ₹39,765.68 million. This was significantly offset by an increase in deposits of ₹34,027.63 million. In Fiscal 2019, cash generated from operations was ₹19,474.69 million and direct taxes paid amounted to ₹1,441.03 million.

Fiscal 2018

In Fiscal 2018, cash generated from operating activities was ₹2,105.14 million. Net profit before taxation was ₹485.14 million in Fiscal 2018 and adjustments to reconcile net profit before taxation operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹4,380.03 million, bad debts written-off of ₹1,902.26 million, provision for standard assets of ₹53.67 million and depreciation on fixed assets of ₹875.05 million. Operating profit before working capital changes was ₹7,584.62 million in Fiscal 2018. The main working capital adjustments in Fiscal 2018, included increase in advances of ₹21,739.24 million and increase in investments of ₹19,667.53 million. This was significantly offset by an increase in deposits of ₹36,826.84 million. In Fiscal 2018, cash generated from operations was ₹2,402.10 million and direct taxes paid amounted to ₹296.96 million.

Investing Activities

Three Months ended June 30, 2020

Net cash used in investing activities was ₹42.61 million in the three months ended June 30, 2020, primarily on account of purchase of fixed assets of₹45.01 million, marginally offset by proceeds from sale of fixed assets amounting to ₹1.65 million.

Three Months ended June 30, 2019

Net cash used in investing activities was ₹124.98 million in the three months ended June 30, 2019, primarily on account of purchase of fixed assets of ₹131.75 million, which was marginally offset by proceeds from sale of fixed assets of ₹6.77 million.

Fiscal 2020

Net cash used investing activities was ₹717.30 million in Fiscal 2020 on account of purchase of fixed assets of ₹743.72 million, which was partially offset by proceeds from sale of fixed assets of ₹22.24 million.

Fiscal 2019

Net cash used in investing activities was ₹106.81 million in Fiscal 2019, primarily on account of purchase of fixed assets of ₹516.37 million, partially offset by decrease in bank balances not considered cash and cash equivalents, amounting to ₹369.82 million.

Fiscal 2018

Net cash used in investing activities was ₹112.97 million in Fiscal 2018, primarily on account of purchase of fixed assets of₹812.84 million, partially offset by decrease in bank balances not considered cash and cash equivalents, amounting to ₹759.87 million.

Financing Activities

Three Months ended June 30, 2020

Net cash generated from financing activities was ₹2,893.61 million in the three months ended June 30, 2020 on account of increase in borrowings (net) of ₹3,906.60 million, significantly offset by interest paid on borrowings of ₹1,012.99 million.

Three Months ended June 30, 2019

Net cash generated from financing activities was ₹5,834.30 million in the three months ended June 30, 2019 on account of increase in borrowings (net) of ₹6,718.17 million, significantly offset by interest paid on borrowings of ₹883.87 million.

Fiscal 2020

Net cash generated from financing activities was ₹9,082.80 million in Fiscal 2020 on account of increase in borrowings (net) of ₹11,618.48 million and proceeds from issue of share capital of ₹2,461.95 million, partially offset by interest paid on borrowings of ₹4,997.63 million.

Fiscal 2019

Net cash used in financing activities was ₹17,062.52 million in Fiscal 2019 on account of decrease in borrowings (net) of ₹12,041.82 million.

Fiscal 2018

Net cash used in financing activities was ₹283.76 million in Fiscal 2018 on account of interest paid on borrowings of ₹4,266.88 million.

CAPITAL ADEQUACY

Our Bank is subject to the CAR requirements prescribed by the RBI. As of June 30, 2020, we were required to maintain a minimum CAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			As of and for the three months ended June 30,	
	2018	**2019**	**2020**	**2019**	**2020**
	(₹million, except percentages)				
Tier I Capital	18,902.00	20,761.09	25,260.68	21,107.74	25,584.15
Tier II Capital	1,769.10	1,503.80	1,315.06	1,411.73	1,186.94
Total Capital	**20,671.10**	**22,264.89**	**26,575.74**	**22,519.47**	**26,771.09**
Total Credit Risk Weighted Assets	**69,824.03**	**99,189.21**	**112,574.81**	**102,206.31**	**121,612.94**
Capital Adequacy Ratio					
Tier I Capital Ratio (as a Percentage of Credit Risk Weighted Assets (%))	27.07%	20.93%	22.44%	20.65%	21.04%
Tier II Capital Ratio (as a Percentage of Credit Risk Weighted Assets (%))	2.53%	1.52%	1.17%	1.38%	0.98%
Total Capital (as a Percentage of Total Credit Risk Weighted Assets (%))	**29.60%**	**22.45%**	**23.61%**	**22.03%**	**22.02%**

CREDIT RATING

The following table sets forth our credit ratings:

Particulars	Amount (₹million)	Rating	Rating Agency
Long Term Borrowing	11,000	CRISIL A+/Stable	CRISIL Limited
NCDs/ Subordinated Debt	2,500	CRISIL A+/Stable	
Certificate of Deposits	20,000	CRISIL A1+	

INDEBTEDNESS

As of June 30, 2020, our total borrowings was ₹55,255.34 million (with long-term borrowings (including current maturity) of ₹54,155.34 million and short-term borrowings of ₹1,100 million) representing a Borrowing to Equity Ratio of 1.97. For further information regarding our indebtedness, see "*Financial Statements*" and "*Financial Indebtedness*" on pages 229 and 340, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of June 30, 2020, and our repayment obligations in the periods indicated:

Particulars	As of June 30, 2020 Payment due by period (₹million)				
	Total	**Not later than 1 year**	**1-3 years**	**3 -5 years**	**More than 5 years**
Long Term Borrowings					
Term Loan (unsecured)	27.50	27.50	-	-	-
Refinance (unsecured)	49,236.90	25,071.60	19,415.30	4,750.00	-
Refinance (secured)	360.94	185.20	129.60	30.78	15.36
Subordinate Debt (unsecured)	2,200.00	700.00	1,500.00	-	-
RBI Borrowing (Secured)	2,330.00	-	2,330.00	-	-
Total long term borrowings	**54,155.34**	**25,984.30**	**23,374.90**	**4,780.78**	**15.36**
Short Term Borrowings					
Term Money (unsecured)	1,100.00	1,100.00	-	-	-
Total Short Term Borrowings	**1,100.00**	**1,100.00**	**-**	**-**	**-**

Particulars	As of June 30, 2020				
	Payment due by period				
	(₹million)				
	Total	Not later than 1 year	1-3 years	3 -5 years	More than 5 years
Borrowings	**55,255.34**	**27,084.30**	**23,374.90**	**4,780.78**	**15.36**

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Some of the corporate actions that require prior consents from certain lenders include, amongst others, altering our capital structure; changing our current ownership/ control, formulating a scheme of amalgamation, compromise or reconstruction, material change in management, implementing a scheme of expansion, declaration of dividend in case of default, and amending constitutional documents. For further information, see "*Risk Factors - We are required to comply with various restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security interests, which may adversely affect our business, results of operations and financial conditions.*" on page 43.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of June 30, 2020, aggregated by type of contractual obligation:

Particulars	As of June 30, 2020				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(₹million)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	145.49	145.49	-	-	-
Total Contractual Obligations	**145.49**	**145.49**	**-**	**-**	**-**

In addition, we have entered into certain lease agreements for our offices and Banking Outlets. The future minimum lease payments under operating leases are as below. The leases for most of our Banking Outlets are terminable on a short notice, and are not reflected in the table below.

Particulars	As of June 30, 2020			
	Payment due by period			
	Total	Less than 1 year	Later than 1 year but not later than 5 years	More than 5 years
	(₹million)			
Non-cancellable operating lease obligations	3,501.52	621.93	2,387.14	492.45
Total	**3,501.52**	**621.93**	**2,387.14**	**492.45**

SECURITISATION AND ASSIGNMENT ARRANGEMENTS

The following table sets forth information regarding our securitization deals outstanding as of March 31, 2020 and June 30, 2020:

Particulars (Securitisation)	As of March 31, 2020	As of June 30, 2020
	(₹million)	
Number of SPVs sponsored by our Bank for securitisation transactions	2	1
Total amount of securitized assets as per books of the SPVs sponsored by our Bank	2,334.48	1,781.86
Total amount of exposure retained by our Bank to comply with MRR as on the date of the balance sheet (₹million)	-	-
Off balance sheet exposure	217.85	138.37
First loss	42.84	0

Particulars (Assignment)	As of March 31, 2020	As of June 30, 2020
	(₹million)	
Number of Direct Assignments	1	1
Total amount of Loans directly transferred/ Assigned	1,111.09	1,111.09
Total amount of exposure retained by our Bank to comply with MRR as on date of the balance	-	-

Particulars (Assignment)	As of March 31, 2020	As of June 30, 2020
	(₹million)	
sheet (₹million)		
Off balance sheet exposure	-	-
First loss	-	-
Others	0	0

For further information, see *"Financial Statements"* on page 229.

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth certain information relating to our contingent liabilities which have not been disclosed, as of June 30, 2020, as per AS-29 Provisions, Contingent Liabilities and Contingent Assets specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014:

Particulars	As of June 30, 2020 (₹million)
Claims against the Bank not acknowledged as debts	
(a) Service tax	12.55
(b) Provident Fund*	-
(c) Income Tax	-
(d) Others	17.15
Guarantees given on behalf of constituents in India	162.44
Total	**192.14**

Note:
* *There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. We have made a provision on a retrospective basis from the date of inception of the Bank. Accordingly, during the year ended March 31, 2019, based on internal computation, we have provided ₹55.0 million towards provident fund and interest thereon at simple rate of interest in terms of the provisions of section 7Q of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. We will update this provision, on receiving further clarity on the subject.*

Further, as of June 30, 2020, we did not have any balance sheet exposure for first loss on account of securitization transactions.

Except as disclosed in this Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE/ ADDITIONS TO FIXED ASSETS

Our capital expenditure consists principally of expenditure relating to Banking Outlets and ATM network expansion as well as investment in technology infrastructure. In Fiscal 2018, Fiscal 2019, Fiscal 2020 and in the three months ended June 30, 2020, additions made to fixed assets excluding software amounted to ₹829.81 million, ₹291.24 million, ₹321.93 million and ₹20.07 million, respectively. In Fiscal 2018, Fiscal 2019, Fiscal 2020 and in the three months ended June 30, 2020, additions made to software amounted to ₹118.97 million, ₹220.39 million, ₹415.30 million and ₹11.97 million, respectively.

AUDITOR'S OBSERVATIONS

Other than as disclosed below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2018, 2019 and 2020, and as of and for the three months ended June 30, 2019 and 2020.

The auditor's report on the financial statements for the three months ended June 30, 2019 and 2020 included matters of emphasis (i) regarding management's plan relating to compliance by the Bank, with relevant licensing guidelines of the RBI and related regulatory processes and requirements; and (ii) describing the economic and social disruption the Bank is facing as a result of the COVID-19 pandemic, and its possible consequential implications, if any, on the Bank's operations and financial metrics.

The auditor's report on the financial statements as of and for the year ended March 31, 2020, included matters of emphasis: (i) regarding management's plan relating to compliance by the Bank, with relevant licensing guidelines of the RBI and related regulatory processes and requirements; and (ii) describing the economic and social disruption the Bank is facing as a result of the COVID-19 pandemic, and its possible consequential implications, if any, on the Bank's operations and financial metrics.

Also see "*Risk Factors – We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted*" on page 29. Other than as disclosed above, our Statutory Auditors have made no reservations/ qualifications/ adverse remarks/ matters of emphasis in their examination report on the Restated

Financial Information included in this Prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks during the normal course of business such as credit risk, interest rate risk, liquidity risk, operational risk, cash management risk, market risk, information security and cyber risk, and reputational risk.

Credit Risk

Credit risk is the risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. We manage credit risk that is inherent in our entire portfolio as well as risk in individual credits or transactions. Credit risk management is a critical component of a comprehensive approach to risk management by defining lending and risk policies that set out the principles and control requirements, under which we extend credit to customers. We have a delegation matrix and committee approach for approval of credit considering the risk and exposure involved in respect of each credit proposal. In the retail loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structures are specified. Given the granular nature of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. For corporate and commercial credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring and remedial management procedures. Overall portfolio diversification, prudential limits across various dimensions, security structures and periodic reviews facilitate credit risk management. Our credit teams track cases for early signs of stress, so that corrective action is taken in the case of non-starter or early delinquency cases. We have set-up collections management system, which includes a collection control room that centrally manages allocations between collection agents and we use analytics for the optimum allocation of cases to the collections team.

Interest Rate Risk

Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. We assess and manage interest rate risk in our banking book as well as our trading book. The ALCO governs management of interest rate risk, and sets the risk management strategy and risk limits. As interest rate risk can affect both net interest income and value of capital, it is assessed and managed from both earnings and economic perspectives. See "*Risk Factors –Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.*" on page 29.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management, due to a deterioration of market conditions or our financial conditions, compelling us to raise funds at a higher rate of interest. Market liquidity risk is the risk that we cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption.

The framework for liquidity and interest rate risk management is established in the Asset Liability Management policy and the ALCO defines liquidity risk management strategies and risk thresholds. Funds management team under the treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Liquidity risk is assessed using both structural and dynamic perspectives and we use various approaches to assess it. We have also set prudential internal limits in addition to regulatory limits on liquidity mismatches, borrowings, placements, and so on. We conduct liquidity stress testing to evaluate the impact of stress on the liquidity position. The LCR measures the extent to which high-quality liquid assets are sufficient to cover short-term cash outflows under stress conditions. See "*Risk Factors – We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.*" on page 41.

Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. We have a Board approved operational risk management policy, which is implemented by a dedicated operational risk management function. The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures, and operational risk management framework laid down by the independent operational risk management function. We have a comprehensive framework for approval of new products and processes along with detailed operating guidelines for risk management. We have an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. We have a whistle-blower policy, for employees to raise their concerns, on a confidential basis, on any fraud, malpractice or any other untoward activity or event. Disaster recovery centres and business continuity plans have been established to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness. See "*Risk Factors – Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.*" on page 47.

Cash Management Risk

Our officers collect and deposit a large amount of cash through a high volume of transactions taking place in our network. To address the cash management risks, we have developed cash management checks that we employ at every level to track and tally accounts. We ensure that cash collected up to a certain time is deposited at local Banking Outlets on the same day. Cash that is to be deposited is accounted for at the Banking Outlet level to avoid discrepancies. Moreover, we conduct regular internal audits to monitor compliance with our cash management systems. See "*Risk Factors – Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.*" on page 38.

Market Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. The Board approved Investment Policy and Market Risk Policy sets out the 'investment philosophy' of the Bank and our approach to market risk management. The investment committee and ALCO oversee the investment and market risks and approve the framework for market risk and its thresholds.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our Information and Cyber Risk Committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. Periodical awareness exercise is ensured to update employees on information security practices.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by customers, counterparties, investors or regulators. This is particularly relevant as our business involves comforting customers that we are credible and can offer basic, secure services expected by the customers. This risk is typically viewed as a knock-on effect of other risks materializing. It compounds the effect of other risks, such as strategy, fraud and regulatory risk. Reputational risk has not been modelled in isolation but is considered throughout our ongoing risk review process and is built into the assessment of other risks.

TOTAL TURNOVER OF EACH MAJOR INDUSTRY SEGMENT IN WHICH THE BANK OPERATED

We are primarily engaged in the banking business. For further information, see "*Industry Overview*" on page 96, and for information on segment reporting for Fiscal 2018, 2019 and 2020, and the three months ended June 30, 2019 and 2020, as per requirements of AS 17, Segment Reporting, notified under Section 133 of the Companies Act 2013 read with the Companies (Accounts) Rules 2014, see "*Financial Statements – Segment Reporting (AS 17)"* on page 259.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

KNOWN TRENDS OR UNCERTAINTIES

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in " – *Factors Affecting our Results of Operations*" and the uncertainties described in "*Risk Factors*" on pages 308 and 24, respectively. To our knowledge, except as discussed in this Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATION

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in " - *Factors Affecting our Results of Operations*" and the uncertainties described in "*Risk Factors*" on pages 308 and 24, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 24, 120 and 306, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

SEASONALITY OF BUSINESS

We experience seasonality in our business. Generally, the period from October to March is the peak period in India for retail economic activity. We generally experience higher volumes of business during this period. Any economic slowdowns during this peak season would materially and adversely affect our results of operations and growth. Accordingly, our results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our results of operations for other quarters.

SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW CUSTOMERS OR SUPPLIERS

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

COMPETITIVE CONDITIONS

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors - The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.*" and "*– Significant Factors Affecting our Results of Operations and Financial Condition – Competition*" on pages 120, 96, 44 and 312, respectively.

SIGNIFICANT DEVELOPMENTS AFTER JUNE 30, 2020 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Except as disclosed in this Prospectus, to our knowledge no circumstances have arisen since June 30, 2020, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at June 30, 2020, derived from Restated Financial Information, and as adjusted for the Offer. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Factors*" on pages 306 and 24, respectively.

(*₹ in million*)

Particulars	Pre-Offer as at June 30, 2020	As adjusted for the proposed Offer
Borrowings		
Borrowings in India (A)		
- Reserve Bank of India	2,330	2,330
- Other banks	1,100	1,100
- Other institutions and agencies	49,625.34	49,625.34
- Tier II Capital (Non-convertible debentures)	2,200	2,200
- Bonds and Debentures (excluding subordinated debt)	-	-
Borrowings outside India (B)	-	-
Total Borrowings (C=A+B)	**55,255.34**	**55,255.34**
Capital and Reserves and Surplus		
Capital	10,534.02	11,382.50
Total Capital (D)	**10,534.02**	**11,382.50**
Reserves and surplus		
- Statutory reserve	2,376.67	2,376.67
- Capital reserve	132.80	132.80
- Share premium account	7,469.98	9.421.50
- Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961	107.31	107.31
- Revenue and Other reserves	254.40	254.40
- Investment Reserve	23.00	23.00
- Investment Fluctuation Reserve	111.93	111.93
- Balance in Surplus in Profit and Loss account	7,008.09	7,008.09
Total (E)	**17,484.18**	**19,435.70**
Total Capital & Reserves and Surplus (F=D+E)	**28,018.20**	**30,818.20**
Total Borrowings/ Total Capital & Reserves and Surplus(G = C/F)	**1.97**	**1.79**

Note: The amounts for Capital and Reserves and Surplus under "As adjusted for the proposed Offer" have been derived after considering the impact of issue of 84,848,484 number of Equity Shares at ₹10 each at a premium of ₹23 per Equity Share through Fresh Issue of Equity Shares.

