(Please scan this QR Code to view this Draft Red Herring Prospectus)

DRAFT RED HERRING PROSPECTUS
Dated: July 7, 2023
Please read Section 32 of the Companies Act, 2013
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Built Offer

ESAF SMALL FINANCE BANK LIMITED

CORPORATE IDENTITY NUMBER: U65990KL2016PLC045669

REGISTERED AND CORPORATE OFFICE	CONTACT PERSON	E-MAIL AND TELEPHONE	WEBSITE
Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur 680 651, Kerala, India	Ranjith Raj P, *Company Secretary and Compliance Officer*	**E-mail**: investor.relations@esafbank.com **Tel**: +91 487 7123 907	www.esafbank.com

THE PROMOTERS OF OUR BANK: KADAMBELIL PAUL THOMAS AND ESAF FINANCIAL HOLDINGS PRIVATE LIMITED

DETAILS OF THE OFFER

TYPE	SIZE OF FRESH ISSUE	SIZE OF OFFER FOR SALE	TOTAL OFFER SIZE	ELIGIBILITY AND SHARE RESERVATION AMONG QIB, RIB, NIB AND ELIGIBLE EMPLOYEES
Fresh Issue and Offer for Sale	Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,867.40 million	Offer for Sale up to [●] Equity Shares aggregating up to ₹1,423.00 million	Up to [●] Equity Shares aggregating up to ₹6,290.40 million	The Offer is being made pursuant to Regulation 6(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**SEBI ICDR Regulations**") as our Bank fulfils the requirements under Regulation 6(1) of the SEBI ICDR Regulations. For further details, see *"Other Regulatory and Statutory Disclosures – Eligibility for the Offer"* on page 377. For details in relation to the share reservation among QIBs, RIBs, NIBs and Eligible Employees see "*Offer Structure*" on page 399.

DETAILS OF THE OFFER FOR SALE

NAME OF SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OFFERED/ AMOUNT (₹ IN MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE ON A FULLY DILUTED BASIS (IN ₹)*
ESAF Financial Holdings Private Limited	Promoter Selling Shareholder	[●] Equity Shares aggregating up to ₹1,192.60 million	10.11
PNB MetLife India Insurance Company Limited	Other Selling Shareholder	[●] Equity Shares aggregating up to ₹126.70 million	40.07
Bajaj Allianz Life Insurance Company Limited	Other Selling Shareholder	[●] Equity Shares aggregating up to ₹103.70 million	40.07

**As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023*

RISKS IN RELATION TO THE FIRST OFFER

The face value of the Equity Shares is ₹10 each. The Floor Price and the Cap Price as determined and justified by our Bank and Promoter Selling Shareholder, in consultation with the Book Running Lead Managers ("**BRLMs**") and the Offer Price as determined and justified by our Bank and the Selling Shareholders, in consultation with the BRLMs, on the basis of the assessment of market demand of the Equity Shares by way of the book building process, as stated under "*Basis for Offer Price*" on page 101 should not be considered to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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 Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 29.

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring 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 Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Each of the Selling Shareholders, severally and not jointly, accepts responsibility for and confirms only such statements specifically made or confirmed by such Selling Shareholders in this Draft Red Herring Prospectus to the extent of information specifically pertaining to itself and its respective portion of the Offered Shares in the Offer for Sale 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 that will be offered through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges being BSE and NSE. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●].

BOOK RUNNING LEAD MANAGERS

NAMES OF THE BRLMS AND LOGOS		CONTACT PERSON	TELEPHONE AND E-MAIL
ICICI Securities	ICICI Securities Limited	Kristina Dias / Ashik Joisar	**Tel**: +91 22 6807 7100 **E-mail:** esafsfb.ipo@icicisecurities.com
DAM CAPITAL	DAM Capital Advisors Limited	Chandresh Sharma	**Tel**: +91 22 4202 2500 **E-mail:** esaf.ipo@damcapital.in
nuvama	Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)*	Lokesh Shah	**Tel**: +91 22 4009 4400 **E-mail:** ESAF@nuvama.com

REGISTRAR TO THE OFFER

NAME OF THE REGISTRAR	CONTACT PERSON	TELEPHONE AND E-MAIL
Link Intime India Private Limited	Shanti Gopalkrishnan	**Tel**: +91 022 4918 6060 **E-mail**: esaf.ipo@linkintime.co.in

BID/ OFFER PERIOD

ANCHOR INVESTOR BIDDING DATE	[●](1)
BID/OFFER OPENS ON	[●](1)
BID/OFFER CLOSES ON	[●](2)(3)

* *Pursuant to order passed by Hon'ble National Company Law Tribunal, Mumbai Bench dated April 27, 2023, the merchant banking business of Edelweiss Financial Services Limited has demerged and now transferred to Nuvama Wealth Management Limited and therefore the said merchant banking business is part of Nuvama Wealth Management Limited.*

(1) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/ Offer Period shall be one Working Day prior to the Bid/ Offer Opening Date.*

(2) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations.*

(3) *The UPI mandate end time and date shall be at 5:00 p.m. on Bid/Offer Closing Day.*

ESAF SMALL FINANCE BANK LIMITED

Our Bank was incorporated as 'ESAF Small Finance Bank Limited' on May 5, 2016 at Thrissur, Kerala, as a public limited company under the Companies Act, 2013, and was granted the certificate of incorporation by the Registrar of Companies, Kerala at Ernakulam ("**RoC**"). Our Corporate Promoter, ESAF Financial Holdings Private Limited was granted in-principle approval to establish a small finance bank ("**SFB**"), by the RBI, pursuant to its letter dated October 7, 2015. Subsequently, our Bank received the final approval to carry on the SFB business in India, pursuant to a letter dated November 18, 2016 issued by the RBI. Our Bank commenced its business with effect from March 10, 2017 and was included in the second schedule to the RBI Act pursuant to a notification dated November 12, 2018 issued by the RBI. For further details, see "*History and Certain Corporate Matters*" on page 205.

Registered and Corporate Office: Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur 680 651, Kerala, India;
Tel: +91 487 7123 907; **Website**: www.esafbank.com; **Contact Person**: Ranjith Raj P, Company Secretary and Compliance Officer; **E-mail**: investor.relations@esafbank.com;
Corporate Identity Number: U65990KL2016PLC045669

OUR PROMOTERS: KADAMBELIL PAUL THOMAS AND ESAF FINANCIAL HOLDINGS PRIVATE LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF ESAF SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) AGGREGATING UP TO ₹6,290.40 MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹4,867.40 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹1,423.00 MILLION ("THE OFFER FOR SALE"), COMPRISING UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹1,192.60 MILLION BY THE PROMOTER SELLING SHAREHOLDER (AS DEFINED HEREUNDER), AND UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹126.70 MILLION BY PNB METLIFE INDIA INSURANCE COMPANY LIMITED AND UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹103.70 MILLION BY BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED (THE "OTHER SELLING SHAREHOLDERS" AND TOGETHER WITH THE PROMOTER SELLING SHAREHOLDER, THE "SELLING SHAREHOLDERS", AND SUCH EQUITY SHARES THE "OFFERED SHARES").

OUR BANK MAY, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS, CONSIDER A FURTHER ISSUE OF EQUITY SHARES OR ANY OTHER INSTRUMENT AS MAY BE PERMISSIBLE, INCLUDING BY WAY OF A PRIVATE PLACEMENT OR ANY OTHER METHOD AS MAY BE PERMITTED IN ACCORDANCE WITH APPLICABLE LAW TO ANY PERSON(S) OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹973.25 MILLION, BETWEEN THE DATE OF THIS DRAFT RED HERRING PROSPECTUS AND PRIOR TO THE FILING OF THE RED HERRING PROSPECTUS WITH THE ROC ("PRE-IPO PLACEMENT"). THE PRE-IPO PLACEMENT, IF UNDERTAKEN, WILL BE AT A PRICE TO BE DETERMINED BY OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IF THE PRE-IPO PLACEMENT IS COMPLETED, THE FRESH ISSUE SIZE WILL BE REDUCED TO THE EXTENT OF SUCH PRE-IPO PLACEMENT, SUBJECT TO THE MINIMUM OFFER CONSTITUTING AT LEAST [●]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK IN COMPLIANCE WITH RULE 19(2)(B) OF THE SECURITIES CONTRACTS (REGULATION) RULES, 1957, AS AMENDED.