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending and for general corporate purposes.

Set forth below is a brief summary of our aggregate borrowings as of our Bank as of August 31, 2020:

(in ₹ million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Term loans	750.00	27.50
Refinance loans	82,292.40	51,676.68
Subordinate debt (unsecured non-convertible debentures)	2,200.00	2,200.00
Term Borrowing	2,600.00	2,600.00
Long-term refinancing operation	1,090.00	1,090.00
Targeted long term refinancing operation	1,240.00	1,240.00
Total Borrowings	**90,172.40**	**58,834.18**

* *As certified by C.K. Prusty & Associates, Chartered Accountants pursuant to their certificate dated October 11, 2020*

Off Balance Sheet Exposures

(in ₹ million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Inter-bank participation certificate	13,000.00	13,000.00
Direct Assignment	1,111.09	23.56
Total	**14,111.09**	**13,023.56**

* *As certified by C.K. Prusty & Associates, Chartered Accountants pursuant to their certificate dated October 11, 2020*

Principal terms of the subsisting borrowings availed by our Bank along with the off-balance sheet exposure:

1. ***Interest:*** The interest rates for the facilities availed by our Bank typically ranges from 4.00% per annum to 16.00% per annum. In respect of certain loans availed by our Bank, the interest rate is based on the marginal cost of fund based lending rates.

2. ***Tenor:*** The tenor of our facilities and off balance sheet exposures availed by our Bank typically ranges from 93 days to 10 years.

3. ***Security:*** Our facilities are typically secured by way of hypothecation of our present and future assets including receivables and first and exclusive charge on all the book debts of our Bank. The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by our Bank.

4. ***Pre-payment:*** Certain loans availed by our Bank have pre-payment provisions which allow for pre-payment of the outstanding loan by serving notice to the lender and subject to payment of such pre-payment penalties as may be prescribed. Further, in certain instances, we are restricted from pre-paying the loan during the prescribed lock-in period from the disbursement of the loan. The prepayment penalties typically range from 0.5% to 2.5% of the amount being prepaid.

5. ***Re-payment:*** The repayment period for the facilities availed by us typically ranges from 93 days to 10 years.

6. ***Events of Default:*** Borrowing arrangements entered into by our Bank contain standard events of default, including among others:

   a) Failure or inability to pay loan amounts on due dates;

   b) Providing incorrect or misleading information;

   c) Cessation of business of the Bank; and

   d) Liquidation or dissolution of the Bank.

   This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** In terms of our facility agreements and sanction letters, the ***following***, among others, are the consequences of occurrence of events of default, whereby the lenders may:

   a) Terminate either whole or part of the facility;

b) Suspend further access/drawals by our Bank to the use, either in whole or in part, of the facility;

c) Exercise their right to appoint a receiver to recover the receivables for the loan; and

d) Accelerate repayments/ initiate recall of the loan.

8. ***Restrictive Covenants:*** The loans availed by our Bank contain certain restrictive covenants, including:

a) Change in capital structure of our Bank without the prior approval of the lender;

b) Change in the general nature of the business of the Bank;

c) Entering into material compromise or arrangement or settlement with any of the creditors of our Bank; and

d) Declaration or payment of dividends, or authorising or making any distribution to the Shareholders pending repayment of the outstanding dues to lenders without the prior approval of the lender.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows. For risk factors in this regard, see "*Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.*" on page 43.

Additionally, some of our lenders have the right to appoint a nominee director on the Board and if at any time the nominee director is not able to attend a meeting of the Board, the lenders may depute an observer to attend board meetings.For the purpose of the Offer, our Bank has obtained necessary consents from our lenders as required under the relevant loan documentations for undertaking activities relating to the Offer including consequent actions, such as change in our capital structure of our Bank, etc.

We undertake securitization of certain portions of our loan portfolio. For details, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 306.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there is no outstanding (i) criminal proceeding; (ii) action taken by regulatory or statutory authorities; (iii) claim related to direct and indirect taxes (in a consolidated manner); and (iv) other pending litigation as determined to be material as per the policy dated September 14, 2020, February 19, 2020 and November 22, 2019, approved by the Board of Directors, in each case involving our Bank, its Promoter and Directors ("**Relevant Parties**"). Further, except as disclosed in this section, there are no disciplinary actions including penalties imposed by SEBI or the Stock Exchanges against our Promoter in the last five financial years including any outstanding action. Further, there are no pending litigation involving our Group Companies which has a material impact on the Bank.*

For the purpose of identification of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation pursuant to the Board resolution dated September 14, 2020 to be disclosed by our Bank in this Prospectus.

All outstanding litigation, including any litigation involving the Relevant Parties, other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoter in the last five financial years including any outstanding action and tax matters (direct or indirect), would be considered 'material' if: (i) the monetary amount of claim by or against the entity or person in any such pending proceeding exceeds 0.86% of the net profit of the Bank for the last completed Fiscal as per the Restated Financial Information, i.e. 0.86% of the net profit of the Bank for the Fiscal 2020. For the purposes of disclosure in this Prospectus, it is clarified that the de minimis threshold for all outstanding civil litigation involving the Relevant Parties is ₹21.06 million or (ii) where monetary liability is not quantifiable, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of the Bank.

It is clarified that for the above purposes, pre-litigation notices received by Relevant Parties, have not been considered as litigation until such time that the Relevant Parties are not impleaded as a defendant in the litigation proceedings before any judicial forum.

Except as stated in this section, there are no outstanding material dues to creditors of our Bank. For this purpose, our Board has pursuant to the Board resolution dated September 14, 2020, considered and adopted a policy of materiality for identification of material outstanding dues to creditors. In terms of this materiality policy, outstanding dues to any creditor of the Bank having a monetary value which exceeds 5% of the outstanding dues to the creditors of the Bank excluding lenders and depositors of the Bank as on the Restated Financial Information of the Bank as June 30, 2020, disclosed in this Prospectus, shall be considered as 'material'. Accordingly, as on June 30, 2020, any outstanding dues exceeding ₹17.84 million have been considered as material outstanding dues for the purposes of disclosure in this section.

For outstanding dues to any micro, small or medium enterprise, the disclosure shall be based on information available with the Bank regarding the status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as amended read with the rules and notification thereunder.

Litigation involving our Bank

Litigation against our Bank

Criminal Litigation

1. Mahipal (the "**Complainant**") filed a criminal complaint under section 406 and 420 of the IPC before the Honourable Ilaqa Magistrate, Faridabad ("**Magistrate**") against our Bank and Ravi Ranga, branch manager of the Faridabad branch of our Bank. The Complainant owned an Eicher Cantor ("**Vehicle**") which was financed by our Bank for a sum of ₹0.64 million ("**Loan Account**"). The Complainant has stated that the Vehicle was stolen by some unknown person and an FIR was lodged by the Complainant in this regard. The Complainant has alleged that when the Vehicle could not be traced by the police officials and the Complainant despite their best efforts, the Complainant and our Bank entered into a compromise pursuant to which it was decided that the Complainant would make a payment of ₹0.31 million as full and final settlement towards the Loan Account and that after making the payment our Bank will issue a no-objection certificate ("**NOC**") to the Complainant. The Complainant deposited ₹0.31 million to our Bank and received a receipt dated March 27, 2018 from our Bank. Thereafter the Complainant allegedly received a letter dated March 30, 2018 from our Bank stating that an amount of ₹0.78 million was due from the Complainant. The Complainant has alleged that nothing is due to our Bank, and that despite repeated requests and a legal notice dated April 11, 2018, our Bank has not issued the NOC. The Complainant thereafter filed a criminal complaint under Section 156(3) of the Code of Criminal Procedure, 1973 before the Magistrate and alleged that our Bank was in violation of section 406 and 420 of the IPC and is liable to be prosecuted in accordance with law. The Complainant, *inter-alia*, prayed before the Magistrate that (i) our Bank be summoned and tried as per law; and (ii) the matter be referred to police station central, Faridabad and the police be directed to lodge an FIR for the alleged offences under Sections 420, 406, 467, 468 and 471 of the IPC and investigate the matter. The Magistrate dismissed the complaint under Section 156(3), however, took cognizance of the complaint filed under Section 420, 406, 467, 468 and 471 of the IPC. The matter is pending.

Civil Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

1. EMFL ("**Employer**") was summoned to appear before the Regional Provident Fund Commissioner (the "**Authority**") on July 6, 2009 for the purpose of determining the provident fund amounts due by the Employer. The representatives of the Employer appeared before the Authority and submitted copies of returns and stated that they did not submit all the records mentioned in the summon for the period from February 2009 onwards as this was due to change in name of the Employer, and thereby sought additional time. Subsequently, the representatives of the Employer submitted certain documents before the Authority. After hearing the Employer, the Authority passed an order dated October 22, 2010 demanding an amount of ₹18.75 million stating that the Employer had not paid provident fund dues of various allowances including house rent allowance, conveyance allowance, special allowance, incentives as well as pension fund dues, deposit linked insurance fund contribution and related administrative charges and other similar allowances. The Authority held that as per the definition of 'basic wages' under section 2(b) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, all allowances other than the specific exclusions mentioned in the section would be considered as basic wages and that the Employer had defaulted in not considering certain allowances paid to its' employees as part of the basic wages. Aggrieved by the decision of the Authority, the Employer filed an appeal before the Provident Fund Appellate Tribunal ("**Appellate Authority**") at New Delhi. The Appellate Authority admitted the appeal and stayed the order of the Authority vide its order dated November 16, 2010 subject to the condition that the Employer deposited 30% of the assessed amount within two months of the order. The Employer deposited an amount of ₹5.63 million in compliance with the order of the Appellate Authority. The appeal has subsequently been transferred to the Bangalore bench and thereafter to Chennai bench of the Appellate Authority. The matter is currently pending.

Litigation by our Bank

Civil Litigation

Nil

Criminal Litigation

1. Our Bank has filed an FIR no. 0521 dated August 8, 2017 against unknown persons at the Police Station, Nandanvan under sections 379 and 34 of the IPC on the grounds that they had committed theft of an amount aggregating to ₹0.37 million from one of the ATMs of our Bank. The matter is currently under investigation.

2. Our Bank has filed an FIR no. 879 dated October 8, 2017 against Sathees, one of our employee, at the Dindigul North Police Station under sections 409 and 420 of the IPC on the grounds that the accused had misappropriated an amount aggregating to ₹0.15 million from the Dindigul branch of our Bank. The matter is currently under investigation.

3. Our Bank has filed an FIR no.I/60/2017 dated August 28, 2017 against unknown persons, at the Police Station, Deesa under section 379 of the IPC. One of our employee was robbed by the accused of cash aggregating to ₹0.22 million, a mobile phone, an ATM card and certain important documents (which included both personal belongings and belongings of our Bank) aggregating to a total value of ₹0.23 million. The matter is currently under investigation**.**

4. Our Bank has filed a police complaint at the Police Station, Nandanvan against an unknown person on the ground that a burglary was attempted by such person at an ATM of our Bank. Our Bank requested the police to investigate this incident and take appropriate actions.

5. Our Bank has filed an FIR no.0022 dated January 2, 2018 against unknown persons at the Police Station, Pandharpur under sections 457 and 511 of the IPC. A burglary was attempted at an ATM of our Bank by these unknown persons. The matter is currently under investigation.

6. Our Bank has filed an FIR no.1020 dated December 28, 2017 against unknown persons at the Police Station, Sirsa under sections 380,457 and 511 of the IPC. A burglary was attempted at an ATM of our Bank by these unknown persons. The matter is currently under investigation.

7. Our Bank has filed an FIR no. 022 dated January 12, 2018 against Vikram at the Police Station, Bahadurgarh under sections 380,457 and 511 of the IPC. A burglary was attempted at an ATM of our Bank. The matter is currently under investigation.

8. Our Bank has filed a police complaint at the Police Station, Palladam, Tiruppur on February 19, 2018, against an unknown person on the ground that such person tried to break and caused damage to an ATM of our Bank. Our Bank requested the police to investigate this incident and take appropriate action.

9. Our Bank has reported an instance of burglary attempt at an ATM of our Bank in to RBI on March 3, 2018.

10. Our Bank has filed an FIR no.0016 dated January 9, 2018 against Seema Goel Agrawal at the Police Station, Sumerpur under section 381 of the IPC on the ground that she had committed theft of an amount aggregating ₹0.06 million from Sumerpur branch of our Bank.The matter is currently under investigation.

11. Our Bank has filed an FIR no.0194 dated November 10, 2017 against unknown persons at the Police Station, Sadar Dhuri under section 379 of the IPC. One of our employee was robbed and an amount aggregating to ₹0.05 million belonging to the Bank was stolen. The matter is currently under investigation.

12. Our Bank has filed a police complaint at the Police Station, Podhanur on March 14, 2018 against certain unknown persons. Cash aggregating to an amount of ₹0.03 million belonging to the Bank was stolen from our Sundarapuram branch. Our Bank requested the police to investigate this incident and take appropriate action.

13. Our Bank has filed an FIR no.149 dated July 17, 2018 against unknown persons at the Police Station, Devakottai Taluk under sections 392 and 397 of the IPC. One of our employee was assaulted and robbed by the accused of cash aggregating to ₹0.09 million, a mobile phone, two-wheeler and other articles (which included both personal belongings and belongings of our Bank) aggregating to a total value of ₹0.11 million**.** The matter is currently under investigation.

14. Our Bank has filed a complaint dated October 3, 2018 with the superintendent of police, Ashok Nagar, Madhya Pradesh stating that there was an attempt by certain unknown persons to break open and commit theft at an ATM of our Bank. Further, it was stated that our Bank had approached the city police station at Ashok Nagar three times, however, our Bank's application was not entertained. Our Bank requested that an FIR be lodged against this incident.

15. Our Bank has filed a complaint which was entered as general diary no.019 dated January 18, 2019 against unknown persons at the Police Station, Dharmkot under sections 323, 34 and 427 of the IPC. An employee of our Bank was assaulted and robbed of an amount aggregating ₹0.04 million belonging to the Bank was stolen. The matter is currently under investigation.

16. Our Bank has filed an FIR no.0070 dated May 2, 2019 against unknown persons at the Police Station, Kaithal Sadar under sections 341 and 392 of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.09 million belonging to the Bank was stolen. The matter is currently under investigation.

17. Our Bank has filed an FIR no.0019 dated May 2, 2019 against unknown persons at the Police Station, Fatehgarh, Panjtoor under section 379B of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.10 million belonging to the Bank was stolen. The matter is currently under investigation.

18. Our Bank has filed an FIR no.375 dated May 19, 2019 against unknown persons at the Police Station, Shrirampur under sections 454, 457 and 380 of the IPC. A burglary was attempted at our Bank's Shrirampur branch. Four mobile phones belonging to the Bank were missing after the incident. The matter is currently under investigation.

19. Our Bank has filed a police complaint dated June 3, 2019 against an unknown person on the grounds that a burglary was attempted by such person at an ATM of our Bank. Our Bank requested the police to investigate this incident and take appropriate action.

20. Our Bank has filed an FIR no.0149 dated August 23, 2019 against unknown persons at the Police Station, Kamothe under sections 454, 457 and 380 of the IPC. Certain unknown persons had broken into our branch and the vault in the cash cabin was missing. An amount aggregating to ₹0.09 million belonging to our Bank was stolen. The matter is currently under investigation.

21. Our Bank has filed an FIR no.0179 dated October 18, 2019 against unknown persons at the Police Station, Kot Bhai under sections 379-B of the IPC and sections 25 and 27 of the Arms Act, 1959. An employee of our Bank was robbed by the accused and property belonging to the Bank of an amount aggregating to ₹0.06 million was stolen. The matter is currently under investigation.

22. Our Bank has filed a FIR report dated January 24, 2020, against an unknown person on the grounds of attempted burglary by such person at an ATM of our Bank at Holehanswadi Village, Shimoga Taluk, Karnataka. Our Bank requested to investigate this incident and take appropriate action.

23. Our Bank has filed an FIR report dated February 13, 2020, against an unidentified person aged between 30 years to 35 years under section 380, 427 and 511of the Indian Penal Code, 1860, alleging forceful dismantlement of an automatic teller machine at our Lohagal branch. Our Bank has requested to investigate this incident and proceed with appropriate legal proceeding.

24. Our Bank has filed an FIR report dated February 13, 2020, against some unknown persons, alleging that such persons had broken the door of our Bank's branch at Nashik, Maharahtra and had stolen cash aggregating to ₹0.05 millions. The matter is currently pending.

25. Our Bank has filed an FIR no.139 dated July 6, 2020 against unknown persons at the Police Station, Tonk, Rajasthan under section 392 and 341 of the IPC. One of our employees was robbed and an amount aggregating to ₹0.04 million belonging to the Bank was stolen.

26. Our Bank has filed an FIR no. 0231 dated May 13, 2020 against some unknown persons, at Police Station, Mahatma Phule Chowk under sections 380, 454 and 457 alleging that such persons has broken the lock of our Bank's branch at Kalyan West, Maharashtra, and had stolen property belonging to the Bank aggregating ₹0.02 million.

27. Our Bank has filed an FIR no. 0050 dated March 9, 2020 against unknown persons at the Police Station, Bathinda Cantonment under section 379 of the IPC. One of our employees was robbed and an amount aggregating to ₹0.14 million belonging to the Bank was stolen.

28. There are 4,536 cases filed by our Bank pending before various forums for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Bank for which cheques issued in favour of our Bank by our clients/debtors have been dishonoured. The total pecuniary value involved in all these matters is ₹2,504.16 million.

29. There were 124 instances of fraud detected by our Bank in the last three Fiscals and the current Fiscal which, *inter alia*, pertain to instances of theft, phishing, skimming, forgery, identity theft, cash embezzlement, cheating, criminal misappropriation and criminal breach of trust. The details of these instances are as follows:

Sl. No.	Fiscal	Number of instances of fraud	Aggregate amount involved (in ₹ million)	Action taken
1.	2018	26	20.43	We have filed police complaints in 19 instances of fraud and have not filed police complaint in three instances where no loss was incurred by our Bank. Further, in four instances, the victim has filed the police complaint.
2.	2019	22	24.32	We have filed police complaints in respect of 19 instances of fraud. Further, in three instances, the victim has filed the police complaint.
3.	2020	47	21.91	We have filed police complaints in 24 instances of fraud, are in the process of filing police complaint for 10 instances of fraud and have not filed police complaint in one instance were no loss was incurred by our Bank. Further, we have not filed police complaints in respect of four instances of fraud where filing of a complaint is not mandatory as per the RBI Master Directions on Frauds - Classification and Reporting by commercial banks and select FIs dated July 1, 2016, as updated from time to time. Further, in eight instances, the victim has filed the police complaint.
4.	2021	34	13.27	We have filed police complaints in respect of 13 instances of fraud and have not filed a police complaint for 19 instances of fraud. Further, in one instance, the victim has filed the police complaint and for one instance we are avaiting completion of the investigation.

Litigation involving our Directors

Litigation against our Directors

Criminal Litigation

1. Premnath K Shanker and Usha Premnath ("**Complainants**") have filed a first information report bearing no.12/2020 ("**FIR**") against Franklin Templeton Asset Management (India) Private Limited, its directors (including Tabassum Abdulla Inamdar) and certain others ("**Accused**") alleging amongst other things, wrongful loss to the Complainants aggregating to ₹4.95 million, wrongful gains by the Accused and other offences under the provisions of the IPC and the Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997 in connection with the decision taken by the trustees of the Franklin Templeton Mutual Fund to wind-up six debt schemes under regulation 39 (2)(a) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. The FIR has been registered with EOW-II HQRS Police Station, Chennai under Sections 120B, 409 and 420 read with Section 34 of the IPC. The matter is currently pending.

Civil Litigation

Nil

Actions Taken by Regulatory and Statutory Authorities

Nil

Litigation by our Directors

Civil Litigation

Nil

Criminal Litigation

Nil

Litigation involving our Promoters

Civil Litigation

Nil

Criminal Litigation

Nil

Litigation involving our Group Companies

Civil Litigation

Nil

Criminal Litigation

Nil

Past actions by RBI against our Bank

1. Our Bank received a showcause notice dated January 18, 2018 from the RBI stating that our Bank had violated the SFB Licensing Guidelines and provisions of the Banking Regulation Act by distributing mutual fund units, pension products, insurance products and other such financial products/services on non-risk sharing basis without taking prior approval of the RBI, as required under the SFB Licensing Guidelines. Our Bank responded to the showcause notice through a letter dated January 24, 2018 to the RBI stating that the lapse on part of our Bank was unintentional and a genuine mistake and the oversight in seeking RBI's approval happened during the transition into an SFB from the erstwhile NBFC business. The Bank also submitted that it had tightened the compliance framework by instituting the framework of Committee based on new products approval and testing, which includes validating for regulatory, board approvals as the starting proposition. By an order dated March 1, 2018, the Committee of executive directors of the RBI levied a penalty of ₹1.00 million on our Bank for such omission. Our Bank deposited the penalty of ₹1.00 million, which has been acknowledged as received by the RBI, and has subsequently obtained the approval of the RBI for distribution of such products.

2. Our Bank received the RBI Final Approval to carry on the business of an SFB in India on June 30, 2016 subject to certain terms and conditions. One of the conditions of the RBI Final Approval was that our Bank should be listed within three years of commencement of operations. To ensure compliance with such condition, our Bank sought the approval of RBI pursuant to a letter dated November 16, 2017 for the merger of our Bank with EHL within the

stipulated time. The RBI vide its letter dated January 29, 2018 refused to give approval for the proposed merger. Our Bank, pursuant to letters dated October 3, 2018 and December 28, 2018 to the RBI, sought extension of timeline for listing of our Bank for a further three year period over the initial period of three years and to review its decision on the proposed merger. The RBI rejected such requests vide its letters dated October 24, 2018 and April 8, 2019 respectively and stated that our Bank should comply with the SFB Licensing Guidelines. Thereafter, our Bank approached the RBI for its approval of a new scheme of arrangement proposed between our Bank and EHL and their respective shareholders effective from September 4, 2021 and for seeking extension of timeline for listing of our Bank vide letters dated February 6, 2019, April 15, 2019 and June 1, 2019. The RBI vide its letter dated June 6, 2019 reiterated that our Bank must comply with the conditions of the RBI Final Approval in a timely manner. On August 5, 2019, our Bank sought extension of timeline from the RBI for listing of Equity Shares. By a letter dated September 6, 2019 the RBI refused to extend the timeline for listing of our Bank. Further, it found our Bank to be in violation of para 6 of the SFB Licensing Guidelines for having breached the timeline for listing of our Bank and imposed the following regulatory actions on our Bank with immediate effect:

(a) our Bank is not permitted to open any new branches till further advice; and

(b) the remuneration of our MD and CEO stands frozen at the existing level, till further advice.

The RBI also stated that further restrictions may be imposed if our Bank fails to make satisfactory progress towards listing of its shares.

On September 9, 2019 our Bank requested the RBI to stay the restrictions imposed on our Bank, at least on the opening of new branches. On September 13, 2019 our Bank informed the RBI that the Board of the Bank pursuant to its meeting dated September 10, 2019 had decided to initiate steps for listing of Equity Shares through initial public offer by March, 2020. The RBI pursuant to its letter dated September 18, 2019 refused to stay the regulatory actions taken against our Bank due to non-compliance with the terms and conditions of the RBI Final Approval.

Subsequently, the RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further stated that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI.

Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares, on account of the current circumstances. The Bank also requested the RBI to remove the two penalties levied pursuant to the RBI letter dated September 6, 2019. The RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. However, the RBI did not accede to the request for waiver of restrictions imposed by way of the RBI letter dated September 6, 2019.

3. Our Bank received the RBI Final Approval to carry on the business of an SFB in India on June 30, 2016 subject to certain terms and conditions. One of the conditions of the RBI Final Approval was that our Bank should be listed within three years of commencement of operations. To ensure compliance with such condition, our Bank pursuant to its Board meeting held on January 31, 2019 ("**Board Meeting**"), had approved a draft scheme of arrangement ("**Scheme**") envisaging issue of 892,062,982 Equity Shares for no cash consideration to the shareholders of EHL. Prior to the Board Meeting, the authorised share capital of the Bank was ₹11,550 million, comprising of 1,155,000,000 Equity Shares while the issued, subscribed and paid-up capital was ₹10,059.4 million comprising of 1,005,943,363 Equity Shares. Therefore, to enable the issue and allotment of shares under the Scheme, our Bank vide a shareholders' resolution dated January 31, 2019 increased the authorised share capital from ₹11,550 million to ₹25,000 million. Our Bank received a letter dated August 29, 2019 from the RBI advising us to furnish reasons for non-compliance with section 12(1)(i) of Banking Regulation Act which stipulates that a banking company can carry on business in India subject to the condition that the subscribed capital of the company is not less than one-half of its authorised capital, and the paid-up capital of the company is not less than one-half of its subscribed capital and that, if the capital of the company is increased, it must comply with the conditions prescribed within such period not exceeding two years as the RBI may allow, and directed our Bank submit a proposal to comply with the same. Our Bank in its response dated September 5, 2019 stated that the authorized share capital was increased only in order to issue Equity Shares under the Scheme to comply with the timeline for listing of our Bank given under the RBI Final Approval and for achieving partial dilution of promoter shareholding as required under the SFB Licensing Guidelines and that once the above Scheme comes into effect and Equity Shares are allotted under the Scheme, our Bank would once again become compliant with section 12(1)(i) of Banking Regulation Act. The RBI, pursuant to its letter dated September 30, 2019, noted with serious concern that our Bank had neither noticed non-compliance with the provisions of section 12(1)(i) of the Banking Regulation Act, 1949 nor sought exemption from the RBI and advised our Bank to be more careful in future. The RBI has also directed our Bank to comply with the provisions of section 12(1)(i) of the Banking Regulation

Act, 1949 by March 31, 2020. Our Bank vide its letter dated October 16, 2019 to the RBI, assured that all necessary steps, including reduction in authorized share capital to the extent necessary will be undertaken on or before March 31, 2020. Further, as the reduction in authorized share capital would result in an amendment to the memorandum of association, our Bank sought the approval of RBI for such amendment. Subsequently, the Board of Directors pursuant to a resolution dated November 7, 2019 approved the decrease in the authorised share capital of the Bank under Section 61(1)(e) of the Companies Act, 2013, from ₹25,000 million divided into 2,500,000,000 Equity Shares of ₹10 each to ₹17,000 million divided into 1,700,000,000 Equity Shares of ₹10 each subject to the receipt of no objection from the RBI and approval of the Shareholders. Our Bank vide its letter dated November 8, 2019 sought 'no-objection' of the RBI for such reduction in authorized share capital. The RBI has pursuant to its letter dated November 18, 2019 taken on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank and the Shareholders have given their approval pursuant to their resolution dated November 22, 2019. The reduction of authorised share capital of the Bank has been completed as on the date of this Prospectus.

Tax Claims

Except as disclosed below, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoter.

Nature of case	Number of cases	Amount involved (in ₹ million)
Bank		
Indirect Tax	2	19.12*
Promoter		
Direct Tax	Nil	Nil

* *Our Bank has paid ₹0.65 million as tax in accordance with Section 35F of the Central Excise Act, 1944 read with Section 83 of the Finance Act, 1994*

Outstanding dues to Creditors

As of June 30, 2020, the total number of creditors of our Bank was 6,305 and the total outstanding dues to these creditors by our Bank was ₹356.89 million. Our Bank owes an amount of ₹22.74 million to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

As per the materiality policy, creditors of our Bank to whom an amount having a monetary value which exceeds 5% of the outstanding dues to creditors of the Bank excluding lenders and depositors of the Bank as on the Restated Financial Information of the Bank as at June 30, 2020, disclosed in this Prospectus shall be considered as 'material' i.e., creditors of our Bank to whom our Bank owes an amount exceeding ₹17.84 million were considered material. As of June 30, 2020, our Bank does not have any material creditors.

Details of outstanding dues owed to material creditors, MSMEs and other creditors as of June 30, 2020 is set out below:

Types of Creditors	Number of Creditors	Amount involved (in ₹ million)
Micro, Small and Medium Enterprises	36	22.74
Material Creditors	-	-
Other Creditors	6,269	334.15
Total Outstanding Dues	**6,305**	**356.89**

The details pertaining to net outstanding dues towards our material creditors are available on the website of our Bank at https://equitasbank.com/sites/default/files/2020-09/Material-Creditor-as-on-Jun-30-2020_0.pdf.

It is clarified that such details available on our website do not form a part of this Prospectus.

Material Developments

There have not arisen, since the date of the last financial information disclosed in this Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

We have set out below an indicative list of approvals obtained by our Bank which are considered material and necessary for the purpose of undertaking its business activities. In view of these key approvals, our Bank can undertake this Offer and its business activities. In addition, certain of our key approvals may have expired or may expire in the ordinary course of business and our Bank has either already made an application to the appropriate authorities for renewal of such key approvals or is in the process of making such renewal applications.

I. Incorporation details

1. Certificate of incorporation dated June 21, 1993 issued to our Bank, under the name V.A.P. Finance Private Limited by the RoC.

2. Certificate of incorporation endorsed by the RoC on March 5, 1994, consequent upon change of name from V.A.P. Finance Private Limited to V.A.P. Finance Limited, pursuant to the conversion of our Bank to a deemed public limited company under Section 43A of Companies Act, 1956.

3. Fresh certificate of incorporation dated March 30, 2011 issued by the RoC, consequent upon change from V.A.P. Finance Limited to V.A.P. Finance Private Limited, pursuant to conversion of our Bank into a private limited company under Section 31(1) of the Companies Act, 1956.

4. Fresh certificate of incorporation dated August 12, 2011 pursuant to change of name of our Bank from V.A.P. Finance Private Limited to Equitas Finance Private Limited.

5. Fresh certificate of incorporation dated September 29, 2015 issued by the RoC, consequent upon change of name of our Bank from Equitas Finance Private Limited to Equitas Finance Limited, pursuant to conversion of our Bank from a private limited company to a public limited company.

6. Fresh certificate of incorporation dated September 2, 2016 issued by the RoC, consequent upon change of name of our Bank from Equitas Finance Limited to Equitas Small Finance Bank Limited pursuant to conversion of our Bank from a public limited company to a public limited SFB.

7. The CIN of our Bank is U65191TN1993PLC025280.

II. Approvals in relation to the Offer

For details regarding the approvals and authorisations obtained by our Bank in relation to the Offer, see "*Other Regulatory and Statutory Disclosures - Authority for the Offer*" on page 353.

III. Key approvals in relation to our Bank

Regulatory approvals for our Bank

1. The RBI pursuant to the RBI In-Principle Approval granted EHL in-principle approval to establish an SFB under Section 22 of the Banking Regulation Act, subject to EHL completing all the relevant formalities within the validity period of 18 months from the date of approval, to the satisfaction of RBI.

2. The RBI pursuant to the RBI Final Approval, issued EHL, license no. MUM:119, to carry on the SFB business in terms of Section 22 of the Banking Regulation Act subject to compliance with certain terms and conditions. For details of such terms and conditions, see "*Risk Factors – We are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations, financial condition and cash flows*." on page 26.

3. The RBI has, pursuant to the following letters, permitted our Bank to open:

    a. 412 new banking outlets consisting of 205 banking outlets in Tier 1 centres, including at least 103 banking outlets in URCs, pursuant to RBI letter dated September 21, 2016; and

    b. 671 new banking outlets consisting of 288 banking outlets in Tier 1 centres and 383 banking outlets in Tier 2 to Tier 6 centres, including at least 201 banking outlets in URCs, pursuant to RBI letter dated March 23, 2018 in response to the ABOEP for Fiscal 2018.

4. The RBI has, pursuant to its letter dated May 28, 2019 gave an in-principle permission to our Bank to open 305 banking outlets consisting of 133 banking outlets in Tier 1 centres and 172 banking outlets in Tier 2 to Tier 6 centres, including at least 101 banking outlets in URCs and directed our Bank to submit the final list of the proposed 305 banking outlets. For further information, see "*Risk Factors - We have not complied with paragraph 6 of the SFB Licensing Guidelines.*

In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted." on page 29.

5. The RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. For further information, see "*Risk Factors - We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted.*" on page 29.

6. The RBI has, pursuant to its letter dated May 28, 2019, permitted our Bank to open two administrative offices in response to ABOEP for Fiscal 2019.

7. The RBI has, pursuant to a letter dated August 25, 2016 granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS, NEFT and NECS. Further, the RBI has, pursuant to a letter dated September 21, 2016, allotted default IFSC code ESFB0000001, to our Bank.

8. The RBI has, pursuant to a letter dated September 21, 2016 granted our bank membership of RTGS System in the 'Type A' category and a RTGS settlement account in the name of our Bank has been opened at the banking department, Mumbai. The intra day liquidity limit sanctioned to our Bank is ₹26,949.90 million.

9. The RBI has, intimated the Bank of its inclusion in the second schedule to the RBI Act, 1934, vide its notification dated December 23, 2016, published in the Gazette of India dated February 4 -February 10, 2017.

10. The RBI has, pursuant to a letter dated August 11, 2016, intimated us of the opening of our principal current account with the RBI in the name of our Bank.

11. The RBI has, pursuant to a letter dated August 31, 2016, intimated us of the opening of our subsidiary general ledger account in the name of our Bank.

12. The RBI has, pursuant to a letter dated January 24, 2018 granted our Bank permission to set up two Centralized Processing Centres at Chennai.

13. The RBI has, pursuant to a letter dated January 24, 2018, granted our Bank permission to set up 12 administrative offices in New Delhi, Ahmedabad, Chandigarh, Bengaluru, Mumbai, Chennai and Hyderabad.

14. The RBI has, pursuant to letters dated February 7, 2017 and March 1, 2017 granted our Bank membership of NDS-OM (for both reported and order matching segment) and NDS-Call system, respectively.

15. The RBI pursuant to letters dated September 16, 2016, October 18, 2016 and November 30, 2016 informed us that our Bank has been admitted as a direct member to the Bankers Clearing House at Chennai, a member to the Western Grid Bankers Clearing House and a direct member of Bankers Clearing House at New Delhi.

16. The RBI through various letters has allotted the MICR code to 329 banking outlets of our Bank.

17. The RBI has, pursuant to a letter dated November 1, 2016, granted our Bank approval to commence and operate mobile banking services, with flexible channels for registration with customers.

18. Our Bank is registered in the Central KYC registry of Central Registry of Securitisation Asset Reconstruction and Security Interest, India with institution code IN1449.

19. The Foreign Exchange Department, RBI has, pursuant to certificate dated November 11, 2016, authorised our Bank as an Authorized Dealer – Category II.

20. The NPCI has, pursuant to an email dated November 18, 2016, granted our Bank access to the NACH platform.

21. The RBI has, pursuant to a letter dated August 31, 2016, granted the INFINET membership to our Bank.

22. The CCIL has, pursuant to letters dated December 2, 2016 and February 23, 2017, granted our Bank memberships to the CCIL's Securities Segment and Collateralised Borrowing and Lending Obligation Segment, respectively.

23. The Deposit Insurance and Credit Guarantee Corporation has, pursuant to a letter dated September 6, 2016, granted our Bank registration dated September 5, 2016 as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

24. The NPCI has granted a certificate of completion to our Bank for the following scope with RuPay Online Switching Interface Specification V 1.8.5 and authorizing us to use the following features for our customers – RuPay (POS) (ACQ) (SMS + DMSPIN + DMS Sign) with TLE_UKPT_DUKPT indicators.