THE OFFER INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES, AGGREGATING UP TO ₹[●] MILLION (CONSTITUTING UP TO [●]% OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL), FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("EMPLOYEE RESERVATION PORTION"). OUR BANK AND THE PROMOTER SELLING SHAREHOLDER MAY, IN CONSULTATION WITH THE BRLMS OFFER A DISCOUNT OF UP TO [●]% OF THE OFFER PRICE TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"), SUBJECT TO NECESSARY APPROVALS AS MAY BE REQUIRED. THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER SHALL CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

THE FACE VALUE OF EQUITY SHARES IS ₹10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT SHALL BE DECIDED BY OUR BANK AND THE PROMOTER SELLING SHAREHOLDER, IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF [●], AN ENGLISH NATIONAL DAILY NEWSPAPER, ALL EDITIONS OF [●], A HINDI NATIONAL DAILY NEWSPAPER AND [●] EDITIONS OF THE MALAYALAM DAILY NEWSPAPER [●] (MALAYALAM BEING THE REGIONAL LANGUAGE OF KERALA, WHERE OUR REGISTERED AND CORPORATE OFFICE IS LOCATED), EACH WITH WIDE CIRCULATION, RESPECTIVELY, AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS").

In case of any revision in the Price Band, the Bid/ Offer Period will be extended by at least three additional Working Days after such revision in the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank and the Promoter Selling Shareholder may, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the BRLMs and at the terminals of the Syndicate Members and by intimation to Designated Intermediaries and the Sponsor Banks.

The Offer is being 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 shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**", the "**QIB Portion**"), provided that our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis ("**Anchor Investor Portion**"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price in accordance with the SEBI ICDR Regulations. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion (other than Anchor Investor Portion) ("**Net QIB Portion**"). Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining Net QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Bidders, out of which (a) one third of such portion shall be reserved for Bidders with Bids exceeding ₹0.20 million and up to ₹1.00 million; and (b) two third of such portion shall be reserved for Bidders with application size of more than ₹1.00 million, provided that the unsubscribed portion in either of such sub-categories may be allocated to Bidders in the other sub-category of Non-Institutional Bidders, subject to valid Bids received at or above the Offer Price, and not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, Equity Shares will be allocated on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids received from them at or above the Offer Price. All potential Bidders (except Anchor Investors) are required to mandatorily required to participate in the Offer through the Application Supported by Blocked Amount ("**ASBA**") process by providing details of their respective ASBA Account (as defined hereinafter), and UPI ID in case of UPI Bidders (defined hereinafter), if applicable, pursuant to which the corresponding Bid Amount will be blocked by the Self Certified Syndicate Banks ("**SCSBs**") or the Sponsor Banks, as the case may be, to the extent of their respective Bid Amount. Anchor Investors are not permitted to participate in the Offer through the ASBA process. For details, see "*Offer Procedure*" on page 403.

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 Floor Price and the Cap Price as determined and justified by our Bank and Promoter Selling Shareholder, in consultation with the BRLMs and the Offer Price as determined and justified by our Bank and the Selling Shareholders, in consultation with the BRLMs, in accordance with the SEBI ICDR Regulations, as stated under "*Basis for Offer Price*" on page 101 should not be considered to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an 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 Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 29.

ISSUER'S AND THE SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring 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 Draft Red Herring 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 Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Each of the Selling Shareholders, severally and not jointly, accepts responsibility for and confirms only such statements specifically made or confirmed by such Selling Shareholders in this Draft Red Herring Prospectus to the extent of information specifically pertaining to itself and its respective portion of the Offered Shares in the Offer for Sale 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 offered through the Red Herring Prospectus are proposed to be listed on National Stock Exchange of India Limited ("**NSE**") and BSE Limited ("**BSE**", and together with NSE, the "**Stock Exchanges**"). Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the 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 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 429.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Venture House Appasaheb Marathe Marg Prabhadevi Mumbai 400 025 Maharashtra, India **Tel:** +91 22 6807 7100 **E-mail**: esafsfb.ipo@icicisecurities.com **Website:** www.icicisecurities.com **Investor Grievance ID**: customercare@icicisecurities.com **Contact Person:** Kristina Dias/ Ashik Joisar **SEBI Registration No.:** INM000011179	**DAM Capital Advisors Limited** One BKC, Tower C, 15th Floor, Unit No. 1511 Bandra Kurla Complex, Bandra (East) Mumbai 400 051 Maharashtra, India **Tel:** +91 22 4202 2500 **E-mail**: esaf.ipo@damcapital.in **Website:** www.damcapital.in **Investor Grievance ID**: complaint@damcapital.in **Contact Person:** Chandresh Sharma **SEBI Registration No.:** MB/INM000011336	**Nuvama Wealth Management Limited** (*formerly known as Edelweiss Securities Limited*)* 801 - 804, Wing A, Building No 3 Inspire BKC, G Block Bandra Kurla Complex, Bandra East Mumbai 400 051 Maharashtra, India **Tel:** +91 22 4009 4400 **E-mail:** ESAF@nuvama.com **Website:** www.nuvamawealth.com **Investor Grievance ID:** customerservice.mb@nuvama.com **Contact person:** Lokesh Shah **SEBI registration no.:** INM000013004	**Link Intime India Private Limited** C-101, 1st Floor, 247 Park Lal Bahadur Shastri Marg Vikhroli (West) Mumbai 400 083 Maharashtra, India **Tel:** +91 022 4918 6060 **E-mail**: esaf.ipo@linkintime.co.in **Website**: www.linkintime.co.in **Investor Grievance ID:** esaf.ipo@linkintime.co.in **Contact Person:** Shanti Gopalkrishnan **SEBI Registration Number:** INR000004058

BID/ OFFER SCHEDULE

BID/ OFFER OPENS ON	[●][1]	**BID/ OFFER CLOSES ON**	[●][2][3]

** Pursuant to order passed by Hon'ble National Company Law Tribunal, Mumbai Bench dated April 27, 2023, the merchant banking business of Edelweiss Financial Services Limited has demerged and now transferred to Nuvama Wealth Management Limited and therefore the said merchant banking business is part of Nuvama Wealth Management Limited.*

(1) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/ Offer Opening Date.*

(2) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations.*

(3) *The UPI mandate end time and date shall be at 5:00 p.m. on Bid/Offer Closing Day.*

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring 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 Draft Red Herring 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 122, 186, 117, 262, 101, 205, 244, 355, 377, 357 and 423 respectively, shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	ESAF Small Finance Bank Limited, a company incorporated under the Companies Act, 2013 and registered as a small finance bank with the RBI, having its Registered and Corporate Office at Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur 680 651, Kerala, India
"we", "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Bank and Selling Shareholders Related Terms

Term	Description
"Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	Audit committee of the Board 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 213
"Auditors" or "Statutory Auditors" or "Joint Statutory Auditors"	Deloitte Haskins & Sells, Chartered Accountants and Abarna & Ananthan, Chartered Accountants, current Joint Statutory Auditors of our Bank
Bajaj Allianz Life	Bajaj Allianz Life Insurance Company Limited
Bank SHA	Shareholders agreement dated July 27, 2018 entered into by and amongst PNB MetLife India Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited, Muthoot Finance Limited, PI Ventures LLP, our Promoters and our Bank, read along with the deeds of adherence, each dated September 27, 2018, executed by and amongst ESMACO, ICICI Lombard General Insurance Company Limited, Yusuffali Musaliam Veettil Abdul Kader and George Ittan Maramkandathil, as amended by the waiver cum amendment agreement dated July 7, 2023
"Board" or "Board of Directors"	Board of directors of our Bank
Business Transfer Agreement	Agreement to sell business undertaking dated February 22, 2017 entered into between our Corporate Promoter and our Bank for the transfer of the business undertaking of our Corporate Promoter, comprising its lending and financing business
"CEDAR Retail" or "ESAF Retail"	CEDAR Retail Private Limited, previously known as ESAF Retail Private Limited
"CFO" or "Chief Financial Officer"	Chief Financial Officer of our Bank, being Gireesh C.P. For details, see "*Our Management*" on page 213
Company Secretary and Compliance Officer	Company Secretary and Compliance Officer of our Bank, being Ranjith Raj P. For details, see "*Our Management*" on page 213
"Corporate Promoter" or "EFHPL" or "EFHL" or "Promoter Selling Shareholder"	The corporate promoter of our Bank, namely ESAF Financial Holdings Private Limited
Corporate Promoter SHA	Shareholders agreement dated December 23, 2019 entered into amongst our Corporate Promoter, Kadambelil Paul Thomas, ESAF Staff Welfare Trust, ESMACO, SIDBI Trustee Company Limited and, Dia Vikas Capital Private Limited, as amended by the first amendment agreement dated March 29, 2021, as amended by the amendment agreement to the Corporate Promoter SHA dated March 29, 2021 and the letter amendment agreement dated June 26, 2023
Corporate Social Responsibility and Sustainability Committee	Corporate social responsibility and sustainability committee of the Board of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 213
CRISIL MI&A	CRISIL Market Intelligence & Analytics, a division of CRISIL Limited