25. The RBI has issued a three digit Basic Statistical Return – BSR Code 203, to our Bank.

26. The IRDAI has, issued a certificate of renewal registration to our Bank on April 29, 2019 as a Category Corporate Agent (Composite) for the period from May 5, 2019 to May 4, 2022.

27. The RBI has, pursuant to a letter dated September 18, 2018 issued a no-objection certificate to undertake distributorship and providing referral services to our Bank's customers of the following products:

    a. distribution of government securities and corporate debentures including debentures where interest is linked to economy or any market index like inflation, etc;

    b. alternative investment fund products of regulated entities which are approved by the sectoral regulator on referral basis;

    c. investment products linked to real estate investment trust or infrastructure investment trust which are approved by the sectoral regulator on referral basis.

28. The RBI has, pursuant to a letter dated January 24, 2019, issued a no-objection certificate to undertake the distribution of Atal Pension Yojana and other similar pension products/ schemes introduced by GoI and referral services of products with value added services namely, card/e-wallet protection plan provided by entities.

29. The PFRDA has, pursuant to a letter dated August 9, 2019, granted our Bank registration

    a. to act as a point of presence to transact in pension schemes and/or under National Pension System under the PFRDA (Point of Presence) Regulations, 2018

    b. to act as a point of presence under National Pension System for Atal Pension Yojana pursuant to regulation 3(1)(v) of PFRDA (Point of Presence) Regulations, 2018

30. The RBI has, pursuant to a letter dated May 4, 2018, given post facto approval to our Bank to open and maintain NRE/ NRO accounts.

31. The RBI has, pursuant to an email dated November 29, 2018, allotted Depositor Education and Awareness Fund code 2143 to our Bank.

32. The Financial Intelligence Unit, India has granted our Bank registration as a reporting entity.

33. The UIDAI has, pursuant to an email dated October 13, 2016, approved the appointment of our Bank as an authentication user agency and e-KYC user agency to provide Aadhaar Enabled Services to our beneficiaries, clients and customers.

34. The FIMMDA has, pursuant to a letter dated September 16, 2016, approved our membership in the FIMMDA. The said membership, being an annual subscription, is renewed by our Bank at the beginning of each Fiscal.

35. The Indian Banks' Association has, pursuant to a letter dated February 2, 2017, granted our Bank membership of the Indian Banks' Association with effect from February 2, 2017 as an 'Ordinary Member'.

36. The RBI has, pursuant to a letter dated January 3, 2017, approved the issuance and operation of semi closed pre-paid payment instruments in India by our Bank.

37. The RBI has, pursuant to a letter dated January 20, 2017, approved the issuance and operation of open pre-paid payment instruments in India by our Bank.

Tax related approvals

1. The permanent account number of our Bank is AAACV2544H.

2. The tax deduction account number of our Bank is CHEV00751C.

3. The GST registration number of our Bank is 33AAACV2544H1ZL, for the state of Tamil Nadu.

Labour related approvals

Our Bank has obtained registrations under various employee and labour related laws including the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Contract Labour (Regulations and Abolition Act), 1970 and the relevant shops and establishment legislations.

IV. Key approvals obtained for the material Banking Outlets of the Bank

Our Bank has obtained registrations in the normal course of business for its Banking Outlets across various states and union territories in India including trade licenses and licenses for location of business issued by relevant municipal authorities under applicable laws, shops and establishments registrations issued by various state labour departments under relevant state legislations and registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. Our Bank has obtained goods and services tax registrations with the relevant authorities for our Banking Outlets and Asset Centres in the states and union territories of Andhra Pradesh, Chandigarh, Chhattisgarh, New Delhi, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand, Karnataka, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Maharashtra, Telangana, Pondicherry and Tamil Nadu. Certain approvals may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

V. Intellectual property

Our Bank has obtained trademark registration for our corporate logo ' ' with the Registrar of Trademarks under class 36. Our Company has filed applications with the Indian Patent Office, Government of India for the registration of three patents, namely, "System for Rentassure Deposit Plans and Method Thereof", "System for Blockchain Based Investment Gifting Platform and Method Thereof", and "System and Method for Workflow Management". For details, see "*Our Business – Intellectual Property*" on page 143.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board has approved the Fresh Issue pursuant to the resolution passed at its meeting held on November 22, 2019 and our Shareholders have approved the Fresh Issue pursuant to a resolution dated November 22, 2019 in terms of Section 62(1)(c) of the Companies Act, 2013. The Offer and the Draft Red Herring Prospectus has been approved by our Listing Committee pursuant to a resolution passed on December 16, 2019. The Red Herring Prospectus has been approved by our Board pursuant to a resolution passed on October 11, 2020. This Prospectus has been approved by our Listing Committee pursuant to a resolution passed on October 24, 2020.

The Promoter Selling Shareholder has confirmed and approved their participation in the Offer for Sale in relation to the Offered Shares. For details, see "*The Offer*" on page 61.

Our Bank has received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to their letters dated December 31, 2019 and January 7, 2020, respectively.

Pursuant to RBI In-Principle Approval and RBI Final Approval, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from the date of commencement of operations of the Bank.

Prohibition by SEBI or other Governmental Authorities

Our Bank, Promoter (also the Promoter Selling Shareholder), members of the Promoter Group, Directors, persons in control of our Bank and the persons in control of our Promoter are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Promoter and Directors are associated with as promoters, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

None of our Directors are associated with securities market related business, in any manner and there has been no outstanding actions initiated by SEBI against our Directors in the five years preceding the date of this Prospectus.

Our Bank, Promoter or Directors have not been declared as wilful defaulters by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Our Promoter or Directors have not been declared as fugitive economic offenders under section 12 of the Fugitive Economic Offenders Act, 2018.

Confirmation under Companies (Significant Beneficial Ownership) Rules, 2018

Our Bank, Promoter (also the Promoter Selling Shareholder) and members of the Promoter Group are in compliance with the Companies (Significant Beneficial Ownership) Rules, 2018, to the extent applicable, as on the date of this Prospectus.

Eligibility for the Offer

Our Bank is eligible for the Offer in accordance with the Regulation 6(1) of the SEBI ICDR Regulations, and is in compliance with the conditions specified therein in the following manner:

- Our Bank has net tangible assets of at least ₹30 million, calculated on a restated basis, in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets;
- Our Bank has an average operating profit of at least ₹150 million, calculated on a restated basis, during the preceding three years (of 12 months each), with operating profit in each of these preceding three years;
- Our Bank has a net worth of at least ₹10 million in each of the preceding three full years (of 12 months each), calculated on a restated basis; and
- Our Bank has not changed its name in the last one year.

Our Bank's operating profit, net worth, net tangible assets and monetary assets derived from the Restated Financial Information included in this Prospectus as at, and for the last three years ended March 31 are set forth below:

Derived from our Restated Financial Information:

(₹ *in million, except per share data)*

Particulars	Fiscal 2020	Fiscal 2019	Fiscal 2018
A. Net Tangible Assets	190,759.86	155,775.01	1,31,509.62
B. Monetary assets	25,368.43	12,606.16	12,111.65
C. Monetary assets as a percentage of net tangible assets (B/A)	13.30	8.09	9.21
D. Net Worth	27,308.69	22,410.38	20,304.72
E. Pre-tax Operating Profits	3,509.40	3,237.37	485.14

Notes:

1. *"Net Tangible Assets" mean the sum of all net assets of the Bank excluding intangible assets as defined in Accounting Standard 26 (AS 26), issued by the Institute of Chartered Accountants of India, as defined in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018*
2. *For the purpose of the above computation, "Monetary Assets" is computed by adding "Cash and Balances with Reserve Bank of India" and "Balances with Banks and Money at Call and Short Notice".*
3. *Amounts in the above computation are as reported by the Bank as per the Restated Summary Statement of Assets and Liabilities for the respective year ends.*
4. *For the purpose of above computation, "Pre-Tax Operating Profit" is computed by deducting Interest Expense, Operating Expense and Provisions and Contingencies (excluding taxes) from Total Income Earned by the Bank.*
5. *Amounts in the above computation are as reported by the Bank as per the Restated Summary Statement of Profit and Loss for the respective years.*
6. *For the purpose of above computation, "net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the Restated Financial Information, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.*
7. *Capital Reserve arising upon amalgamation of Equitas Micro Finance Limited, Equitas Housing Finance Limited and Equitas Finance Limited of Rs 132.80 million is not considered in the above networth computation as at March 31, 2020, 2019 and 2018*
8. *No adjustments are made to networth with regard to intangible assets and net deferred tax assets.*

The status of compliance of our Bank with the conditions as specified under Regulations 5 and 7(1) of the SEBI ICDR Regulations are as follows:

(i) Our Bank, our Promoter (also the Promoter Selling Shareholder) and our Directors are not debarred from accessing the capital markets by SEBI;

(ii) The companies with which our Promoter or our Directors are associated as a promoter or director are not debarred from accessing the capital markets by SEBI;

(iii) Neither our Bank, nor our Promoter, or Directors is a wilful defaulter (as defined in the SEBI ICDR Regulations);

(iv) None of our Directors has been declared as a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018;

(v) Except employee stock options granted pursuant to the ESFB ESOP Plan 2019, there are no outstanding convertible securities of our Bank or any other right which would entitle any person with any option to receive Equity Shares of our Bank as on the date of filing of the Red Herring Prospectus and this Prospectus;

(vi) Our Bank along with the Registrar to our Bank, has entered into tripartite agreements dated November 4, 2019 and October 31, 2019 with NSDL and CDSL, respectively, for dematerialization of the Equity Shares;

(vii) The Equity Shares of our Bank held by the Promoter are in the dematerialised form; and

(viii) All the Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing of the Red Herring Prospectus and this Prospectus.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING JM FINANCIAL LIMITED, EDELWEISS FINANCIAL SERVICES LIMITED AND IIFL SECURITIES LIMITED ("BRLMs"), HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITIES ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 16, 2019 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BRLMS, ANY IRREGULARITIES OR LAPSES IN THIS PROSPECTUS.

All legal requirements pertaining to this Offer were complied with at the time of filing of this Prospectus with the Registrar of Companies in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Disclaimer clause of RBI

A license authorizing the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, our Directors, the Promoter Selling Shareholder and BRLMs

Our Bank, the Promoter Selling Shareholder, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our Bank's website www.equitasbank.com, or the respective websites of our Promoter or any affiliate of our Bank would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the Underwriting Agreement.

All information shall be made available by our Bank, Promoter Selling Shareholder and the BRLMs to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Bank, the Promoter Selling Shareholder or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to our Bank, the Promoter Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the Promoter Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Bank, the Promoter Selling Shareholder, their respective group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, the Promoter Selling Shareholder, and their respective group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

This Offer was made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares. The Red Herring Propspectus and this Prospectus does not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession of the Red Herring Prospectus and this Prospectus comes is required to inform him or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Chennai only. Invitations to subscribe to or purchase the Equity Shares in the Offer were made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India.

No person outside India is eligible to Bid for Equity Shares in the Offer unless that person has received the preliminary offering memorandum for the Offer, which contains the selling restrictions for the Offer outside India.

Eligibility and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of this Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Offer) may violate the registration requirements of the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer within the United States, by its acceptance of this Prospectus and the purchase of the Equity Shares, will be deemed to have acknowledged, represented to and agreed, on behalf of itself and each person for which it is acting, with the Bank and BRLMs that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

(3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, (iii) was not formed for the purpose of investing in Equity Shares, and (iv) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

(4) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

(5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States;

(6) the Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

(7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

“**THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK**.”

(9) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares; and

(10) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Offer

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer outside the United States, by its acceptance of this Prospectus and the purchase of the Equity Shares offered pursuant to this Offer, will be deemed to have acknowledged, represented to and agreed with the Bank and BRLMs that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Actor with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

(3) the purchaser is purchasing the Equity Shares offered pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

(4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Offer, was located outside the United States at each time (i) the offer of such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

(5) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

(6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

(7) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

(8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

(9) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or the maximum number of Equity Shares that can be held by them under applicable law. Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than in accordance with applicable laws.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, as updated, no person either by himself or his relative, associate enterprise or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For details, see *"Key Regulations and Policies"* and "*Offer Procedure"* beginning on pages 146 and 374, respectively.

Disclaimer Clause of BSE

BSE Limited ("**the Exchange**") has given vide its letter dated December 31, 2019, permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

b) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of NSE

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.: NSE/LIST/737 dated January 07, 2020 permission to the Issuer to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer. Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Listing

The Equity Shares issued through the Red Herring Prospectus and this Prospectus are proposed to be listed on BSE and NSE. Applications will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

Consents

Consents in writing of: (a) the Promoter Selling Shareholder, our Directors, our Company Secretary, our CFO, legal counsels appointed for the Offer, the BRLMs, the Registrar to the Offer, in their respective capacities, have been obtained and (b) the Syndicate Members, the Banker(s) to the Offer/ Escrow Collection Bank(s)/ Refund Bank(s), Sponsor Bank, to act in their respective capacities, have been obtained and filed along with a copy of this Prospectus with the RoC as required under the Companies Act, 2013.

Expert to the Offer

Except as stated below, our Bank has not obtained any expert opinions:

Our Bank has received written consent from its Auditor namely, T.R. Chadha & Co. LLP, Chartered Accountants, to include its name as required under Section 26(1) of the Companies Act, 2013, as amended in this Prospectus and as "Experts" as defined under Section 2(38) of the Companies Act, 2013 in respect of the reports issued by the Auditor on the Restated Financial Information dated September 14, 2020 and the statement of possible special tax benefits dated September 26, 2020 included in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term "expert" shall not be construed to mean "Experts" as defined under the U.S. Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entities during the last three years

Other than as disclosed in "*Capital Structure*" on page 73, our Bank has not made any capital issues during the three years preceding the date of this Prospectus. Our Group Companies are not listed on the Stock Exchanges.

Our Bank does not have any subsidiaries or associates.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

Since this is the initial public issue of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Bank's incorporation.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public issue in the five years preceding the date of this Prospectus. Further, except as disclosed in "*Capital Structure*" on page 73, our Bank has not undertaken any rights issue in the five years preceding the date of this Prospectus. The objects for which the rights issue was undertaken has been achieved without any delay or shortfall

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

There have been no shortfalls in performance vis-à-vis objects stated in the public/ rights issue made by our Promoter in the preceding five years. Objects mentioned in the offer document of our Promoter issued in connection with its initial public offering were satisfied. Our Bank does not have any subsidiaries.

Price information of past issues handled by the BRLMs

A. JM Financial Limited

1. Price information of past issues handled by JM Financial Limited

Sr. No.	Issue name	Issue Size (₹ million)	Issue price (₹)	Listing Date	Opening price on Listing Date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark] - 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark] - 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark] - 180th calendar days from listing
1.	UTI Asset Management Company Limited	21,598.84	554.00	October 12, 2020	500.00	Not Applicable	Not Applicable	Not Applicable
2.	Mazagon Dock Shipbuilders Limited	4,436.86	145.00	October 12, 2020	214.90	Not Applicable	Not Applicable	Not Applicable
3.	Prince Pipes and Fittings Limited	5,000.00	178.00	December 30, 2019	160.00	+0.14% [-1.63%]	-44.33% [-29.34%]	-35.00% [-15.28%]
4.	Ujjivan Small Finance Bank Limited[7]	7,459.46	37.00	December 12, 2019	58.75	+41.08% [+2.38%]	+10.27% [-12.70%]	-16.62% [-15.07%]
5.	Spandana Sphoorty Financial Limited	12,009.36	856.00	August 19, 2019	825.00	-0.56% [-2.14%]	+52.76% [+7.61%]	+17.32%[+9.59%]
6.	Metropolis Healthcare Limited	12,042.88	880.00	April 15, 2019	958.00	+3.75% [-4.01%]	+21.39% [-1.18%]	+45.93% [-3.30%]
7.	Chalet Hotels Limited	16,411.80	280.00	February 7, 2019	294.00	+1.14% [-0.31%]	+24.41% [+3.87%]	+10.77% [-1.87%]
8.	HDFC Asset Management Company Limited	28,003.31	1,100.00	August 6, 2018	1,726.25	+58.04% [+1.17%]	+30.61% [-7.32%]	+23.78% [-4.33%]
9.	Fine Organic Industries Limited	6,001.69	783.00	July 2, 2018	815.00	+5.72% [+6.56%]	+35.20% [+2.56%]	+50.21% [+1.90%]
10.	IndoStar Capital Finance Limited	18,440.00	572.00	May 21, 2018	600.00	-0.96% [+1.84%]	-16.28% [+9.07%]	-39.97% [+1.57%]

Source: www.nseindia.com for price information and prospectus/basis of allotment for issue details

Notes:

1. *Opening price information as disclosed on the website of NSE.*
2. *Change in closing price over the issue/offer price as disclosed on NSE.*
3. *Change in closing price over the closing price as on the listing date for benchmark index viz. NIFTY 50.*
4. *In case of reporting dates falling on a trading holiday, values for the trading day immediately preceding the trading holiday have been considered.*
5. *30th calendar day has been taken as listing date plus 29 calendar days; 90th calendar day has been taken as listing date plus 89 calendar days; 180th calendar day has been taken a listing date plus 179 calendar days.*
6. *Restricted to last 10 issues.*
7. *A discount of Rs. 2 per Equity Share was offered to Eligible Ujjivan Financial Services Limited Shareholders bidding in Ujjivan Financial Services Limited Shareholders Reservation Portion*
8. *Not Applicable – Period not completed*

2. Summary statement of price information of past issues handled by JM Financial Limited

Financial Year	Total no. of IPOs	Total funds raised (₹ Millions)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date	Nos. of IPOs trading at premium on as on 30th calendar days from listing date	Nos. of IPOs trading at discount as on 180th calendar days from listing date	Nos. of IPOs trading at premium as on 180th calendar days from listing date

			Over 50%	Between 25% - 50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2020-2021	2	26,035.70	-	-	-	-	-	-	-	-	-	-	-	-
2019-2020	4	36,400.83**	-	-	1	-	1	2	-	1	1	-	1	1
2018-2019	4	68,856.80	-	-	1	1	-	2	-	1	-	1	-	2