Term	Description
CRISIL MI&A Report	Report titled "*Industry Report on Small Finance Banks in India*" dated June 2023 issued by CRISIL MI&A, which has been commissioned by and paid for by our Bank pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023, exclusively for the purposes of the Offer
Director(s)	The directors on the Board of our Bank
Equity Shares	Equity shares of face value of ₹10 each of our Bank
ESAF ESOP Plan 2019	ESAF Small Finance Bank Employee Stock Option Plan 2019, as amended
ESAF Foundation	ESAF Foundation (*formerly known as Evangelical Social Action Forum*)
ESAF Swasraya Producers or ESAF Producer Company	ESAF Swasraya Producers Company Limited
"ESMACO" or "ESCO"	ESAF Swasraya Multi-State Agro Co-operative Society Limited
Group Entities	Our group entities as defined and disclosed in *"Our Group Entities"* on page 240
Individual Promoter	The individual promoter of our Bank, namely, Kadambelil Paul Thomas
IPO Steering Committee	The IPO steering committee of the Board of our Bank as described in "*Our Management*" on page 213
"Key Managerial Personnel" or "KMP"	Key Managerial Personnel of our Bank shall have the meaning as set out under Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in "*Our Management*" on page 213, other than in the Restated Financial Information, where Key Managerial Personnel shall refer to only such persons required to be identified as Key Managerial Personnel as per Accounting Standard 18 - Related Party Disclosures
"Lahanti" or "LLMS"	Lahanti Lastmile Services Private Limited
Lahanti Homes	Lahanti Homes and Infrastructure Private Limited (*formerly ESAF Homes & Infrastructure Private Limited*)
Managing Director and Chief Executive Officer	Kadambelil Paul Thomas
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended
Nomination, Remuneration and Compensation Committee	Nomination, remuneration and compensation committee of the Board 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 213
Non-Executive Independent Directors	Non-executive independent directors on the Board, as described in "*Our Management*" on page 213
Other Selling Shareholders	Collectively, PNB MetLife and Bajaj Allianz Life
Part-Time Chairman	Ravimohan Periyakavil Ramakrishnan
PI Ventures	PI Ventures LLP
PNB MetLife	PNB MetLife India Insurance Company Limited
Prachodhan	Prachodhan Development Services
Previous Sole Statutory Auditors	Deloitte Haskins & Sells, Chartered Accountants
Promoter Group	Persons and entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in "*Our Promoters and Promoter Group*" on page 235
Promoters	The Individual Promoter of our Bank, namely Kadambelil Paul Thomas, and the Corporate Promoter of our Bank, namely ESAF Financial Holdings Private Limited
RBI Final Approval	RBI letter dated November 18, 2016 bearing no. DBR.NBD(SFB-ESAF) No. 5654/16.13.216/2016-17, pursuant to which the RBI granted license no. MUM:124 to 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-ESAF). No. 4917/16.13.216/2015-16, pursuant to which the RBI granted our Corporate Promoter an in-principal approval to establish an SFB in the private sector under Section 22 of the Banking Regulation Act
Registered and Corporate Office	Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur 680 651, Kerala, India
"Registrar of Companies" or "RoC"	Registrar of Companies, Kerala at Ernakulam
Restated Financial Information	The restated financial information of the Bank, comprising the restated statements of assets and liabilities as at March 31, 2023, March 31, 2022 and March 31, 2021, the restated profit and loss accounts and restated statements of cash flows for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 and the summary statement of significant accounting policies, and other explanatory notes prepared by the Bank in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Guidance

Term	Description
	Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time
Selling Shareholders	Collectively, the Promoter Selling Shareholder and the Other Selling Shareholder
Senior Management Personnel	Senior management personnel of our Bank shall have the meaning as set out under Regulation 2(1)(bbbb) of SEBI ICDR Regulations as described in "*Our Management*" on page 213
Shareholders	Holders of Equity Shares of our Bank from time to time
SIDBI	Small Industries Development Bank of India
Stakeholders' Relationship Committee	Stakeholders' relationship committee of the Board 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 213

Offer Related Terms

Term	Description
Abridged Prospectus	Abridged prospectus means a memorandum containing such salient features of a prospectus as may be specified by the SEBI in this behalf
Acknowledgement Slip	The slip or document issued by a Designated Intermediary(ies) to a Bidder as proof of registration of the Bid cum Application Form
"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, applying 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 ₹100.00 million. For further details, see "*Offer Procedure*" on page 403
Anchor Investor Allocation Price	Price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Bank and the Selling Shareholders, 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 will be considered as an application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Anchor Investor Bid/Offer Period	The day being one Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Bidding Date	The day, being one Working Day prior to the Bid / Offer Opening Date, on which Bids by Anchor Investors shall be submitted, prior to and after which the BRLMs will not accept any Bids from Anchor Investors, and allocation to Anchor Investors shall be completed
Anchor Investor Offer Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Offer Price but not higher than the Cap Price. The Anchor Investor Offer Price will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs
Anchor Investor Portion	Up to 60% of the QIB Portion which shall be allocated by our Bank and 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 shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations
"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 will include applications made by UPI Bidders using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by the UPI Bidders 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 UPI Bidders which is blocked upon acceptance of a UPI Mandate Request made by the UPI Bidders using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidder(s)	All Bidders except Anchor Investors

Term	Description
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders to submit Bids, which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Bankers to the Offer	Collectively, Escrow Collection Bank, Public Offer Account Bank, Sponsor Banks 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*" on page 399
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 the Draft 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 Bids. Eligible Employees applying in the Employee Reservation Portion can apply at the Cut Off Price and the Bid amount shall be Cap Price (net of the Employee Discount), multiplied by the number of Equity Shares Bid for such Eligible Employee and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹0.50 million (net of the Employee Discount). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹0.20 million. Only in the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million (net of the Employee Discount)
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Bid/ Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, which shall be notified in all editions of [●], an English national daily newspaper and all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, and in case of any such extension, the extended Bid/Offer Closing Date shall also be notified on the website and terminals of the Members of the Syndicate and communicated to the intermediaries Designated Intermediaries and the Sponsor Banks, as required under the SEBI ICDR Regulations. Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision, the extended Bid/ Offer Closing Date shall be widely disseminated by notification to the Stock Exchanges, and also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members, which shall also be notified in an advertisement in same newspapers in which the Bid/Offer Opening Date was published, as required under the SEBI ICDR Regulations
Bid/ Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, which shall be notified in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively
Bid/ Offer Period	Except in relation to Anchor Investors, the period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof, in accordance with the SEBI ICDR Regulations. Provided that the Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders, other than Anchor Investors Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/ Offer Period for the QIB Portion one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations
Bidder	Any prospective investor who makes 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 shall accept 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

Term	Description
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Offer, namely, ICICI Securities Limited, DAM Capital Advisors Limited and Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)
Broker Centres	Centres notified by the Stock Exchanges where ASBA Bidders can submit 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, on or after the Anchor Investor Bid/ Offer Period
Cap Price	Higher end of the Price Band, above which the Offer Price and the Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted
Cash Escrow and Sponsor Bank Agreement	Agreement dated [●] entered amongst our Bank, the Selling Shareholders, the BRLMs, Syndicate Members, the Registrar to the Offer, the Sponsor Banks, the Escrow Collection Bank, the Public Offer Bank and the Refund Bank in respect of for collection of the Bid Amounts and where applicable, remitting refunds(if any) on the terms and conditions thereof and the appointment of Sponsor Banks in accordance with the UPI Circulars
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 websites of the Stock Exchanges
Cut-off Price	Offer Price, finalised by our Bank and the Selling Shareholders, in consultation with the BRLMs, which shall be any price within the Price Band. Only Retail Individual Bidders Bidding in the Retail Portion and Eligible Employees Bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price. QIBs (including the Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
DAM Capital	DAM Capital Advisors Limited
Demographic Details	The demographic 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 SCSB Branches	Such branches of the SCSBs which shall collect 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 can submit 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 the instructions are issued to the SCSBs (in case of UPI Bidders using UPI Mechanism, instruction issued through the Sponsor Banks) 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, after finalisation of the Basis of Allotment in terms of the Red Herring Prospectus following which Equity Shares will be Allotted in the Offer
Designated Intermediary(ies)	Collectively, the members of the Syndicate, sub-syndicate or agents, SCSBs (other than in relation to RIBs using the UPI Mechanism), Registered Brokers, CDPs and RTAs, who are authorised to collect Bid cum Application Forms from the relevant Bidders, in relation to the Offer. In relation to ASBA Forms submitted by RIBs Bidding in the Retail Portion and Eligible Employees Bidding in the Employee 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 UPI Bidders where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such UPI Bidder 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 (not using the UPI Mechanism), 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 can submit 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	[●]

Term	Description
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated July 7, 2023 issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer, including any addenda or corrigenda thereto
Eligible Employees	Permanent employees, working in India or outside India (excluding such employees who are not eligible to invest in the Offer under applicable laws), of our Bank; 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 and who continues to be a permanent employee of our Bank until the date of submission of the Bid cum Application Form, but not including (i) Promoters; (ii) persons belonging to the Promoter Group; or (iii) Directors 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 shall not exceed ₹0.50 million (net of the Employee Discount). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹0.20 million. Only in the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million (net of the Employee Discount)
Eligible FPIs	FPIs from such jurisdictions outside India where it is not unlawful to make an offer / invitation under the Offer and in relation to whom the Bid cum Application Form and the Red Herring Prospectus constitute an invitation to subscribe to the Equity Shares
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 will constitute an invitation to subscribe to or to purchase the Equity Shares
Employee Discount	Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, offer a discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) to Eligible Employee(s) Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date
Employee Reservation Portion	The portion of the Offer being up to [●] Equity Shares aggregating ₹[●] million which shall not exceed [●]% of the post-Offer Equity Share capital of our Bank, available for allocation to Eligible Employees, on a proportionate basis
Escrow Account(s)	Accounts opened with the Escrow Collection Bank and in whose favour the Anchor Investors will transfer money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	Bank(s) which are a clearing members and registered with SEBI as banker to an offer under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and with whom the Escrow Account in relation to the Offer for Bids by Anchor Investors, will be opened, in this case being [●]
First or sole Bidder	Bidder whose name shall be mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name shall also appear as the first holder of the beneficiary account held in joint names
Floor Price	Lower end of the Price Band, subject to any revision(s) thereto, not being less than the face value of Equity Shares, at or above which the Offer Price and the Anchor Investor Offer Price will be finalised and below which no Bids will be accepted
Fresh Issue	Fresh issue of up to [●] Equity Shares aggregating up to ₹4,867.40 million by our Bank. Our Bank may, in consultation with the Book Running Lead Managers, consider a further issue of equity shares or any other instrument as may be permissible, including by way of a private placement or any other method as may be permissible in accordance with applicable law to any person(s) of up to [●] Equity Shares aggregating up to ₹973.25 million, between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement, if undertaken, will be at a price determined by our Bank in consultation with the Book Running Lead Managers. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum offer constituting at least [●]% of the post-offer paid-up equity share capital of the Bank in compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended
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
"ICICI" or "I-Sec"	ICICI Securities 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 being received at or above the Offer Price
Mutual Fund Portion	5% of the Net QIB Portion, or [●] Equity Shares which shall be available for allocation to Mutual Funds only, subject to valid Bids being received at or above the Offer Price

Term	Description
Net Offer	The Offer, less the Employee Reservation Portion
NBFC	Non-banking financial company
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 97
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 Bidding in the Employee Reservation Portion who have Bid for Equity Shares for an amount of more than ₹0.20 million (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Offer being not less than 15% of the Net Offer consisting of [●] Equity Shares which shall be available for allocation to Non-Institutional Bidders, of which (a) one-third portion shall be reserved for Bidders with application size of more than ₹0.20 million and up to ₹1.00 million, and (b) two-third portion shall be reserved for Bidders with application size of more than ₹1.00 million, provided that the unsubscribed portion in either of such sub-categories may be allocated to Bidders in the other sub-category of Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price
Non-Resident	Person resident outside India, as defined under FEMA
Nuvama	Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)
Offer	The initial public offer of Equity Shares comprising the Fresh Issue and the Offer for Sale comprising of Net Offer and Employee Reservation Portion. Subject to receipt of requisite corporate approvals, our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the Offer being in compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended
Offer Agreement	Agreement dated July 7, 2023 entered amongst our Bank, the Selling Shareholders 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 up to [●] Equity Shares aggregating up to ₹1,423.00 million, comprising up to [●] Equity Shares aggregating up to ₹1,192.60 million by the Promoter Selling Shareholder, up to [●] Equity Shares aggregating up to ₹126.70 million by PNB MetLife and up to [●] Equity Shares aggregating up to ₹103.70 million by Bajaj Allianz Life in the Offer
Offer Price	The final price (within the Price Band) at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price, which will be decided by our Bank and the Selling Shareholders, in consultation with the BRLMs in terms of the Red Herring Prospectus and the Prospectus. The Offer Price will be decided by our Bank and each of the Selling Shareholders, in consultation with the BRLMs, on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus. A discount of up to [●]% on the Offer Price (equivalent of ₹[●] per Equity Share) may be offered to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required. The Employee Discount, if any, will be decided by our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs
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 Selling Shareholders. For further information about use of the Offer Proceeds, see "*Objects of the Offer*" on page 97
Offered Shares	Up to [●] Equity Shares aggregating up to ₹1,423.00 million, comprising up to [●] Equity Shares aggregating up to ₹1,192.60 million by the Promoter Selling Shareholder, up to [●] Equity Shares aggregating up to ₹126.70 million by PNB MetLife and up to [●] Equity Shares aggregating up to ₹103.70 million by Bajaj Allianz Life
Pre-IPO Placement	Our Bank may, in consultation with the Book Running Lead Managers, consider a further issue of equity shares or any other instrument as may be permissible, including by way of a private placement or any other method as may be permitted in accordance with applicable law to any person(s) of up to [●] Equity Shares aggregating up to ₹973.25 million, between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement, if undertaken, will be at a price determined by our Bank in consultation with the Book Running Lead Managers. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum offer constituting at least [●]% of the post-offer paid-up equity share capital of the Bank in compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus

Term	Description
Price Band	Price band of a minimum price of ₹[●] per Equity Share (Floor Price) and the maximum price of ₹[●] per Equity Share (Cap Price) including any revisions thereof. The Price Band and the minimum Bid Lot size for the Offer will be decided by our Bank and Promoter Selling Shareholder, in consultation with the BRLMs, and will be advertised, at least two Working Days prior to the Bid/ Offer Opening Date, in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	Date on which our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, will finalise the Offer Price
Prospectus	Prospectus 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	No lien and non-interest bearing account to be 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 will be opened, in this case being [●]
QIB Portion	The portion of the Offer (including the Anchor Investor Portion) being not more than 50% of the Net Offer consisting of [●] 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
"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"	Red Herring Prospectus to be dated [●] issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which does not have complete particulars of the Offer Price and the size of the Offer, including any addenda or corrigenda thereto. This Red Herring Prospectus will be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus upon filing with the RoC on or after the Pricing Date
Refund Account(s)	No lien and non-interest bearing account opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	A Banker(s) to the Offer and with whom the Refund Account will be opened, in this case being [●]
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 July 7, 2023 entered by and amongst our Bank, the Selling Shareholders and the Registrar to the Offer, in relation to the responsibilities and obligations of the Registrar to the Offer pertaining 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 the Stock Exchanges, and the UPI Circulars
"Registrar to the Offer" or "Registrar"	Link Intime India Private Limited
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹0.20 million 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 [●] Equity Shares which shall be available for allocation to Retail Individual Bidders (subject to valid Bids being received at or above the Offer Price)
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 and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/ Offer Period and withdraw their Bids until 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 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 UPI Bidders 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.