***Spandana Sphoorty Financial Limited raised Rs. 11,898.49 million as against the issue size of Rs. 12,009.36 million*

B. Edelweiss Financial Services Limited

1. Price information of past issues handled by Edelweiss Financial Services Limited

S. No.	Issue name	Issue size (in ₹ million)	Issue price (in ₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/ % change in closing benchmark]- 180th calendar days from listing
1.	Mazagon Dock Shipbuilders Limited	4,436.86	145.00	October 12, 2020	214.90	Not Applicable	Not Applicable	Not Applicable
2.	Angel Broking Limited	6,000.00	306.00	October 5, 2020	275.00	Not Applicable	Not Applicable	Not Applicable
3.	Route Mobile Limited	6,000.00	350.00	September 21, 2020	717.00	105.81% [5.74%]	Not Applicable	Not Applicable
4.	Prince Pipes and Fittings Limited	5,000.00	178.00	December 30, 2019	160.00	0.14% [-1.63%]	-44.33% [-29.34%]	-35.00% [-15.28%]
5.	IndiaMART InterMESH Limited	4,755.89	973.00**	July 4, 2019	1180.00	26.36% [-7.95%]	83.82% [-4.91%]	111.64% [2.59%]
6.	Polycab India Limited	13,452.60	538.00^	April 16, 2019	633.00	15.36% [-5.35%]	14.70% [-1.99%]	23.76% [-4.09%]
7.	Aavas Financiers Limited	16,403.17	821.00	October 8, 2018	750.00	-19.32% [1.76%]	2.42% [3.67%]	38.82% [12.74%]
8.	Fine Organic Industries Limited	6,001.69	783.00	July 2, 2018	815.00	5.72% [6.56%]	35.20% [2.56%]	50.21% [1.90%]
9.	ICICI Securities Limited	34,801.16	520.00	April 4, 2018	435.00	-27.93% [5.44%]	-37.26% [5.22%]	-44.39% [7.92%]

Source: www.nseindia.com

^Polycab India Limited – employee discount of ₹53 per equity share to the offer price was offered to the eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹538 per equity share

*** IndiaMART InterMESH Limited - A discount of ₹ 97 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹973 per equity share*

Notes

1. *Based on date of listing.*
2. *% of change in closing price on 30th / 90th / 180th calendar day from listing day is calculated vs issue price. % change in closing benchmark index is calculated based on closing index on listing day vs closing index on 30th/ 90th / 180th calendar day from listing day.*
3. *Wherever 30th/ 90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.*
4. *The Nifty 50 index is considered as the benchmark index*
5. *Not Applicable. – Period not completed*

2. Summary statement of price information of past issues handled by Edelweiss Financial Services Limited

Fiscal	Total no. of IPOs	Total funds raised (₹ Millions)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at discount as on 180th calendar days from listing date			os. of IPOs trading at premium as on 180th calendar days from listing date		
			Over 50%	Between 25% - 50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2020-21*	3	16,436.86	-	-	-	1	-	-	-	-	-	-	-	-
2019-20	3	23,208.49	-	-	-	-	1	2	-	1	-	1	-	1
2018-19	3	57,206.02	-	1	1	-	-	1	-	1	-	1	1	-

The information is as on the date of the document

1. Based on date of listing.

2. Wherever 30th and 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.

3. The Nifty 50 index is considered as the Benchmark Index.

**For the financial year 2020-21- 3 issues have been completed. However, only 1 has completed 30 days.*

C. .IIFL Securities Limited

1. Price information of past issues handled by IIFL Securities Limited

S. No.	Issue name	Issue size (in ₹ million)	Issue price (in ₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/ % change in closing benchmark]- 180th calendar days from listing
1.	ICICI Securities Limited	35,148.49	520.00	April 04, 2018	435.00	-27.93%, [+5.44%]	-37.26% [5.22%]	-44.39% [7.92%]
2.	Varroc Engineering Limited	19,549.61	967.00	July 06, 2018	1,015.00	+1.62%, [+5.46%]	-7.29%, [+0.79%]	-24.01%, [+1.28%]
3.	HDFC Asset Management Company Limited	28,003.31	1,100.00	August 6, 2018	1,726.25	+58.04%,[+1.17%]	+30.61%,[-7.32%]	+23.78%,[-4.33%]
4.	Credit Access Grameen Limited	11,311.88	422.00	August 23, 2018	390.00	-21.16%,[-3.80%]	-14.91%,[-8.00%]	-5.71%,[-8.13%]
5.	Polycab India Limited	13,452.60	538.00	April 16, 2019	633.00	+15.36% [-5.35%]	+14.70% [-1.99%]	+23.76% [-4.09%]
6.	Spandana Sphoorty Financial Ltd	12,009.36	856.00	August 19, 2019	825.00	-0.56% [-2.14%]	+52.76% [+7.61%]	+17.32%[+9.59%]
7.	Sterling and Wilson Solar Ltd	28,809.42	780.00	August 20, 2019	706.00	-21.88%,[-1.60%]	-48.63%,[+7.97%]	-64.78%,[+9.95%]
8.	CSB Bank Ltd	4,096.77	195.00	December 4, 2019	275.00	+8.36%, [+1.98%]	-12.18%, [-7.56%]	-36.95%, [-20.45%]
9.	Ujjivan Small Finance Bank Limited	7,459.46	37.00	December 12, 2019	58.75	+41.08% [+2.38%]	+10.27% [-12.70%]	-16.62% [-15.07%]

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. The Nifty 50 index is considered as the benchmark index. NA means Not Applicable.

2. Summary statement of price information of past issues handled by IIFL Securities Limited

Fiscal	Total no. of IPOs	Total funds raised (₹ Millions)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at discount as on 180th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date		
			Over 50%	Between 25% - 50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2018-19	4	94,013.29	-	1	1	1	-	1	-	1	2	-	-	1
2019–20	5	65,827.61	-	-	2	-	1	2	1	1	1	-	-	2
2020-21	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: www.nseindia.com

Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered

Stock Market Data of Equity Shares

This being an initial public offer of Equity Shares of our Bank, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, UPI ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

The Registrar to the Offer shall obtain the required information from the SCSBs and Sponsor Bank for addressing any clarifications or grievances of ASBA Bidders. Our Bank, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations. Investors can contact our Company Secretary and Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of Allotment, non-credit of allotted Equity Shares in the respective beneficiary account, non-receipt of refund intimations and non-receipt of funds by electronic mode.

Anchor Investors are required to address all grievances in relation to the Offer to the BRLMs.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

Our Bank has not received investor complaints in relation to the Equity Shares for the three years prior to the filing of the Draft Red Herring Prospectus, the Red Herring Prospectus and this Prospectus, hence no investor complaint in relation to our Bank is pending as on the date of filing of this Prospectus.

Our Group Companies are not listed on any stock exchange.

Our Bank does not have any subsidiaries.

Disposal of Investor Grievances by our Bank

Our Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

The non-convertible debentures of our Bank are listed on the BSE.

Our Bank estimates that the average time required by our Bank or the Registrar to the Offer or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Bank will seek to redress these complaints as expeditiously as possible.

Our Bank has also appointed Sampathkumar K. Raghunathan, Company Secretary of our Bank, as the Compliance Officer for the Offer. For details, see "*General Information*" on page 66.

Our Bank has constituted a Stakeholders' Relationship Committee comprising of Navin Avinashchander Puri, Arun Kumar Verma and Vinod Kumar Sharma, as members. For details, see "*Our Management - Stakeholders' Relationship Committee*" on page 175.

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being issued, offered and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, the Banking Regulation Act, the SFB Licensing Guidelines, the MoA, AoA, Listing Regulations, RBI Final Approval, RBI In-Principle Approval, the terms of the Red Herring Prospectus, this Prospectus, the abridged prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents/certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital, Offer for Sale and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

The Allottees upon Allotment of Equity Shares under the Offer, will be entitled to dividend and other corporate benefits, if any, declared by our Bank after the date of Allotment. The Equity Shares issued in the Offer shall be *pari passu* with the existing Equity Shares in all respects including dividends. For further details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 391.

Our Bank shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, the Memorandum and Articles of Association and provisions of the SEBI Listing Regulations and any other guidelines or directions which may be issued by the Government in this regard. Dividends, if any, declared by our Bank after the date of Allotment (pursuant to the transfer of Equity Shares from the Offer for Sale), will be payable to the Bidders who have been Allotted Equity Shares in the Offer, for the entire year, in accordance with applicable laws. For further details, in relation to dividends, see "*Dividend Policy*" and "*Description of Equity Shares and Terms of Articles of Association*" beginning on pages 191 and 391, respectively.

Face Value, Offer Price, Floor Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price at the lower end of the Price Band is ₹32 per Equity Share and at the higher end of the Price Band is ₹33 per Equity Share. The Anchor Investor Offer Price is ₹33 per Equity Share.

The Price Band and the minimum Bid Lot size for the Offer were decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and were advertised in all editions of Financial Express, an English national daily newspaper, all editions of Jansatta, a Hindi national daily newspaper and Chennai edition of Makkal Kural, a Tamil newspaper, Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located, each with wide circulation, at least two Working Days prior to the Bid/Offer Opening Date and were made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, were required to be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

The Offer

The Offer comprises a Fresh Issue and an Offer for Sale by the Promoter Selling Shareholder.

Expenses for the Offer shall be shared amongst our Bank and the Promoter Selling Shareholder in the manner specified in "*Objects of the Offer - Offer Expenses*" on pages 85.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies Actand the Banking Regulation Act;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;

- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, Banking Regulation Act, the Listing Regulations and the Articles of Association of our Bank.

For a detailed description of the main provisions of the Articles of Association of our Bank relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see "*Description of Equity Shares and Terms of Articles of Association*" on page 391.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act, 2013 the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form on the Stock Exchanges. In this context, two agreements have been entered into amongst our Bank, the respective Depositories and Registrar to the Offer:

- Tripartite agreement dated November 4, 2019 amongst our Bank, NSDL and Registrar to the Offer.
- Tripartite agreement dated October 31, 2019 amongst our Bank, CDSL and Registrar to the Offer.

Market Lot and Trading Lot

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Offer will be in multiples of one Equity Share subject to a minimum Allotment of 450 Equity Shares.

Joint Holders

Subject to the provisions of the Articles of Association, where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint tenants with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, the sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered and Corporate Office or to the registrar and transfer agents of our Bank.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialized mode, there is no need to make a separate nomination with our Bank. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

Our Bank shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

Bid/Offer Programme

BID/OFFER OPENED ON	October 20, 2020[(1)]
BID/OFFER CLOSED ON	October 22, 2020

(1) The Anchor Investor Bid/Offer Period was one Working Day prior to the Bid/ Offer Opening date i.e. October 19, 2020.

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer Closing Date	Thursday, October 22, 2020
Finalisation of the Basis of Allotment with the Designated Stock Exchange	On or about Tuesday, October 27, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account*	On or about Wednesday, October 28, 2020
Credit of Equity Shares to demat accounts of Allottees	On or about Thursday, October 29, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Monday, November 2, 2020

**In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the intermediary responsible for causing such delay in unblocking. The BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for such delay in unblocking.*

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation or liability on our Bank, our Promoter Selling Shareholder or the BRLMs.

Whilst our Bank shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date, the timetable may be extended due to various factors, such as delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws. The Promoter Selling Shareholder confirms that it shall extend such reasonable support and co-operation required by our Bank and the BRLMs for completion of the necessary formalities for listing and commencement of trading of the Equity Shares at the Stock Exchanges within six Working Days from the Bid/Offer Closing Date or such other period as may be prescribed by SEBI.

SEBI is in the process of streamlining and reducing the post issue timeline for IPOs. Any circulars or notifications from SEBI after the date of the Red Herring Prospectus may result in changes to the above mentioned timelines. Further, the offer procedure is subject to change to any revised SEBI circulars to this effect.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time ("**IST**")
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/ Offer Closing Date, the Bids were uploaded until:

(i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs, Eligible EHL Shareholders Bidding under the EHL Shareholder Reservation Portion and Eligible Employees Bidding under the Employee Reservation Portion.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders were advised to submit their Bids one day prior to the Bid/Offer Closing Date. Any time mentioned in the Red Herring Prospectus is IST. Bidders were cautioned that, in the event a large number of Bids were received on the Bid/Offer Closing Date, some Bids could not have been uploaded due to lack of sufficient time. Such Bids that could not be uploaded would not have been be considered for allocation under this Offer. Bids were accepted only during Working Days. It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount were not blocked by SCSBs would be rejected.

None among our Bank and the Promoter Selling Shareholder or any member of the Syndicate is liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; and (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges would be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive the minimum subscription in the Offer equivalent to at least 10% post- Offer paid up equity share capital of our Bank (the minimum number of securities as specified under Rule 19(2)(b) of the SCRR), including through devolvement of Underwriters, as applicable, within 60 days from the date of Bid/ Offer Closing Date on the date of closure of the Offer or; the minimum subscription of 90% of the Fresh Issue on the date of closure of the Offer; or withdrawal of applications; or after technical rejections; or if the listing or trading permission is not obtained from the Stock Exchanges for the Equity Shares so offered under the offer document, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond fifteen days after our Bank becomes liable to pay the amount, our Bank and our Directors, who are officers in default, shall pay interest at the rate of 15% per annum.In the event of an undersubscription in the Offer, Equity Shares offered pursuant to the Fresh Issue shall be allocated in the Fresh Issue prior to the Equity Shares offered pursuant to the Offer for Sale.

The Promoter Selling Shareholder shall reimburse, in proportion to its Offered Shares, any expenses and interest incurred by our Bank on behalf of the Promoter Selling Shareholder for any delays in making refunds as required under the Companies Act and any other applicable law, provided that the Promoter Selling Shareholder shall not be responsible or liable for payment of such expenses or interest, unless such delay is solely and directly attributable to an act or omission of the Promoter Selling Shareholder.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Bank will ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000.

Arrangements for Disposal of Odd Lots

There are no arrangements for disposal of odd lots since our Equity Shares will be traded in dematerialised form only and market lot for our Equity Shares will be one Equity Share.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Offer capital of our Bank, lock-in of the Promoters' minimum contribution under the SEBI ICDR Regulations, lock-in on our Promoter's shares under the SFB Licensing Guidelines and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 73 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares/debentures of our Bank and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Description of Equity Shares and Terms of Articles of Association"* beginning on page 391.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see *"Key Regulations and Policies"* and "*Offer Procedure*" on pages 146 and 374, respectively.

OFFER STRUCTURE

Offer of 156,848,484^ Equity Shares for cash at price of ₹33 per Equity Share (including a premium of ₹23 per Equity Share) aggregating to ₹5,176 million comprising of a Fresh Issue of 84,848,484^ Equity Shares aggregating to ₹2,800 million by our Bank and an Offer for Sale of 72,000,000^ Equity Shares aggregating to ₹2,376 million by the Promoter Selling Shareholder. The Offer included a reservation of 303,030^ Equity Shares aggregating to ₹10 million for subscription by Eligible Employees and a reservation of 15,454,545^ Equity Shares, aggregating to ₹510 million, for subscription by Eligible EHL Shareholders. The EHL Shareholder Reservation Portion did not exceed 10% of our Offer Size and the Employee Reservation Portion shall exceed 5% of our post-Offer paid-up Equity Share capital. The Offer less the EHL Shareholder Reservation Portion and Employee Reservation Portion is the Net Offer. The Offer and Net Offer constituted 13.78% and 12.40% of the post-Offer paid up Equity Share capital of our Bank, respectively.

^*Subject to finalisation of the Basis of Allotment.*

The Offer is being made through the Book Building Process.

Particulars	Eligible Employees#	Eligible EHL Shareholders	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation (2)	303,030^ Equity Shares	15,454,545^ Equity Shares	Not more than 70,545,453^ Equity Shares	Not less than 21,163,637^ Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than 49,381,819^ Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer size available for Allotment/ allocation	Approximately 0.19% of the Offer Size	Approximately 9.85% of the Offer Size	Not more than 50% of the Net Offer was made available for allocation to QIBs. However, 5% of the QIB Portion (excluding the Anchor Investor Portion) was made available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion were also eligible for allocation in the remaining balance QIB Portion (excluding the Anchor Investor Portion). The unsubscribed portion in the Mutual Fund Portion was made available for allocation to other QIBs	Not less than 15% of the Net Offer or the Net Offer less allocation to QIBs and Retail Individual Bidders was made available for allocation	Not less than 35% of the Net Offer or Net Offer less allocation to QIBs and Non-Institutional Bidders was made available for allocation
Basis of Allotment/ allocation if respective category is oversubscribed*	Proportionate; the value of allocation to an Eligible Employee does not exceed ₹200,000. In the event of under subscription in the Eligible Employee Reservation Portion, the unsubscribed portion may be allocated, on a proportionate basis, to the Eligible Employees Bidding in the Employee Reservation Portion	Proportionate subject to minimum Bid Lot For details see, "*Offer Procedure*" on page 374	Proportionate as follows (excluding the Anchor Investor Portion): (a) 1,410,909 Equity Shares were made available for allocation on a proportionate basis to Mutual Funds only; and (b) 26,807,273 Equity Shares were made available for allocation on a proportionate basis to all QIBs,	Proportionate	Allotment to each Retail Individual Bidder shall not be less than the maximum Bid lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares is any, shall be allotted on a proportionate basis. For details see, "*Offer Procedure*" on page 374

Particulars	Eligible Employees#	Eligible EHL Shareholders	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
	for value exceeding ₹200,000, subject to total Allotment to an Eligible Employee not exceeding ₹500,000.		including Mutual Funds receiving allocation as per (a) above. 60% of the QIB Portion (42,327,271^ Equity Shares) were allocated on a discretionary basis to Anchor Investors of which one-third were made available for allocation to Mutual Funds only, subject to valid Bid received from Mutual Funds at or above the Anchor Investor Allocation Price		
Minimum Bid	450 Equity Shares	450 Equity Shares	Such number of Equity Shares and in multiples of 450 Equity Shares so that the Bid Amount exceeds ₹200,000	Such number of Equity Shares and in multiples of 450 Equity Shares so that the Bid Amount exceeds ₹200,000	450 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 450 Equity Shares so that the maximum Bid Amount by each Eligible Employee did not exceed ₹500,000.	Such number of Equity Shares in multiples of 450 Equity Shares, so that the maximum Bid Amount by each Eligible EHL Shareholder did not exceed ₹200,000	Such number of Equity Shares in multiples of 450 Equity Shares so that the Bid did not exceed the size of the Net Offer, subject to applicable limits	Such number of Equity Shares in multiples of 450 Equity Shares so that the Bid did not exceed the size of the Net Offer (excluding the QIB Portion), subject to applicable limits	Such number of Equity Shares in multiples of 450 Equity Shares so that the Bid Amount did not exceed ₹200,000
Mode of Allotment	Compulsorily in dematerialized form				
Bid Lot	450 Equity Shares and in multiples of 450 Equity Shares thereafter				
Allotment Lot	A minimum of 450 Equity Shares and thereafter in multiples of one Equity Share For Retail Individual Bidders, 450 Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Portion				
Trading Lot	One Equity Share				
Who can apply(3) (4)	Eligible Employees	Eligible EHL Shareholders	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, mutual funds registered with SEBI, eligible FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, state industrial development corporation, insurance company registered with IRDAI, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions, societies, trusts and FPIs who are individuals, corporate bodies and family offices.	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)

Particulars	Eligible Employees[#]	Eligible EHL Shareholders	QIBs[(1)]	Non-Institutional Bidders	Retail Individual Bidders
			of ₹250 million National Investment Fund set up by the Government, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.		
Terms of Payment	Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Bank through the UPI Mechanism (only for Retail Individual Bidders and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion) that is specified in the ASBA Form at the time of submission of the ASBA Form [(4)]				
Mode of Bidding	Only through the ASBA process (except for Anchor Investors).				