Term	Description
	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 available on to the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43. The said list shall be updated on the SEBI website and at such other website as may be prescribed by SEBI from time to time
Share Escrow Agent	Escrow agent to be appointed pursuant to the Share Escrow Agreement, namely, [●]
Share Escrow Agreement	Agreement to be dated [●] entered into amongst our Bank, the Selling Shareholders and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Selling Shareholders and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders, a list of which is available on the website of SEBI (www.sebi.gov.in) and updated from time to time
Sponsor Banks	[●] and [●], appointed by our Bank to act as conduits between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the UPI Bidders using the UPI Mechanism 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 [●] entered amongst our Bank, the Selling Shareholders, the BRLMs, the Registrar and the Syndicate Members, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries (other than the BRLMs) registered with SEBI who are permitted to accept bids, applications and place order with respect to the Offer and carry out activities as an underwriter, namely, [●]
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	[●]
Underwriting Agreement	Agreement to be dated [●] entered amongst our Bank and the Underwriters to be entered into on or after the Pricing Date but prior to filing of the Prospectus with the RoC
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI Bidders	Collectively, individual investors applying as (i) Retail Individual Bidders in the Retail Portion; (ii) Eligible Employees Bidding in the Employee Reservation Portion; and (iii) Non-Institutional Bidders with an application size of up to ₹0.50 million in the Non-Institutional Portion, and Bidding under the UPI Mechanism through ASBA Form(s) submitted with Syndicate Member, Registered Brokers, Collecting Depository Participants and Registrar and Share Transfer Agents. Pursuant to Circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022 issued by SEBI, all individual investors applying in public issues where the application amount is up to ₹0.50 million shall use UPI and shall provide their UPI ID in the bid-cum-application form submitted with: (i) a syndicate member, (ii) a stock broker registered with a recognized stock exchange (whose name is mentioned on the website of the stock exchange as eligible for such activity), (iii) a depository participant (whose name is mentioned on the website of the stock exchange as eligible for such activity), and (iv) a registrar to an issue and share transfer agent (whose name is mentioned on the website of the stock exchange as eligible for such activity)
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 circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/47 dated March 31, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 and any subsequent circulars or notifications issued by SEBI in this regard and the BSE circular no. 20220722-30 dated July 22, 2022, BSE circular no. 20220803-40 dated August 3, 2022 and the NSE circular no. 23/2022 dated July 22, 2022 and NSE circular no.25/2022 dated August 3, 2022 and any subsequent circulars or notifications issued by the Stock Exchanges 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 UPI Bidder 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 UPI Bidder to such UPI linked mobile application) to the UPI Bidder initiated by the Sponsor Banks 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 shall be used by an UPI Bidder submitted with intermediaries with UPI as a mode of payment in accordance with the UPI Circulars to make an ASBA Bid in the Offer

Term	Description
UPI PIN	Password to authenticate a UPI transaction
Wilful Defaulter or a Fraudulent Borrower	An entity or person categorized as a wilful defaulter or a fraudulent borrower by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters or fraudulent borrowers issued by the RBI and in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations
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 in India, as per circulars issued by SEBI, including the UPI Circulars

Technical/Industry Related Terms/Abbreviations

Term	Description
AFS	Available for Sale
ALCO	Assets Liability Committee
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ATM	Automated teller machine
"Advances Under Management" or "AUM"	Gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which a bank continues to hold collection responsibilities
Average Borrowings	Borrowings calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average CASA	CASA calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Deposits	Deposits calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Advances	Interest-Earning Advances calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Advances of the Retail Banking Segment	Interest-earning advances of the Retail Banking segment calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Balance with Reserve Bank of India and other Inter-Bank Funds	Balances with banks in other deposits accounts and money at call and short notice calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Investments	Interest-Earning Investments calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Micro Loans	Gross Micro Loans net of provisions for NPAs for Micro Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Interest-Earning Other Loans	Gross Other Loans net of provisions for NPAs for Other Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Investments in Government Securities	Investments in government securities calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Savings Bank Deposits	Savings bank deposits calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Term Deposits	Term deposits calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Total Assets	Total assets calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Total Interest-Bearing Liabilities	Total interest-bearing liabilities calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Average Total Interest-Earning Assets	Total Interest-Earning Assets calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year
Banking outlets	A fixed point service delivery unit, manned by either the bank's staff or its business correspondent, where services of acceptance of deposits, encashment of cheques, cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week
BC	Business Correspondent
BCBS	Basel Committee on Banking Supervision
Branches	Our branches that make loans and accept deposits
BTI	BTI Payments Private Limited
Bulk Deposits	Single rupee term deposits of ₹20.00 million or more

Term	Description
CAR	Capital adequacy ratio
CASA	Current account deposits and savings bank deposits
CASA Ratio	Current account deposits and savings account deposits to total deposits as of the last day of the relevant fiscal year, expressed as a percentage
CBS	Core banking solution
CFT	Combatting financing of terrorism
Cost of Average Borrowings	The ratio of interest expended on borrowings to Average Borrowings
Cost of Average CASA	The ratio of interest expended on CASA to Average CASA
Cost of Average Deposits	The ratio of interest expended on deposits to Average Deposits
Cost of Average Savings Bank Deposits	The ratio of interest expended on savings deposits to Average Savings Bank Deposits
Cost of Average Term Deposits	The ratio of interest expended on term deposits to Average Term Deposits
Cost of Deposits	The ratio of interest expended on deposits during the year to the average of total deposits
Cost of Funds	The ratio of interest expended to Average Total Interest-Bearing Liabilities
Cost to Income Ratio	Operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage
CRAR	Capital to risk (weighted) assets ratio
Credit Cost Ratio	The ratio of total provisions towards NPAs and write-offs and provision towards standard assets to the company’s average net advances expressed as a percentage
CRR	Cash reserve ratio
ECS	Electronic Clearance Service
ESG	Environmental, Social and Governance
FBIL	Financials Benchmark India Private Limited
FFI	Foreign financial institution
FIMMDA	Fixed Income Money Market and Derivatives Association
FIS	FIS Payment Solutions and Services India Private Limited
GDP	Gross domestic product
GLP	Gross loan portfolio, which is equal to gross advances plus off-balance sheet advances (i.e., securitisation/ assignment and inter-bank participation certificates)
HFT	Held for Trading
HNIs	High net worth individuals
HTM	Held to Maturity
IBA	Indian Banks Association
IBPC	Inter-bank participation certificate
ICAAP	Internal Capital Adequacy Assessment Process
IGA	Intergovernmental agreement
IMPS	Immediate Payment System
IRAC	Income Recognition and Asset Classification
Interest-Earning Advances	Gross advances net of provisions for NPAs, which is the amount of advances shown on the balance sheet
Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds	Balances with banks in other deposits accounts and money at call and short notice
Interest-Earning Investments	Government securities, treasury bills and other interest earning securities net of depreciation or provision for investments, if any
KMLA	Kerala Money Lenders Act, 1958
KYC	Know your Customer
LAF	Liquidity Adjustment Facility
MCLR	Marginal cost of funds based lending rate
MIS	Management Information System
Micro Loans	Microfinance Loans and Other Micro Loans
Microfinance Loan	A loan that satisfies the following two criteria: (1) the borrower is individual in a sub-group, which usually comprises two to 10 people, which is itself or combined with other sub-groups (usually one to five sub-groups) is a “sangam” - the sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members; and (2) the borrower’s annual household income is up to ₹0.30 million provided that the percentage of the monthly household income to be used for the repayment of loans (including the new loan) shall be a maximum of 50% of the monthly household income. Household means an individual family unit, i.e., husband, wife and their unmarried children. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans
MR-ALCO	Market Risk and Asset Liability Management Committee
MSMEs	Micro, Small, and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NBFC-MFIs	Non-banking finance company-microfinance institutions
NCDs	Non-convertible debentures
NDS-OM	Negotiated Dealing System- Order Matching System
Net Interest Income	Interest earned minus interest expended
Net Interest Margin	Net Interest Income divided by the Average Total Interest Earning Assets

Term	Description
Net Profit Before Tax	Net profit plus provisions made towards income tax
Net Worth or Shareholders' Fund	The aggregate of Capital and Reserves and Surplus
NM	Non-meaningful
NPA(s)	Non–performing assets
NRI	Non-resident Indian
Operating Expenses to Average Total Assets	Operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage
Other Loans	Retail loans, MSME loans, loans to financial institutions and agricultural loans
Other Loans, excluding Gold Loans and Loans Against Deposit	Retail loans, MSME loans, loans to financial institutions and agricultural loans, excluding gold loans and loans against deposit
Other Micro Loan	A loan that satisfies the following two criteria: (1) the borrower is individual in a sub-group, which normally comprises two to 10 people, which is itself or combined with other sub-groups (usually one to five sub-groups) is a "sangam" - the sangam facilitates the repayment process and other activities among the individuals process by holding meetings at regular intervals with sangam members; and (2) the borrower's annual income above ₹0.30 million provided that the percentage of the monthly household income to be used for the repayment of loans (including the new loan) shall be a maximum of 50% of the monthly income
PAR	Portfolio at risk
PMLA	Prevention of Money Laundering Act, 2002
PMLR	Prevention of Money-laundering Rules
POS	Point of sale
Pre-Provision Operating Profit	The difference of total income and expenses including interest expense and operating expenses for the period
Provision Coverage Ratio	The ratio of NPA provision including technical write off and gross NPA, including technical write off
PSL	Priority sector lending requirements
Repo Rate	Repurchasing Option Rate
Retail Deposits	CASA plus Retail Term Deposits
Retail Deposits Ratio	Retail Deposits to total deposits as of the last day of the relevant fiscal year, expressed as a percentage
Retail Term Deposits	Single rupee term deposits of less than ₹20.00 million
Return on Average Assets	Net profit for the relevant fiscal year to Average Total Assets expressed as a percentage
Return on Average Equity	Net profit for the relevant fiscal year to Average Net Worth expressed as a percentage
RWAs	Risk weighted assets
SHA	Shareholder agreement
SHG	Self-help group
SLR	Statutory liquidity ratio
SMS	Short message service
Total Interest-Earning Assets	Interest-Earning Advances, Interest-Earning Investments and Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds
Yield on Advances	The ratio of interest income on advances for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage
Yield on Average Interest-Earning Advances	The ratio of interest earned on advances to Average Interest-Earning Advances
Yield on Average Interest-Earning Investments	The ratio of interest earned on investments to Average Interest-Earning Investments
Yield on Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds	The ratio of interest earned on Interest-Earning Balance with Reserve Bank of India and other Inter-Bank Funds to Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds
Yield on Average Interest-Earning Micro Loans	The ratio of interest earned on Micro Loans to Average Interest-Earning Micro Loans
Yield on Average Interest-Earning Other Loans	The ratio of interest earned on Other Loans to Average Interest-Earning Other Loans
Yield on Average Total Interest-Earning Assets	The ratio of interest earned to Average Total Interest-Earning Assets
YTM	Yield to maturity

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR/Indian Rupees	Indian Rupees
AGM	Annual General Meeting
AIFs	Alternative Investments Funds
Banking Regulation Act	Banking Regulation Act, 1949, as amended
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015
BSE	BSE Limited
CAGR	Compound 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')
CSR	Corporate Social Responsibility

Term	Description
Calendar Year	A calendar year is a one-year period that begins on January 1 and ends on December 31, based on the commonly used Gregorian calendar
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as "Category I Foreign Portfolio Investors" under the SEBI FPI 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 Securitization 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" or "Companies Act, 2013"	Companies Act, 2013, along with the relevant rules made thereunder, as amended
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
CrPC	Code of Criminal Procedure, 1973, as amended
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended
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 interest (net), taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated October 15, 2020 effective from October 15, 2020
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	The Foreign Exchange Management (Non Debt Instruments) Rules, 2019, the Foreign Exchange Management (Mode of Payment and Reporting of Non Debt Instruments) Regulations, 2019 and the Foreign Exchange Management (Debt Instruments) Regulations, 2019, as applicable
FIMMDA	Fixed Income Money Market & Derivates 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
Finance Act	Finance Act, 2022
GAAR	General Anti-Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and Services Tax
Guidelines on Auditors	Reserve Bank of India's Guidelines for Appointment of Statutory Central Auditors/ Statutory Auditors of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021
HUF	Hindu Undivided Family
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	Accounting principles generally accepted in India including Accounting Standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Companies Act, 2013 and current practices prevailing within the Banking industry in India and the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time
IPC	The 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

Term	Description
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
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
NAV	Net Asset Value
NBFC	Non-banking financial company
NEFT	National Electronic Funds Transfer
NPCI	National Payments Corporation of India
NRI	Person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016 or an overseas citizen of India cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955
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	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on the date of commencement of the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs) Regulations, 2003 i.e. October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. 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
PFRDA	Pension Fund Regulatory and Development Authority
PFRDA Act, 2013	Pension Fund regulatory and Development Act, 2013
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended
RBI Compensation Guidelines	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
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, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012, as amended
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended
SEBI Merchant Bankers Regulations	SEBI (Merchant Bankers) Regulations, 1992, as amended
SEBI SBEB & SE Regulations	Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations, as amended
SFB	Small Finance Bank within the meaning of the SFB Licensing Guidelines
SFB Licensing Guidelines	Guidelines for Licensing of “Small Finance Banks” in the Private Sector dated November 27, 2014 issued by the RBI, as amended
SFB Operating Guidelines	Reserve Bank of India’s Operating Guidelines for Small Finance Bank dated October 6, 2016
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, as amended
U.S. GAAP	Generally Accepted Accounting Principles in the United States
U.S. Holder	A beneficial owner of Equity Shares that is for United States federal income tax purposes: (a) an individual who is a citizen or resident of the United States; (b) a corporation organised under the laws of the United States, any state thereof or the District of Columbia; (c) an estate whose income is subject to United States federal income taxation regardless of its source; or (d) a trust that (1) is

Term	Description
	subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S./USA/United States	United States of America
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF 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 this Draft Red Herring Prospectus, Red Herring Prospectus or Prospectus, 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 Draft Red Herring 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 29, 97, 157, 122, 82, 69, 262, 357, 403 and 423, respectively.

<table>
<tr><td>Summary of the primary business of the Bank</td><td>We are a small finance bank ("SFB") with a main focus on unbanked and under-banked customer segments, especially in rural and semi-urban areas, as well as catering to all customer segments. Our AUM grew from ₹84,259.30 million as at March 31, 2021 to ₹163,312.65 million as at March 31, 2023, registering a CAGR of 39.22%, which was the highest CAGR among our peers. (Source: CRISIL MI&A Report). Our deposits grew from ₹89,994.26 million as at March 31, 2021 to ₹146,656.25 million as at March 31, 2023, registering a CAGR of 27.66%</td></tr>
<tr><td>Summary of the industry in which our Bank operates</td><td>SFBs aim to service the underserved through savings instruments, and supplying credit to small business units, small and marginal farmers, micro and small industries, and other unorganized sector/lending through informal channels. There were 12 SFBs as at Mach 31, 2023, including us. SFBs cumulatively accounted for approximately 13% of the total AUM of the industry as of March 31, 2023. SFBs' AUM clocked 29% CAGR from March 31, 2018 to March 31, 2023. CRISIL MI&A expects SFBs' AUM to increase by a CAGR of 22-24% between March 31, 2023 and March 31, 2025. (Source: CRISIL MI&A Report)</td></tr>
<tr><td>Name of our Promoters</td><td>Kadambelil Paul Thomas and ESAF Financial Holdings Private Limited</td></tr>
<tr><td>Offer size</td><td>Offer of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹6,290.40 million comprising a Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,867.40 million by our Bank and an Offer for Sale of up to [●] Equity Shares aggregating up to ₹1,423.00 million, comprising up to [●] Equity Shares aggregating up to ₹1,192.60 million by the Promoter Selling Shareholder, up to [●] Equity Shares aggregating up to ₹126.70 million by PNB MetLife and up to [●] Equity Shares aggregating up to ₹103.70 million by Bajaj Allianz Life in the Offer.

Details of Offered Shares offered in the Offer for Sale are as follows:

<table>
<tr><th>Sr. No.</th><th>Name of the Selling Shareholder</th><th>Number of Offered Shares</th><th>Date of consent letter</th><th>Date of corporate action/ board resolution/ power of attorney</th></tr>
<tr><td colspan="5">Promoter Selling Shareholder</td></tr>
<tr><td>1.</td><td>ESAF Financial Holdings Private Limited</td><td>[●] Equity Shares aggregating up to ₹1,192.60 million</td><td>July 5, 2023</td><td>June 2, 2023</td></tr>
<tr><td colspan="5">Other Selling Shareholders</td></tr>
<tr><td>2.</td><td>PNB MetLife</td><td>[●] Equity Shares aggregating up to ₹126.70 million</td><td>July 5, 2023</td><td>November 9, 2020</td></tr>
<tr><td>3.</td><td>Bajaj Allianz Life</td><td>[●] Equity Shares aggregating up to ₹103.70 million</td><td>July 5, 2023</td><td>December 6, 2011</td></tr>
</table>

Each Selling Shareholder severally and not jointly confirms that the Offered Shares have been held by such Selling Shareholder for a period of at least one year prior to filing of this Draft Red Herring Prospectus with SEBI in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations.

In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million (net of the Employee Discount), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million (net of the Employee Discount). The unsubscribed portion, if any, in the Employee Reservation Portion (after allocation up to ₹0.50 million), shall be added to the Net Offer. Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, offer a discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.

Our Bank may, in consultation with the Book Running Lead Managers, consider a further issue of equity shares or any other instrument as may be permissible, including by way of a private placement or any other method as may be permitted in accordance with applicable law to any person(s) of up to [●] Equity Shares aggregating up to ₹973.25 million, between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement, if undertaken, will be at a price determined by our Bank in consultation with the Book Running Lead Managers. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum offer constituting at least [●]% of the post-offer paid-up equity share capital of the Bank in compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall</td></tr>
</table>

	appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer, or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus. The Offer shall and Net Offer shall constitute [●]% and [●]% , respectively, of the post-Offer paid-up equity share capital of our Bank. For further details, please see "*Offer Structure*" on page 399.
Objects of the Offer	The objects for which the Net Proceeds shall be utilised are as follows:
Aggregate pre-Offer shareholding of our Promoters and Promoter Group, and Selling Shareholders as a percentage of our paid-up Equity Share capital	The aggregate pre-Offer shareholding of our Promoters and Promoter Group as a percentage of the pre-Offer paid-up Equity Share capital of the Bank is set out below:

(₹ in million)

Particulars	Amount to be funded from the Net Proceeds[(1)]
For augmentation of our Bank's Tier – 1 capital base[(1)]	[●]

(1) *Our Bank may, in consultation with the Book Running Lead Managers consider a Pre-IPO Placement. If the Pre-IPO Placement is completed, the Fresh Issue will be reduced to the extent of such Pre-IPO Placement, subject to the Offer constituting at least [●]% of the post-Offer paid up Equity Share capital of our Bank. Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement and after compliance with requirements prescribed under the Companies Act, our Bank shall utilise the proceeds from such Pre-IPO Placement towards one or more of the Objects. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus.*

For further details, see "*Objects of the Offer*" on page 97.