^ *Subject to finalisation of the Basis of Allotment.*

[#] *Eligible Employees Bidding in the Employee Reservation Portion could Bid up to a Bid Amount of ₹500,000. However, a Bid by an Eligible Employee in the Employee Reservation Portion will be considered for allocation, in the first instance, for a Bid Amount of up to ₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be made available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000. An Eligible Employee Bidding in the Employee Reservation Portion (subject to Bid Amount being up to ₹200,000) could also Bid in the Retail Portion, and such Bids shall not be considered multiple Bids. However, Bids by Eligible Employees Bidding in the Employee Reservation Portion and in the Non Institutional Portion shall be treated as multiple Bids. The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Offer.*

(1) *Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion has been reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. For details, see "Offer Structure" on page 370*

(2) *This is an Offer in terms of Rule 19(2)(b) of the SCRR in compliance with Regulation 6(1) of the SEBI ICDR Regulations*

(3) *In case of joint Bids, the Bid cum Application Form should have contained only the name of the first Bidder whose name should have also appeared as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder was required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids, except as otherwise permitted, in any or all categories. An Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion (for a Bid Amount up to ₹200,000) could also Bid in the Retail Portion, and such Bids shall not be considered multiple Bids. However, Bids by an Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion and in the Non Institutional Portion shall be treated as multiple Bids. Please note that an Eligible EHL Shareholder Bidding in the EHL Shareholders Reservation Portion was not permitted to Bid in the EHL Shareholder Reservation Portion for a Bid Amount exceeding ₹200,000.*

(4) *Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor Pay-In Date as indicated in the CAN*

Any unsubscribed portion remaining in the Employee Reservation Portion and the EHL Shareholder Reservation Portion shall be added to the Net Offer.

Subject to valid Bids having been received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion, the Retail Portion, the Employee Reservation Portion or the EHL Shareholder Reservation Portion was allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs and the Designated Stock Exchange, on a proportionate basis. However, under-subscription, if any, in the QIB Portion would not be allowed to be met with spill-over from other categories or a combination of categories. For further details, see "*Terms of the Offer*" on page 366.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or with his relative, associate enterprise or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-Offer paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Offer and BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert' has the same meaning as stated in Explanation 1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Withdrawal of the Offer

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue and the Promoter Selling Shareholder, reserves the right not to proceed with the Offer for Sale, in whole or in part thereof, to the extent of the Offered Shares, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. The notice of withdrawal will be issued in the same newspapers where the pre-Offer advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment; and (ii) the filing of the Prospectus with the RoC.

OFFER PROCEDURE

*All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular no. SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 and the UPI Circulars (the "**General Information Document**") which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Offer.*

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) Category of investors eligible to participate in the Offer; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iv) Payment Instructions for ASBA Bidders/Applicants; (v)Issuance of CAN and allotment in the Offer; (vi) General instructions (limited to instructions for completing the Bid Form); (vii) Submission of Bid cum Application Form; (viii) Other Instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of the Companies Act, 2013 relating to punishment for fictitious applications; (x) mode of making refunds; (xi) Designated Date and (xii) interest in case of delay in allotment or refund.

*SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("**UPI Phase I**"). The UPI Phase I was effective till June 30, 2019.*

*With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days was mandated for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"), with effect from July 1, 2019, by SEBI circular (SEBI/HO/CFD/DIL2/CIR/P/2019/76) dated June 28, 2019, read with circular (SEBI/HO/CFD/DIL2/CIR/P/2019/85) dated July 26, 2019. Subsequently, however, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice.The final reduced timeline of T+3 days will be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), as may be prescribed by SEBI. The Offer will be undertaken pursuant to the processes and procedures under UPI Phase II, subject to any circulars, clarification or notification issued by the SEBI from time to time.*

Our Bank, the Promoter Selling Shareholder and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated in this section and are not liable for any amendment, modification or change in the applicable law which may occur after the date of the Red Herring Prospectus and this Prospectus. Bidders were advised to make their independent investigations and ensure that their Bids were submitted in accordance with applicable laws and did not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and this Prospectus.

Further, our Bank and the Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Offer.

Book Building Procedure

The Offer has been made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Offer was made available for allocation on a proportionate basis to QIBs. Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, allocated 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third were required to be reserved for domestic Mutual Funds, subject to valid Bids having been received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. Further, 5% of the Net QIB Portion was made available for allocation on a proportionate basis only to Mutual Funds, and spill-over from the remainder of the Net QIB Portion was made available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids having been received at or above the Offer Price. Further, not less than 15% of the Net Offer was made available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer was made available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids having been received at or above the Offer Price.

The Offer included a reservation of 15,454,545^ Equity Shares, aggregating to ₹510 million, for subscription by Eligible EHL Shareholders and a reservation of 303,030^ Equity Shares, aggregating to ₹10 million, for subscription by Eligible Employees. The EHL Shareholder Reservation Portion does not exceed 10% of our Offer Size and the Employee Reservation Portion does not exceed 5% of our post-Offer paid-up Equity Share capital. Under-subscription, if any, in any category, including the Employee Reservation Portion and the EHL Shareholder Reservation Portion, except in the QIB Portion, would be allowed to

be met with spill over from any other category or combination of categories of Bidders at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange subject to receipt of valid Bids received at or above the Offer Price. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories.
^*Subject to finalisation of the Basis of Allotment.*

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID, for RIBs Bidding in the Retail Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using the UPI Mechanism, shall be required to be treated as incomplete and will be liable to be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the Offer.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of inter alia, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to up to three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019 and was to initially continue for a period of three months or floating of five main board public issues, whichever is later. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 has decided to extend the timeline for implementation of UPI Phase II until March 31, 2020. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase. Subsequently, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 extended the timeline for implementation of UPI Phase II till further notice.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs.

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus were made available with the Designated Intermediaries at the Bidding Centres, and our Registered and Corporate Office. An electronic copy of the Bid cum Application Form was also made available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/Offer Opening Date.

Copies of the Anchor Investor Application Form were made available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) were required to mandatorily participate in the Offer only through the ASBA process. Anchor Investors were not permitted to participate in the Offer through the ASBA process. The RIBs Bidding in the Retail Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion could additionally Bid through the UPI Mechanism.

RIBs Bidding in the Retail Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion bidding using the UPI Mechanism were required to provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that did not contain the UPI ID were liable to be rejected.

ASBA Bidders (using UPI Mechanism) were required to provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that did not contain such details are liable to be rejected or the UPI ID, as applicable, in the relevant space provided in the ASBA Form.

ASBA Bidders were required to ensure that the Bids were made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp were liable to be rejected. RIBs Bidding in the Retail Portion and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using UPI Mechanism, were required to submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account were required to submit their ASBA Forms with the SCSBs. ASBA Bidders were required to ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount could be blocked by the SCSB or the Sponsor Bank, as applicable at the time of submitting the Bid.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis	Blue
Anchor Investors	White
Eligible Employees Bidding in the Employee Reservation Portion	Pink
Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion	Green

**Excluding electronic Bid cum Application Forms*

Notes:

(1) Electronic Bid cum Application forms and the abridged prospectus were also made available for download on the website of NSE (www.nseindia.com) and BSE (www.bseindia.com)

(2) Bid cum Application Forms for Anchor Investors were made available at the offices of the BRLMs

In case of ASBA forms, the relevant Designated Intermediaries were required to upload the relevant bid details in the electronic bidding system of the Stock Exchanges. For RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion using UPI Mechanism, the Stock Exchanges were required to share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs and Eligible EHL Shareholders for blocking of funds. For ASBA Forms (other than RIBs using UPI Mechanism) Designated Intermediaries (other than SCSBs) were required to submit/ deliver the ASBA Forms to the respective SCSB where the Bidder had an ASBA bank account and were required to not submit it to any non-SCSB bank or any Escrow Collection Bank.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or with his relative, associate enterprise or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Offer paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-Offer paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Offer will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Offer paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Offer and BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Offer paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application (including the declaration in form A) submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder with Other Persons exceeding 5% or more of the total paid-up share capital of our Bank or entitles him to exercise 5% or more of the voting rights in our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Offer, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Offer, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Offer paid-up Equity Share capital of our Bank.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Offer at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Offer, the aggregate shareholding of the Bidder and the Other Persons in the pre-Offer paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

Participation by Promoter and members of the Promoter Group of the Bank, the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members were not allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members could Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as was be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription could be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Members, were required to be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither (i) the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs other than individuals, corporate bodies and family offices sponsored by the entities which are associates of the BRLMs) nor (ii) any "person related to the Promoter/ Promoter Group" were permitted to apply in the Offer under the Anchor Investor Portion.

For the purposes of this section, a QIB who has any of the following rights shall be deemed to be a "person related to the Promoter/ Promoter Group": (a) rights under a shareholders' agreement or voting agreement entered into with the Promoter or Promoter Group; (b) veto rights; or (c) right to appoint any nominee director on our Board.

Further, an Anchor Investor shall be deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

The Promoter and members of the Promoter Group did not participate in the Offer, except participation of our Promoter in the Offer for Sale.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid could be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund were not treated as multiple Bids provided that the Bids clearly indicated the scheme concerned for which the Bid has been made.

No Mutual Fund scheme could invest more than 10% of its NAV in equity shares or equity related instruments of any single company provided that the limit of 10% was not applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by itself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by such person or associate enterprise or persons acting in concert with the concerned person) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. For details, see "*Key Regulations and Policies*" beginning on page 164.

For details of investment by NRIs, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 389. Participation of Eligible NRIs shall be subject to FEMA Regulations 2017 and FEMA Non-debt Instruments Rules.

Bids by Eligible NRIs

Eligible NRIs could obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange were considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms were required to authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of Retail Individual Investors Bidding through the UPI Mechanism) to block their Non- Resident External ("**NRE**") accounts, or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms were required to authorize their respective SCSB to block their Non-Resident Ordinary ("**NRO**") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents (White in colour). Eligible NRIs Bidding on a repatriation basis were advised to use the Bid cum Application Form meant for Non-Residents (Blue in colour).

NRIs applying in the Offer using UPI Mechanism were advised to enquire with the relevant bank whether their bank account is UPI linked prior to making such application. For details of investment by NRIs, see "*Restriction in Foreign Ownership of Indian Securities*" on page 389. Participation of eligible NRIs shall be subject to FEMA Non-debt Instruments Rules.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, were required to be made in the individual name of the *Karta*. The Bidder/Applicant were required to specify that the Bid was made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs were considered at par with Bids/Applications from individuals.

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. By a resolution of our Board dated January 31, 2019 and a resolution of our Shareholders dated January 31, 2019, our Bank has increased the aggregate limits of its shareholding by FPIs to 74% (automatic upto 49% and beyond that, only with the approval of the Government, as required under the FDI Policy), and of NRIs (on a repatriation basis) to 24% of its paid-up Equity Share capital.

In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Company reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer were advised to use the Bid cum Application Form for Non-Residents (Blue in colour).

The FEMA Non-debt Instruments Rules was enacted on October 17, 2019 in supersession of the FEMA Regulations 2017, except for things done or omitted to be done before such supersession. With effect from April 1, 2020, the aggregate FPI investment limit is the sectoral cap applicable to Indian company as prescribed in the FEMA Rules with respect to its paid-up equity capital on a fully diluted basis. The aggregate limit as provided above could have been decreased by the Indian company concerned to a lower threshold limit of 24% or 49% or 74% as deemed fit, with the approval of its board of directors and its shareholders through a resolution and a special resolution, respectively before March 31, 2020.

FPIs were permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivate instruments is also required to ensure that any transfer of offshore derivative instruments issued by, or on behalf of it subject to, *inter alia*, the following conditions:

(a) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

The FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for non-residents.

Bids by FPIs which utilise the multi investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants issued to facilitate implementation of the SEBI FPI Regulations ("**MIM Bids**"), submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs shall not be treated as multiple Bids. It hereby clarified that FPIs bearing the same PAN may be treated as multiple Bids by a Bidder and may be rejected, except for Bids from FPIs that utilise the multi investment manager structure. In order to ensure valid Bids, FPIs making MIM Bids using the same PAN and with different beneficiary account numbers, Client IDs and DP IDs, are required to submit a confirmation that their Bids are under the MIM structure and indicate the name of their investment managers in such confirmation which shall be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids shall be rejected.

Bids by SEBI registered VCFs, AIFs and FVCIs

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 ("**SEBI VCF Regulations**") as amended, *inter alia* prescribe the investment restrictions on VCFs, registered with SEBI. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("**SEBI AIF Regulations**") prescribe, amongst others, the investment restrictions on AIFs. The Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 as amended ("**SEBI FVCI Regulations**") prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A Category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking whose shares are proposed to be listed. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Our Bank and the Promoter Selling Shareholder or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Eligible Employees

The Bid must be for a minimum of 450 Equity Shares and in multiples of 450 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹500,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Eligible Employees under the Employee Reservation Portion may Bid at Cut-off Price.

Bids under Employee Reservation Portion by Eligible Employees were:

(a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour form).

(b) The Bid must be for a minimum of 450 Equity Shares and in multiples of 450 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee did not exceed ₹500,000. However, a Bid by an Eligible Employee in the Employee Reservation Portion was considered for allocation, in the first instance, for a Bid amounting up to ₹200,000. In the event of any under-subscription in the Employee Reservation Portion, the unsubscribed portion will be made available for allocation and Allotment, proportionately to all Eligible Employees, who have bid in excess of ₹200,000, provided however that the maximum Bid in this category by an Eligible Employee cannot exceed ₹500,000.

(c) The Bidder was required to be an Eligible Employee as defined. In case of joint bids, the first Bidder shall be an Eligible Employee.

(d) Only Eligible Employees were eligible to apply in this Offer under the Employee Reservation Portion.

(e) Only those Bids, which were received at or above the Offer Price, would be considered for Allotment under this category.

(f) Eligible Employees were required to apply at Cut-off Price.

(g) Bids by Eligible Employees in the Employee Reservation Portion, in the EHL Shareholders Reservation Portion and in the Retail Portion shall not be treated as multiple Bids. However, Bids by Eligible Employees in the Employee Reservation Portion, in the EHL Shareholders Reservation Portion and in the Non-Institutional Portion shall be treated as multiple Bids. Persons who are Eligible Employees could Bid in the Employee Reservation and/or the EHL Shareholders Reservation Portion and such Bids shall not be treated as multiple Bids. Our Bank and the Promoter Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all portions. For further details, see "*Offer Procedure*" on page 374 of this Prospectus.

(h) If the aggregate demand in this category is less than or equal to 303,030 Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(i) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Offer.

In case of under-subscription in the Net Offer, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. If the aggregate demand in this category is greater than 303,030 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis.

Bids by Eligible EHL Shareholders

Bids under the EHL Shareholders Reservation Portion were subject to the following:

(a) Only Eligible EHL Shareholders (i.e. Individuals and HUFs who are equity shareholders of our Promoter, EHL (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines) as at the date of the Red Herring Prospectus) were eligible to apply in this Offer under the EHL Shareholders Reservation Portion.

(b) The sole/ First Bidder was required to be an Eligible EHL Shareholder.

(c) Only those Bids, which were received at or above the Offer Price, would be considered for allocation under this category.

(d) The Bids must be for a minimum of 450 Equity Shares and in multiples of 450 Equity Shares thereafter.

(e) An Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion (for a Bid Amount up to ₹200,000) could also Bid in the Retail Portion, and such Bids shall not required to be considered multiple Bids. However, Bids by an Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion and in the Non-Institutional Portion shall be treated as multiple Bids. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. For further details please see "*Offer Procedure*" on page 374.

(f) Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion were entitled to Bid at the Cut-off Price.

(g) If the aggregate demand in this category is less than or equal to 15,454,545 Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible EHL Shareholders to the extent of their demand.

(h) Under-subscription, if any, in any category including the EHL Shareholders Reservation Portion, except in the QIB Portion, would be allowed to be met with spill over from any other category or a combination of categories at the discretion of our Bank in consultation the BRLMs and the Designated Stock Exchange.

Eligible EHL Shareholders were required to have a valid PAN and their PAN were required to be updated with the register of shareholders maintained with EHL. Further, Eligible EHL Shareholders were required to have a valid demat account number and details, as Equity Shares can only be Allotted to Eligible EHL Shareholders having a valid demat account.