Name	Number of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)
Promoters		
ESAF Financial Holdings Private Limited	280,758,396*	62.46
Kadambelil Paul Thomas	31,186,785	6.94
Total (A)	**311,945,181**	**69.40**
Promoter Group		
ESMACO	22,413,659	4.99
Beena George	40,000	0.01
Bosco Joseph	40,000	0.01
Mereena Paul	33,333	0.01
Leo Joseph	33,333	0.01
Savio Joseph	13,333	Negligible
Alok Thomas Paul	13,333	Negligible
Emy Acha Paul	13,333	Negligible
Total (B)	**22,600,324**	**5.03**
Total (A+B)	**334,545,505**	**74.43**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares. Mereena Paul, Alok Thomas Paul, Emy Acha Paul and Beena George are also members of the Promoter Group of our Bank. Further, Mereena Paul is also a director of our Corporate Promoter.*

The aggregate pre-Offer shareholding of our Selling Shareholders in number of Equity Shares and as a percentage of the pre-Offer paid-up Equity Share capital of the Bank is set out below:

Selling Shareholders	Number of Equity Shares held	Percentage of the pre-Offer Equity Share Capital (%)
ESAF Financial Holdings Private Limited	280,758,396*	62.46
PNB MetLife	21,346,993	4.75
Bajaj Allianz Life	17,469,428	3.89
Total	**319,574,817**	**71.10**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares.*

Summary of Restated Financial Information

The following details of our capital, net worth, the net asset value per Equity Share and total borrowings as at March 31, 2023, 2022 and 2021 are derived from the Restated Financial Information:

(₹ in million, except per share data)

Particulars	As at March 31,		
	2023	2022	2021

	Equity Share Capital	4,494.74	4,494.74	4,494.74
	Net worth	17,091.29	14,067.96	13,520.64
	Net asset value per Equity Share	38.03	31.30	30.08
	Total borrowings	33,541.95	29,528.33	16,940.00

The following details of our total income, net profit and earnings per Equity Share (basic and diluted) for the Fiscals 2023, 2022 and 2021 are derived from the Restated Financial Information:

(₹ in million, except per share data)

Particulars	**Year ended March 31,**		
	2023	**2022**	**2021**
Total income	31,415.72	21,475.08	17,684.21
Net profit	3,023.33	547.32	1,053.96
Earnings per Equity Share			
- Basic	6.73	1.22	2.46
- Diluted	6.71	1.22	2.46

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

Nil

Summary table of outstanding litigations

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

Category of individuals / entities	**Criminal proceedings**	**Tax proceedings**	**Statutory or regulatory proceedings**	**Disciplinary actions by SEBI or Stock Exchanges against our Promoters in the last five years, including outstanding action**	**Material civil litigation**	**Aggregate amount involved (₹ in million)[(1)]**
Bank						
By the Bank	752[#]	NA	NA	NA	1	123.05
Against the Bank	Nil	13	5	NA	Nil	288.67
Directors (excluding Individual Promoter)						
By the Directors	Nil	NA	NA	NA	Nil	Nil
Against the Directors	Nil	Nil	Nil	NA	Nil	Nil
Individual Promoter						
By Individual Promoter	Nil	NA	NA	NA	Nil	Nil
Against Individual Promoter	1	Nil	Nil	Nil[(2)]	Nil	Not quantifiable
Corporate Promoter						
By Corporate Promoter	Nil	NA	NA	NA	Nil	Nil
Against Corporate Promoter	Nil	9	2	Nil	Nil	271.39

(1) *To the extent ascertainable and quantifiable.*
(2) *Excludes directions issued by the RBI to our Bank in respect of the office of Kadambelil Paul Thomas.*
\# *Includes 627 cases filed by our Bank for alleged violation of Section 138 of the Negotiable Instruments Act,1881 and 78 police complaints filed by our Bank under the IPC.*

Material litigation involving our Group Entities

As of the date of this Draft Red Herring Prospectus, there are no outstanding litigation involving our Group Entities which has a material impact on our Bank.

For further details, see "*Outstanding Litigation and Material Developments*" on page 357.

Risk Factors

For details of the risks applicable to us, see "*Risk Factors*" on page 29.

Summary table of contingent liabilities

The following is a summary table of our contingent liabilities as at March 31, 2023, as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets:

(₹ in million)

Contingent Liabilities	**As at March 31, 2023**
Guarantees given on behalf of constituents - in India	13.98
Other items for which the Bank is contingently liable	5.00
Total	**18.98**

	For details of the contingent liabilities of our Bank as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets, see "*Restated Financial Information – Note 2 – 4.12*" on page 277.
Summary of related party transactions	We have entered into certain transactions with related parties for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 whose arithmetic aggregated absolute total amounts to ₹364.97 million, ₹2,908.46 million and ₹3,140.85 million, respectively, which represented 1.16%, 13.54% and 17.76%, respectively of our total revenue. The details of related party transactions of our Bank for the fiscal years March 31, 2023, 2022 and 2021 as per AS 18 – Related Party Disclosures read with SEBI ICDR Regulations, are set forth in the table below:

(₹ in million)

Nature of Transaction	Related Party	March 31, 2023	March 31, 2022	March 31, 2021
Liabilities				
Term Deposit placed	ESCO	NA	NA	90.00
	ESAF Foundation	31.50	6.10	-
	LLMS	NA	NA	22.00
	K. Paul Thomas	-	-	4.00
	Emy Acha Paul	0.50	0.50	-
	Beena George	1.05	0.20	0.10
	Cedar Retail	-	5.00	80.00
	EFHL	-	724.20	-
Term Deposit Matured	EFHL	-	1,089.20	-
	ESCO	NA	NA	-
	Cedar Retail	5.00	-	117.50
	K. Paul Thomas	-	2.90	-
	Beena George	0.10	0.10	0.20
	ESAF Foundation	13.00	3.60	-
	Emy Acha Paul	0.50	0.70	-
	LLMS	NA	NA	5.00
Transactions in Demand Deposit (net)	ESCO	NA	NA	1.00
	Cedar Retail	9.36	24.30	(10.10)
	ESAF Foundation	*	*	(0.90)
	EFHL	9.88	0.40	(12.60)
	LLMS	NA	NA	22.60
	Lahanti Homes	-	(1.90)	1.90
	Prachodhan	0.10	0.10	0.40
Transactions in Savings Deposit (net)	K. Paul Thomas	1.39	2.80	(3.70)
	Mereena Paul	0.81	3.50	(1.70)
	ESCO	NA	NA	(130.30)
	Emy Acha Paul	0.88	0.10	0.10
	Alok Paul Thomas	0.08	*	*
	ESAF Foundation	13.79	29.50	8.50
	Prachodhan	(1.64)	(4.80)	9.80
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	*	(0.30)	0.20
	ESAF Producer Company	*	(0.10)	0.20
Interest accrued and due on Deposits	ESCO	NA	NA	27.50
	Cedar Retail	*	0.10	0.50
	EFHL	2.26	49.40	52.10
	ESAF Foundation	6.26	4.90	3.20
	LLMS	NA	NA	2.40
	K. Paul Thomas	0.67	0.80	0.70
	Mereena Paul	0.27	0.10	0.10
	Emy Acha Paul	0.03	0.10	0.10
	Alok Paul Thomas	*	*	*
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	0.09	*	*
	Prachodhan	0.32	0.80	0.60
Interest Accrued & Payable on PDI	ESCO	NA	NA	62.40
Interest Accrued & Payable on Sub Debt	ESCO	NA	NA	95.40
Interest Accrued & Payable on Sub Debt	EFHL	22.50	0.10	-
Issue of Equity Shares	Mereena Paul	-	-	0.30