If the aggregate demand in this category is greater than 15,454,545 Equity Shares the allocation to the EHL Shareholder Reservation Portion as envisaged under the Red Herring Prospectus, at or above the Offer Price, then the maximum number of Eligible EHL Shareholders who can be Allotted the minimum Bid Lot will be computed by dividing the total number of Equity Shares available for Allotment to Eligible EHL Shareholders by the minimum Bid Lot ("**Maximum EHL Shareholders Allottees**"). The Allotment to the Eligible EHL Shareholders will then be made in the following manner:

a) In the event the number of Eligible EHL Shareholders who have submitted valid Bids in the Offer is equal to or less than Maximum EHL Shareholders Allottees, (i) all such Eligible EHL Shareholders shall be Allotted the minimum Bid Lot; and (ii) the balance available Equity Shares, if any, remaining in the EHL Shareholder Reservation Portion shall be Allotted on a proportionate basis to the Eligible EHL Shareholders who have received Allotment as per (i) above, for the balance demand of the Equity Shares Bid by them (i.e. who have Bid for more than the minimum Bid Lot).

b) In the event the number of Eligible EHL Shareholders who have submitted valid Bids in the Offer is more than Maximum EHL Shareholders Allottees, the Eligible EHL Shareholders (in that category) who will then be Allotted minimum Bid Lot shall be determined on the basis of draw of lots.

Grounds for Technical Rejection for Eligible EHL Shareholders:

Multiple Bid cum Application Forms are liable to be rejected in the event (i) an Eligible EHL Shareholder holding multiple demat accounts makes such multiple applications and (ii) an Eligible EHL Shareholder, being first holder of a joint demat account makes such multiple applications individually and jointly. In the event applications are made in the EHL Shareholders Reservation Portion, Bidders should ensure that they have a valid PAN and the PAN is updated with the register of shareholders maintained with EHL. For example, in case there is no PAN updated in the register of shareholders maintained with EHL or the PAN mentioned in the application form does not match with the PAN in the register of shareholders maintained with EHL, the applications will be rejected.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, was required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

Bids by banking companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee were required to be attached to the Bid cum Application Form, failing which our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason.

The investment limit for banking companies in another banking company as per the Banking Regulation Act, and the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 (the "**Financial Services Directions**"), as updated, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services or 10% of the bank's own paid up share capital and reserve, whichever is lower. However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid-up share capital of such investee company if (i) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, or (ii) the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company. The bank is required to submit a time-bound action plan for disposal of such shares within a specified period to the RBI. A banking company would require a prior approval of the RBI to *inter alia* make (i) investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed under 5(b)(i) of the Financial Services Directions), and (ii) investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in 5(a)(v)(c)(i) of the Financial Services Directions. Further, the aggregate investment by a banking company in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the investee company's paid-up share capital and reserves.

In terms of the Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended (i) a bank's investment in the capital instruments issued by banking, financial and insurance entities should not exceed 10% of its capital funds; (ii) banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeds 5% of the investee bank's equity capital; (iii) equity investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10% of the bank's paid-up share capital and reserves; (iv) equity investment by a bank in companies engaged in non-financial services activities would be subject to a limit of 10% of the investee company's paid up share capital or 10% of the bank's paid up share capital and reserves, whichever is less; and (v) a banking company is restricted from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30% of its own paid-up share capital and reserves, whichever is less. For details in relation to the investment limits under Master Direction – Ownership in Private Sector Banks, Directions, 2016, see "*Key Regulations and Policies*" beginning on page 146.

Bids by SCSBs

SCSBs participating in the Offer were required to comply with the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs were required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account was required to be used solely for the purpose of making application in public issues and clear demarcated funds were available in such account for such applications.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI was required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016, as amended, are broadly set forth below:

(a) equity shares of a company: the lower of 10%* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer or health insurer;

(b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or health insurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and

(c) the industry sector in which the investee company operates: not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or health insurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

**The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000 million or more but less than ₹2,500,000 million.*

Insurance companies participating in this Offer were required to comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund was required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to reject any Bid, without assigning any reason thereof.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, Eligible FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable law) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws was required to be lodged along with the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs may deem fit.

Bids by Systemically Important Non-Banking Financial Companies

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditors, and (iii) such other approval as may be required by the Systemically Important NBFCs, were required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, reserve the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

In accordance with existing regulations issued by the RBI, OCBs could not participate in this Offer.

The above information is given for the benefit of the Bidders. Our Bank, the Promoter Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and which may occur after the date of this Prospectus. Bidders were advised to make their independent investigations and ensure that any single Bid from them did not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Red Herring Prospectus and this Prospectus.

General Instructions

***Do's*:**

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;

3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

4. Ensure that you have mentioned the correct ASBA Account number if you are not a RIB or Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion Bidding using the UPI Mechanism in the Bid cum Application Form and if you are a RIB and Eligible EHL Shareholder using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre within the prescribed time;

6. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries. Retail Individual Bidders using UPI Mechanism, may submit their ASBA Forms with Syndicate Members, Registered Brokers, RTAs or CDPs and should ensure that the ASBA Form contains the stamp of such Designated Intermediary;;

7. If the first applicant is not the bank account holder, ensure that the Bid cum Application Form is signed by the account holder. Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;

8. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;

9. Ensure that you request for and receive a stamped acknowledgement counterfoil of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;

10. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms;

11. RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion Bidding in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID which is UPI

2.0 certified by NPCI (only for RIBs and Eligible EHL Shareholders using the UPI Mechanism) to make an application in the Offer and not ASBA Account or bank account linked UPI ID of any third party;

12. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;

13. Retain Individual Bidders not using the UPI Mechanism, should submit their Bid cum Application Form directly with SCSBs and not with any other Designated Intermediary;

14. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs and Eligible EHL Shareholders submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

15. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular no. MRD/DoP/Cir-20/2008 dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned are liable to be rejected;

16. Ensure that the Demographic Details are updated, true and correct in all respects;

17. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

18. Ensure that the category and the investor status is indicated in the Bid cum Application Form;

19. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;

20. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

21. Since the Allotment will be in demat form only, ensure that the Bidder's depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;

22. Ensure that when applying in the Offer using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

23. RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs and Eligible EHL Shareholders should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's and Eligible EHL Shareholder's ASBA Account;

24. Anchor Investors should submit the Anchor Investor Application Forms to the BRLMs;

25. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Offer Closing Date;

26. FPIs making MIM Bids using the same PAN, and different beneficiary account numbers, Client IDs and DP IDs, are required to submit a confirmation that their Bids are under the MIM structure and indicate the name of their investment managers in such confirmation which shall be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids are liable to be rejected;

27. RIBs and Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, a RIB or Eligible EHL Shareholder may be deemed to have verified the attachment containing the application details of the RIB and Eligible EHL Shareholder in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form;

28. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and RIBs and Eligible EHL Shareholders bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at www.sebi.gov.in); and

29. Bids by Eligible NRIs, HUFs and any individuals, corporate bodies and family offices who are FPIs and registered with SEBI for a Bid Amount of less than ₹200,000 would be considered under the Retail Category for the purposes of allocation and Bids for a Bid Amount exceeding ₹200,000 would be considered under the Non-Institutional Category for allocation in the Offer;

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;

2. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders and Eligible EHL Shareholders);

3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;

4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;

5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);

6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;

7. Do not submit the Bid for an amount more than funds available in your ASBA account.

8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;

9. In case of ASBA Bidders, do not submit more than one ASBA Forms per ASBA Account;

10. If you are a RIB or an Eligible EHL Shareholder and are using UPI mechanism, do not submit more than one ASBA Form for each UPI ID;

11. Anchor Investors should not Bid through the ASBA process;

12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Bank;

13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;

14. Do not submit the General Index Register (GIR) number instead of the PAN;

15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;

16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;

17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);

18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;

19. Do not submit your Bid after 3.00 p.m. on the Bid/Offer Closing Date;

20. Do not Bid on another ASBA Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;

21. Do not Bid for Equity Shares in excess of what is specified for each category;

22. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for, exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus;

23. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders, Eligible EHL Shareholders Bidding in the EHL Shareholder Reservation Portion (subject to the Bid Amount being up to ₹200,000) and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date;

24. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;

25. If you are a RIB or Eligible EHL Shareholder Bidding in the EHL Shareholder Reservation Portion which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;

26. Do not link the UPI ID with a bank account maintained with a bank that is not UPI 2.0 certified by the NPCI in case of Bids submitted by RIBs using the UPI Mechanism;

27. RIBs and Eligible EHL Shareholders Bidding through the UPI Mechanism using the incorrect UPI handle or using a bank account of an SCSB or a bank which is not mentioned in the list provided in the SEBI website is liable to be rejected; and

28. Do not Bid if you are an OCB.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Offer or post Offer related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out the Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see "*General Information*" on page 66.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Designated Stock Exchange, along with the BRLMs and the Registrar, shall ensure that the Basis of Allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Bank will not make any allotment in excess of the Equity Shares through the Red Herring Prospectus and the Prospectus except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than one per cent of the Net Offer may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the Retail Individual Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidders shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, in their absolute discretion, decided the list of Anchor Investors to whom the CAN were sent, pursuant to which the details of the Equity Shares allocated to them in their respective names were notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) were required to be drawn in favour of:

(a) In case of resident Anchor Investors: "**ESFB IPO Anchor Escrow – R**"

(b) In case of Non-Resident Anchor Investors: "**ESFB IPO Anchor Escrow – NR**"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank, the Promoter Selling Shareholder and the Syndicate, the Escrow Collection Bank and the Registrar to the Offer to facilitate collections of Bid amounts from Anchor Investors.

Pre-Offer Advertisement

Our Bank shall, after filing the Red Herring Prospectus with the RoC, published a pre- Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (i) all editions of Financial Express, an English national daily newspaper, (ii) all editions of Jansatta, a Hindi national daily newspaper, and (iii) Chennai edition of Makkal Kural, a Tamil newspaper, Tamil being the regional language of Tamil Nadu, where our Registered and Corporate Office is located, each with wide circulation.

In the pre-Offer advertisement, we stated the Bid/Offer Opening Date and the Bid/ Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, was in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

The above information is given for the benefit of the Bidders/applicants. Our Bank, the Promoter Selling Shareholder and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and which may occur after the date of this Prospectus. Bidders/applicants were advised to make their independent investigations and ensure that the number of Equity Shares Bid for did not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Bank, the Promoter Selling Shareholder and the Underwriters have entered into an Underwriting Agreement.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus is being filed with the RoC in accordance with applicable law, which then is termed as the 'Prospectus'. The Prospectus contains details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and is complete in all material respects.

Undertakings by our Bank

Our Bank undertakes the following:

- adequate arrangements were made to collect all Bid cum Application Forms submitted by Bidders and Anchor Investor Application Form from Anchor Investors;
- the complaints received in respect of the Offer shall be attended to by our Bank expeditiously and satisfactorily;
- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by the SEBI;
- if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Bank shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and applicable law for the delayed period;
- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Bank;
- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- Except for Equity Shares that may be allotted pursuant to the conversion of employee stock options granted under the ESFB ESOP Plan 2019 and the Equity Shares allotted pursuant to the Offer, no further issue of the Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus and this Prospectus, are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

- Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue, in whole or in part thereof, to the extent of the Offered Shares, after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed.

- If our Bank, in consultation with the BRLMs withdraws the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI.

Undertakings by the Promoter Selling Shareholder

The Promoter Selling Shareholder undertakes in respect of itself as a selling shareholder and its respective portion of the Equity Shares offered by it in the Offer for Sale that:

- the Equity Shares offered for sale by the Promoter Selling Shareholder in the Offer are eligible for being offered in the Offer for Sale in terms of Regulation 8 of the SEBI ICDR Regulations;

- the Equity Shares being offered for sale by the Promoter Selling Shareholder pursuant to the Offer are free and clear of any pre-emptive rights, liens, mortgages, charges, pledges or any other encumbrances and shall be in dematerialized form at the time of transfer;

- it shall deposit its Equity Shares offered for sale in the Offer in an escrow demat in accordance with the share escrow agreement to be executed between the parties to such share escrow agreement;

- that it shall provide such reasonable assistance to our Bank and the BRLMs in redressal of such investor grievances that pertain to the Equity Shares held by it and being offered pursuant to the Offer;

- it shall provide such reasonable cooperation to our Bank in relation to the Equity Shares offered by it in the Offer for Sale for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges; and

- it shall not have recourse to the proceeds of the Offer until final approval for trading of the Equity Shares from the Stock Exchanges has been received.

The decisions with respect to the Price Band, the minimum Bid lot, revision of Price Band, Offer Price, will be taken by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs.

Only the statements and undertakings in relation to the Promoter Selling Shareholder and their portion of the Equity Shares offered in the Offer for Sale which are specifically "confirmed" or "undertaken" by the Promoter Selling in this Prospectus, shall be deemed to be "statements and undertakings specifically confirmed or undertaken" by the Promoter Selling Shareholder. All other statements and/ or undertakings in this Prospectus shall be statements and undertakings made by our Bank even if the same relate to the Promoter Selling Shareholder.

Utilisation of Offer Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;
- details of all monies utilised out of the Offer shall be disclosed, and continue to be disclosed till the time any part of the Fresh Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

The Bank and the Promoter Selling Shareholder, specifically confirm and declare that all monies received out of the Offer shall be transferred to a separate bank account other than the bank account referred to in sub-section 3 of Section 40 of the Companies Act, 2013.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The DPIIT, issued the Consolidated FDI Policy Circular of 2017 ("**FDI Policy**"), which, with effect from August 28, 2017, consolidated and superseded all previous press notes, press releases and clarifications on FDI that were in force and effect as on August 27, 2017. The FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs could not participate in this Offer.

Foreign Exchange Laws

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the FEMA Regulations 2017, the FEMA Non-debt Instruments Rules, the FDI Policy issued and amended by way of press notes.

In terms of the FDI Policy and SFB Licensing Guidelines, the aggregate foreign investment in a SFB is allowed up to a maximum of 74% of the paid-up capital of the SFB (automatic up to 49% and approval route beyond 49% up to 74%). At all times, at least 26% of the paid-up capital will have to be held by residents. In the case of FIIs/FPIs, individual FII/FPI holding is restricted to below 10% of the total paid-up capital.

In the case of NRIs, the individual holding is restricted to 5% of the total paid-up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10% of the total paid-up capital both on repatriation and non-repatriation basis.

By a resolution of our Board dated January 31, 2019 and a resolution of our Shareholders dated January 31, 2019, our Bank has increased the aggregate limits of its shareholding by FPIs to 74% (automatic upto 49% and beyond that, only with the approval of the Government as required under the FDI Policy), and of NRIs (on a repatriation basis) to 24% of its paid-up Equity Share capital. For details, see "*Offer Procedure*" on page 374.

The FEMA Non-debt Instruments Rules was enacted on October 17, 2019 in supersession of the FEMA Regulations 2017, except as respects things done or omitted to be done before such supersession.

In terms of the FEMA Non-debt Instruments Rules, a person resident outside India may make investments into India, subject to certain terms and conditions, and provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with government approval.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus and which may occur after the date of this Prospectus. Bidders are advised to make their

independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Bank. Pursuant to Schedule I of the Companies Act, 2013 and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below.

Authorised share capital

The Authorised Capital of the Company is or shall be such amount as stated in Clause V of the Memorandum of Association of the Company, for the time being or as may be varied, from time to time, under the provisions, if any, of the Banking Act, the Act and these Articles, and divided into such numbers, classes and descriptions of shares and into such denominations as stated therein.

Alteration of capital

The Company has power, from time to time, to increase or reduce or cancel its capital and to attach thereto respectively such preferential, cumulative, convertible, guarantee, qualified or other special rights, privilege, condition or restriction, as may be determined by or in accordance with the Articles of Association of the Company or the legislative provisions, for the time being in force, in that behalf.

Subject to the provisions of these Articles, the Banking Act and the Act, the Company may from time to time in a General Meeting alter the conditions of its Memorandum by increase of its share capital by the creation of new shares of such amount as it thinks expedient. Subject to the provisions of the Act and these Articles, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as directed by the General Meeting creating the same and if no direction be given as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company provided always that any preference shares may be issued on the terms that they are, or at the option of the Company, liable to be redeemed.

Power to sub- divide and consolidate

Subject to the provisions of the Act and the Banking Act, the Company may, by Ordinary Resolution:

(a) Consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

(b) Convert all or any of its fully paid-up Shares into stock, and reconvert that stock into fully paid-up Shares of any denomination;

(c) Sub-divide its existing Shares or any of them into Shares of smaller amount than is fixed by the Memorandum;

(d) cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

(e) Classify the unclassified shares into equity or preference share capital, as may be decided by the Company

(f) Reclassify the unissued equity share capital into preference share capital and vice-versa

Shares in the capital of the Company shall be under the control of the Directors

Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or subject to compliance with the provisions of the Act at a discount and at such time as they may from time to time think fit.

Forfeiture of Shares

If a Member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board of Directors may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

Lien

The Company shall have a first and paramount lien—

(a) on every Share/Debenture (not being a fully paid-up Share/Debenture), registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that Share/debenture and no equitable interest in any share shall be created except on the footing that this Article shall have full effect; and

(b) On all Shares (not being fully paid Shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Company:

Provided that the Board of Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article.

The Company's lien, if any, on a Share shall extend to all Dividends payable and bonuses declared from time to time in respect of such Shares. Unless otherwise agreed, the registration of a transfer of Shares/debentures shall operate as a waiver of the Company's lien if any, on such Shares/debentures.

Shares

When at any time the Bank proposes to increase the subscribed capital of the Bank by the issue of new shares, then subject to any decision which may be taken by the Bank in General Meeting, such new shares shall be offered to such persons as specified in the Act and these Articles.

Nothing in this Article shall apply to the increase of the subscribed capital of the Bank caused by the exercise of an option attached to the debentures issued or loans raised by the Bank to convert such debentures or loans into shares of the Bank or subscribe to shares of the Bank in accordance with the provisions of the 1949 Act and guidelines issued by the RBI from time to time. Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a Special Resolution passed by the Bank in a General Meeting.

The Company in a General Meeting may determine, in accordance with applicable law, to issue further shares of the authorised capital of the Company and may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportion and on such terms and conditions either at a premium or at par or, subject to compliance with the provisions of the Act, at a discount, as such General Meeting shall determine and with full power to give to any person or persons (whether a member or holder of debentures of the Company or not) the option or right to call for or be allotted any shares of the Company either at a premium or at par or at a discount (subject to compliance with the provisions of the Companies Act, 2013 and the applicable Rules thereof), during such time and for such consideration as the directors think fit, and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up shares, as the case may be. Provided that the option or right to call for shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Any application signed by the applicant for shares in the Bank, followed by an allotment of any shares therein, shall on acceptance of the shares by him within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of the Act and these Articles, be a Member of the Bank.

The Board of Directors may, from time to time, make calls upon the Members in respect of any monies unpaid on their Shares (whether on account of the nominal value of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, provided that no call shall exceed one-fourth of the nominal value of the Share or be payable at less than one month from the date fixed for the payment of the last preceding call.

Transfer and transmission of shares

The Company shall use a common form of transfer and in writing, in all cases. The instrument of transfer of Shares of the Company shall be in such form as may be prescribed from time to time under the Companies Act. The instrument of transfer of any Share in the Company shall be executed by or on behalf of both the transferor and transferee.The transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the register of Members in respect thereof.

That registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Issuer on any account whatsoever except where the Company has a lien on the Shares.

The Board may decline to recognise any instrument of transfer unless-

(a) the instrument of transfer is in the form as prescribed in rules made under sub-section(1) of Section 56 of the Companies Act, 2013;

(b) the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer; and

(c) the instrument of transfer is in respect of only one class of Shares.

On the death of a Member, the survivor or survivors where the Member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the Shares. Any person becoming entitled to a Share in consequence of the death or insolvency of a Member may, upon such evidence being produced as may from time to time properly be required by the Board of Directors to elect either:

(a) to be registered himself as holder of the Share; or

(b) to make such transfer of the Share as the deceased or insolvent Member could have made.

If any Share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, a new certificate in lieu thereof shall be given.

Buyback

Notwithstanding anything contained in these Articles but subject to the provisions of the Act or any other law for the time being in force, the Company may purchase its own Shares or other specified securities.

Borrowing powers

Subject to the provisions of the Act the Directors may from time to time at their discretion, raise or borrow or secure payments of sum or sums of money for the purpose of the Company's business, and may secure the payment or repayment of such money by mortgage or charge upon the whole or any part of the assets and property of the Company (present and future) including its uncalled and unpaid capital after obtaining the sanction of the Board of Directors at its Meeting and subject to the provisions of the Act, the Board may delegate any or all of the aforesaid powers to a Committee of the Board, the Managing Director or any other principal officer of the Company or in the case of a branch office of the Company, the principal officer of the branch office.

Subject to the aforesaid, any bonds, debentures or other Securities issued by the Company shall be under the control of the Directors who may issue and/or re-issue them upon such terms, conditions and in such manner and for such consideration as may be resolved by the Board of Directors or the Committee thereof, for the benefit of the Company.

General Meetings

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting. The Board of Directors may, whenever it thinks fit, call an extraordinary General Meeting. No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the Meeting proceeds to business.

Meetings of Directors

A Director may, and the manager or secretary on the requisition of a Director shall, at any time, summon a Meeting of the Board of Directors. The quorum for a Board Meeting shall be as provided in Section 174 of the Companies Act. Where a Meeting of the Board of Directors could not be held for want of quorum, then the Meeting shall automatically stand adjourned to the same day at the same time and place in the next week or if that day is a national holiday, till the next succeeding day, which is not a national holiday, at the same time and place.

The Board of Directors may, subject to the provisions of the Companies Act, delegate any of its powers to Committees consisting of such Member or Members of its body as it thinks fit or to the Managing Director or any other principal officer of the Company or in the case of a branch office of the Company, the principal officer of the branch office.

Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board of Directors.

Managing Directors

The Board of Directors may, in accordance with the Act and subject to the provisions of the Banking Act and such guidelines as may be issued by the Reserve Bank of India from time to time appoint a Managing Director for a term of not more than five years at a time.

The Managing Directors shall, each of them, be paid for their respective services such remuneration on such terms as the Company may, by resolution in General Meeting, from time to time determine in accordance with the Act and the Banking Act and such guidelines as may be issued by the Reserve Bank of India or such other authority, from time to time.

Appointment of Directors

(a) The Board shall have power at any time and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles. Any additional Directors appointed by the Board shall be subject to reappointment in the next annual General Meeting of the Company in accordance with Applicable Law.

(b) The Board may appoint an alternate director to act for a director (hereinafter in this Article called the “Original Director”) during his absence for a period of not less than three months from India. No person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of the Act.

(c) Subject to provisions of the Act and the Banking Act, and notwithstanding anything to the contrary contained in these Articles, so long as any monies borrowed and remaining owing by the Company to any bank, financial institution, private equity fund, finance company, or any other body corporate or institution from whom the Company has borrowed (hereinafter referred as "the Corporation") or so long as the Corporation holds Securities or debentures or bonds in the Company as a result of underwriting or direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, and if the loan or other agreement with such Corporation so provides, then the Corporation may, subject to applicable law appoint, from time to time, any Person or Persons as Directors or whole time Directors (hereinafter referred to as "Nominee Director(s)") on the Board of the Company based on such agreement as may be entered into between such Corporation and the Company and to remove from such office any Person or Persons so appointed and to appoint any Person or Persons in his or their place.

Votes of Members

Subject to the provisions of the Act, votes may be given either personally or by Proxy or, in the case of a body corporate, by a representative duly authorised under Section 113 of the Act. A Member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, (i) on a show of hands, every Member present in person shall have one vote; and (ii) on a poll, the voting rights of Members shall be in proportion to his share in paid-up equity share capital.

Any Member of the Bank entitled to attend and vote at a meeting of the Bank shall be entitled to appoint any other person (whether a Member or not) as his Proxy to attend and vote instead of himself, but a Proxy so appointed shall not have any right to speak at the meeting.

No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid.

Dividend

The Company in General Meeting may declare dividend and no dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Act, the profits of the Company subject to any special rights relating to those to be created or authorized by these Articles and subject to the provisions herein shall be divisible among the shareholders in proportion to the amount of capital called upon the Securities held by them respectively.

Subject to the provisions of the Act, the Board may from time to time pay to the Member such interim dividend as appear to it to be justified by the profits of the Company

No Dividend shall bear interest against the Company. All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the Dividend is paid; but if any Share is issued on terms providing that it shall rank for Dividend as from a particular date such Share shall rank for Dividend accordingly. The Board of Directors may deduct from any Dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.

Unpaid or Unclaimed Dividend

Unclaimed / unpaid dividend shall not be forfeited by the Board.

There will be no forfeiture of unclaimed Dividend before the claim becomes barred by law. Where the Company has declared a Dividend but which has not been paid or claimed within 30 days from the date of declaration, within seven days from the date of expiry of said period of 30 days, transfer the total amount of Dividend which remains unpaid or unclaimed to a special Account to be opened by the Company in that behalf in any scheduled bank, to be called “**Unpaid Dividend Account**”.

Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under the applicable provisions of the Act.

The Company may, pay Dividends in proportion to the amount paid-up on each Share.

Winding Up

For winding up of the Company the provisions contained in the Banking Act, shall apply and those contained in the Act, shall apply to the extent to which they are not inconsistent with the Banking Act.

Subject to the applicable provisions of the Act, the Banking Act and the Rules made thereunder –

(a) If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

(b) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(c) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Subject to the provision of the Act, the Directors, Company Secretary and other officers, for the time being of the Company and their heirs, executors and administrators respectively shall be indemnified out of the assets of the Company from and against all suits, proceedings, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by the reason of any act done or omitted to be done in or about the Company and affairs of the Company except such (if any) as they shall incur or sustain by or through their own wilful neglect or default and the indemnity shall extend to any neglect or default of any other Director, secretary or other officer. The Directors, Company Secretary and other officers shall not be held liable for joining in any receipts for the sake of conformity or for the solvency or honesty of any bankers or other Persons with whom any money effect, custody or for any insufficiency or deficiency of any Security upon which any monies of the Company shall be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his office, unless the same shall happen through the wilful neglect or default of such officer or Director.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank or contracts entered into more than two years before the date of the Red Herring Prospectus) which are or may be deemed material were attached to the copy of the Red Herring Prospectus which was filed with the RoC, and also a copy of this Prospectus which will be filed with the RoC. Copies of the contracts and also the documents for inspection referred to hereunder, were provided for inspection at the Registered and Corporate Office between 10 a.m. and 5 p.m. on all Working Days from date of the Red Herring Prospectus until the Bid/ Offer Closing Date, other than the documents executed after the Bid/Issue Closing Date.

A. Material Contracts for the Offer

a) Offer Agreement dated December 16, 2019 amongst our Bank, the Promoter Selling Shareholder and the BRLMs.

b) Registrar Agreement dated December 12, 2019 amongst our Bank, the Promoter Selling Shareholder and the Registrar to the Offer.

c) Cash Escrow and Sponsor Bank Agreement dated October 9, 2020 amongst our Bank, the Promoter Selling Shareholder, the Registrar to the Offer, the BRLMs, the Syndicate Members, and the Banker to the Offer.

d) Share Escrow Agreement dated March 9, 2020 amongst the Promoter Selling Shareholder, our Bank and the Share Escrow Agent.

e) Syndicate Agreement dated October 9, 2020 amongst our Bank, the Promoter Selling Shareholder, the BRLMs, and Syndicate Members.

f) Underwriting Agreement dated October 23, 2020 amongst our Bank, the Promoter Selling Shareholder and the Underwriters.

B. Material Documents

a) Certified copies of updated MoA and AoA of our Bank, updated from time to time

b) Certificate of incorporation dated June 21, 1993 issued to our Bank, under the name V. A. P. Finance Private Limited by the RoC.

c) Certificate of incorporation endorsed by the RoC on March 5, 1994, consequent upon change from V. A. P. Finance Private Limited to V. A. P. Finance Limited, pursuant to the conversion to a deemed public limited company under Section 43A of Companies Act, 1956.

d) Fresh certificate of incorporation dated March 30, 2011 issued by the RoC, consequent upon change from V. A. P. Finance Limited to V. A. P. Finance Private Limited, pursuant to conversion to a private limited company under Section 31(1) of the Companies Act, 1956.

e) Fresh certificate of incorporation dated August 12, 2011 pursuant to change of name from V. A. P. Finance Private Limited to Equitas Finance Private Limited.

f) Fresh certificate of incorporation dated September 29, 2015 issued by the RoC, consequent upon change from Equitas Finance Private Limited to Equitas Finance Limited, pursuant to conversion of our Bank from a private limited company to a public limited company.

g) Fresh certificate of incorporation dated September 2, 2016 issued by the RoC, consequent upon change from Equitas Finance Limited to Equitas Small Finance Bank Limited pursuant to conversion of our Bank from a public limited company to a SFB.

h) RBI In-Principle Approval.

i) RBI Final Approval.

j) RBI letter bearing no. DOS. ARG. No. 6423/08.58.005/2019-20 dated March 20, 2020 approving the appointment of T.R. Chadha & Co. LLP, Chartered Accountants as the Statutory Auditors of our Bank.

k) RBI letter bearing no. DBS.ARS.No.3383/08.57.005/2016-17 dated October 25, 2016 approving the appointment of S.R. Batliboi & Associates LLP, Chartered Accountants as the statutory auditors of our Bank.

l) RBI letter bearing no. DBS.ARS.No.6938/08.57.005/2018-19 dated June 14, 2019 approving the re-appointment of S.R. Batliboi & Associates LLP, Chartered Accountants as the statutory auditors of our Bank.

m) RBI letter bearing no. DBR.Appt.No.1440/29.44.002/2016-17 dated July 28, 2016 approving the appointment of the Directors on the Board.

n) RBI letter bearing no. DBR.Appt.No.2855/29.44.002/2016-17 dated September 2, 2016, approving the appointment of Vasudevan Pathangi Narasimhan as the MD and CEO of our Bank

o) RBI letter bearing no. DBR.Appt.No.10143/29.44.002/2018-19 dated May 31, 2019 approving the re-appointment of Vasudevan Pathangi Narasimhan our MD and CEO.

p) RBI letter bearing no. DBR.Appt.No. 1440/29.44.002/2016-17 dated July 28, 2016, approving the appointment of Arun Ramanathan as the Part-time Chairman of our Bank

q) Scheme of amalgamation of EMFL and EHFL with our Bank and their respective shareholders, approved by the High Court of Judicature at Madras on June 6, 2016 pursuant to which EMFL and EHFL was amalgamated with our Bank.

r) Resolutions of the Board of Directors dated November 22, 2019, authorising the Fresh Issue and other related matters.

s) Shareholders' resolution dated November 22, 2019, in relation to the Fresh Issue and other related matters.

t) Resolution of the Listing Committee dated December 16, 2019, approving the Offer and the DRHP.

u) Resolution of the Board dated October 11, 2020, approving the Red Herring Prospectus.

v) Resolution of the Listing Committee dated October 24, 2020, approving the Prospectus.

w) Resolution of the board of directors of EHL dated November 8, 2019, consenting to participate in the Offer for Sale.

x) Consent letter dated December 12, 2019 and September 23, 2020 provided by EHL, consenting to participate in the Offer for Sale.

y) Letter dated April 15, 2019 written by our Bank to RBI seeking in-principle approval for a merger of EHL and our Bank and RBI letter dated June 6, 2019 stating that it would examine the proposal for merger of EHL and our Bank.

z) Copies of the annual reports of our Bank for the Fiscals 2020, 2019 and 2018.

aa) The examination report of the Statutory Auditors on our Bank's Restated Financial Information, included in this Prospectus along with the Restated Financial Information.

bb) The statement of possible special tax benefits dated September 26, 2020 from the Statutory Auditors.

cc) Written consent of the Directors, the BRLMs, the Syndicate Members, Domestic Legal Counsel to our Bank, Legal Counsel to the BRLMs as to Indian Law, International Legal Counsel to the BRLMs, Promoter Selling Shareholder, Registrar to the Offer, Escrow Collection Bank(s), Public Offer Account Bank(s), Refund Bank(s), Sponsor Bank, Company Secretary and Compliance Officer as referred to in their specific capacities.

dd) Written consent dated September 26, 2020 of the Statutory Auditors, T.R. Chadha & Co. LLP, Chartered Accountants, Chartered Accountants to include its name as required under Section 26(1) of the Companies Act, 2013, as amended in this Prospectus and as "Experts" as defined under Section 2(38) of the Companies Act, 2013 in respect of the reports issued by the Auditor on the Restated Financial Information dated September 14, 2020 and the statement of possible special tax benefits dated September 26, 2020 included in this Prospectus and such consent has not been withdrawn as on the date of this Prospectus. However, the term "expert" shall not be construed to mean "Experts" as defined under the U.S. Securities Act.

ee) Report titled 'Analysis of small finance banks and various loan products' dated November 2019 issued by CRISIL Limited.

ff) Deed of guarantee dated May 5, 2014 entered between our Promoter and National Housing Bank in relation to a refinancing loan facility of ₹100 million availed by our Bank.

gg) Deed of guarantee dated January 8, 2015 entered between our Promoter and National Housing Bank in relation to a refinancing loan facility of ₹100 million availed by our Bank.

hh) Deed of guarantee dated April 22, 2015 entered between our Promoter and National Housing Bank in relation to a refinancing loan facility of ₹50 million availed by our Bank.

ii) Deed of guarantee dated February 15, 2016 entered between our Promoter and National Housing Bank in relation to a refinancing loan facility of ₹192.40 million availed by our Bank.

jj) Deed of guarantee dated September 16, 2019 entered between our Promoter and Federal Bank Limited for ₹20 million, in respect of the refinance facilities availed by our Bank from National Housing Bank.

kk) No-objection certificate dated November 8, 2019 granted by EHL to our Bank for using the word 'Equitas'.

ll) Due diligence certificate dated December 16, 2019 addressed to SEBI from the BRLMs.

mm) In principle listing approvals dated December 31, 2019 and January 7, 2020, issued by BSE and NSE, respectively.

nn) SEBI final observation letter dated February 28, 2020.

oo) Tripartite agreement dated November 4, 2019 between our Bank, NSDL and the Registrar to the Offer.

pp) Tripartite agreement dated October 31, 2019, between our Bank, CDSL and the Registrar to the Offer.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without notice to the Shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Arun Ramanathan
Part-time Chairman and Independent Director

Place: UNITED KINGDOM
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Vasudevan Pathangi Narasimhan
Managing Director and CEO

Place: CHENNAI
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Nagarajan Srinivasan
Non-Executive Non-Independent Director

Place: BANGALORE
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Arun Kumar Verma
Non-Executive Independent Director

Place: BHUBANESHWAR
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Narayanaswamy Balakrishnan
Non-Executive Independent Director

Place: BANGALORE
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Navin Avinashchander Puri
Non-Executive Independent Director

Place: MUMBAI
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Sridhar Ganesh
Non-Executive Independent Director

Place: CHENNAI
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Narasimhan Srinivasan
Non-Executive Independent Director

Place: PUNE
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Tabassum Abdulla Inamdar
Non-Executive Independent Director

Place: MUMBAI
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Director of our Bank

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Vinod Kumar Sharma
Non-Executive Independent Director

Place: PUNE
Date: October 24, 2020

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the rules, guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. I further certify that all statements in this Prospectus are true and correct.

Signed by the Chief Financial Officer of our Bank

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Sridharan Nanuiyer
Chief Financial Officer

Place: CHENNAI
Date: October 24, 2020

DECLARATION BY THE PROMOTER SELLING SHAREHOLDER

We, Equitas Holdings Limited, hereby confirm that all statements and undertakings made or confirmed by us in this Prospectus about or in relation to ourselves, as the Promoter Selling Shareholder and the Offered Shares, are true and correct.

Signed for and on behalf of Equitas Holdings Limited

Name: John Alex

Designation: Executive Director and Chief Executive Officer

Date: October 24, 2020

Place: Chennai