	Emy Acha Paul	-	-	0.10
	Alok Paul Thomas	-	-	0.10
	Beena George	-	-	0.40
Share premium	Mereena Paul	-	-	2.20
	Emy Acha Paul	-	-	0.90
	Alok Paul Thomas	-	-	0.90
	Beena George	-	-	2.60
Issue of Sub debt	EFHL	-	200.00	-
Contingent Liability				
Bank Guarantee (Given/ Closed)	ESAF Foundation	(1.50)	4.50	-
Assets				
Advances	EFHL	-	215.80	11.00
	Cedar Retail	-	-	-
	Beena George	-	-	1.40
Advances repaid	Cedar Retail	-	-	10.30
	EFHL	-	324.00	-
	Beena George	-	-	6.20
Rent Deposit repaid	K. Paul Thomas	-	-	0.70
Expenses				
Rent paid	Lahanti Homes	24.12	21.00	21.00
	ESAF Foundation	0.20	0.20	0.20
Interest paid on deposits	ESCO	NA	NA	27.50
	Cedar Retail	*	0.10	0.50
	EFHL	2.26	49.40	52.10
	ESAF Foundation	6.26	4.90	3.20
	LLMS	NA	NA	2.40
	K. Paul Thomas	0.67	0.80	0.70
	Mereena Paul	0.10	0.10	0.10
	Emy Acha Paul	0.10	0.10	0.10
	Alok Paul Thomas	*	*	*
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	0.09	*	*
	Prachodhan	0.32	0.80	0.60
Interest paid on PDI	ESCO	NA	NA	62.40
Interest paid on Sub Debt	ESCO	NA	NA	95.40
Interest paid on Sub Debt	EFHL	NA	NA	NA
Gifts & Conference kit	EFHL	22.50	0.10	-
BC Servicer Fee	ESCO	NA	NA	1,950.30
	LLMS	NA	NA	184.70
Corporate Facility Management service charges	ESCO	NA	NA	124.60
Remuneration and Sitting Fees	K. Paul Thomas	31.30	24.50	14.10
Reimbursement of expenses	K. Paul Thomas	2.30	-	1.20
Contribution towards Corporate Responsibility expense	ESAF Foundation	42.50	87.60	32.60
	Prachodhan	30.10	-	39.00
Royalty Expense	ESAF Foundation	84.95	14.36	26.85
Income				
Interest received on Advances	Cedar Retail	-	-	*
	Beena George	-	-	0.60
	EFHL	-	17.80	14.40
Figures in brackets indicate net outflow				

* Amounts are below ₹0.05 million

The remuneration to Key Managerial Personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

For details of the related party transactions, see "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310.

Details of all financing arrangements whereby the Promoters, members of the Promoter Group, the directors of our Corporate Promoter, our Directors and their	Our Promoters, members of our Promoter Group, the directors of our Corporate 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 this Draft Red Herring Prospectus.

<table>
<tr><td>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 this Draft Red Herring Prospectus</td><td></td></tr>
<tr><td>Weighted average price at which the Equity Shares were acquired by our Promoters or Selling Shareholders, in the one year preceding the date of this Draft Red Herring Prospectus</td><td>Our Promoters and Selling Shareholders have not acquired any Equity Shares in the one year preceding the date of this Draft Red Herring Prospectus.</td></tr>
<tr><td>Weighted average price at which the Equity Shares were acquired by our Promoters or Selling Shareholders, in the 18 months preceding the date of this Draft Red Herring Prospectus</td><td>Our Promoters and Selling Shareholders have not acquired any Equity Shares in the 18 months preceding the date of this Draft Red Herring Prospectus.</td></tr>
<tr><td>Weighted average price at which the Equity Shares were acquired by our Promoters or Selling Shareholders, in the three years preceding the date of this Draft Red Herring Prospectus</td><td>The weighted average price at which the Equity Shares were acquired by our Promoters and the Selling Shareholders in the three years preceding the date of this Draft Red Herring Prospectus is as follows:
<table>
<tr><th>Name</th><th>Number of Equity Shares acquired in the last three years</th><th>Weighted average price of acquisition per Equity Share*(in ₹)</th></tr>
<tr><td colspan="3">Promoters</td></tr>
<tr><td>ESAF Financial Holdings Private Limited^</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Kadambelil Paul Thomas</td><td>Nil</td><td>Nil</td></tr>
<tr><td colspan="3">Selling Shareholders (other than Promoter Selling Shareholder)</td></tr>
<tr><td>PNB MetLife</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Bajaj Allianz Life</td><td>Nil</td><td>Nil</td></tr>
</table>
* As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023
^ Also the Selling Shareholder</td></tr>
<tr><td>Weighted average cost of acquisition of all Equity Shares transacted in one year, eighteen months and three years preceding the date of this Draft Red Herring Prospectus</td><td>Weighted average cost of acquisition of all Equity Shares transacted in one year, eighteen months and three years preceding the date of this Draft Red Herring Prospectus:
<table>
<tr><th>Period</th><th>Weighted average cost of acquisition per Equity Share (in ₹)</th><th>Upper end of the price band (₹[●]) is 'X' times the weighted average cost of acquisition</th><th>Range of acquisition price: Lowest price – Highest price (in ₹)*</th></tr>
<tr><td>Last one year preceding the date of this Draft Red Herring Prospectus</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Last 18 months preceding the date of this Draft Red Herring Prospectus</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Last three years preceding the date of this Draft Red Herring Prospectus</td><td>75</td><td>NA</td><td>NA</td></tr>
</table>
*As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023</td></tr>
<tr><td>Details of price at which Equity Shares were acquired in the last three years preceding the date of this Draft Red Herring Prospectus by our Promoters, the Promoter Group, the Selling Shareholder and the shareholders with rights to nominate directors or have other rights</td><td>Except as stated below, there have been no specified securities that were acquired in the last three years preceding the date of this Draft Red Herring Prospectus, by our Promoters, members of the Promoter Group, Selling Shareholders and Shareholders with right to nominate directors or other rights. The details of the price at which these acquisitions were undertaken are stated below:
<table>
<tr><th>Name of the acquirer/shareholder</th><th>Date of acquisition of Equity Shares</th><th>Number of Equity Shares acquired*</th><th>Face value per Equity Shares</th><th>Acquisition price per Equity Shares (in ₹)*</th></tr>
<tr><td colspan="4">Promoters</td><td></td></tr>
<tr><td>ESAF Financial Holdings Private Limited</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Kadambelil Paul Thomas</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table></td></tr>
</table>

Promoter Group				
ESMACO	March 31, 2021	1,066,666	10	75
Bosco Joseph	March 31, 2021	40,000	10	75
Beena George	March 31, 2021	40,000	10	75
Mereena Paul	March 31, 2021	33,333	10	75
Leo Joseph	March 31, 2021	33,333	10	75
Alok Thomas Paul	March 31, 2021	13,333	10	75
Emy Acha Paul	March 31, 2021	13,333	10	75
Savio Joseph	March 31, 2021	13,333	10	75
Selling Shareholders				
ESAF Financial Holdings Private Limited	Nil	Nil	Nil	Nil
PNB MetLife India Insurance Company Limited	Nil	Nil	Nil	Nil
Bajaj Allianz Life Insurance Company Limited	Nil	Nil	Nil	Nil
Shareholders with special rights (other than the Promoters and members of the Promoter Group)				
NA	Nil	Nil	Nil	Nil

 # As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023

Average cost of acquisition of Equity Shares of our Promoters and the Selling Shareholders

The average cost of acquisition of Equity Shares of our Promoters is as follows:

Name of the Promoter	Number of Equity Shares as on the date of this Draft Red Herring Prospectus	Average cost of acquisition per Equity Share# (in ₹)
ESAF Financial Holdings Private Limited^	280,758,396*	10.11
Kadambelil Paul Thomas	31,186,785	10.16

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares.*

\# *As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023*

^ *Also the Selling Shareholder*

The average cost of acquisition of Equity Shares of the Other Selling Shareholders is as follows:

Name of the Selling Shareholders	Number of Equity Shares as on the date of this Draft Red Herring Prospectus	Average cost of acquisition per Equity Share* (in ₹)
PNB MetLife	21,346,993	40.07
Bajaj Allianz Life	17,469,428	40.07

* *As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023*

Size of the pre-IPO placement and allottees, upon completion of the placement

Our Bank may, in consultation with the Book Running Lead Managers, consider a further issue of equity shares or any other instrument as may be permissible, including by way of a private placement or any other method as may be permitted in accordance with applicable law to any person(s) of up to [●] Equity Shares aggregating up to ₹973.25 million, between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement, if undertaken, will be at a price determined by our Bank in consultation with the Book Running Lead Managers. If the Pre-IPO Placement is completed, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum offer constituting at least [●]% of the post-offer paid-up equity share capital of the Bank in compliance with rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer, or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus

Any issuance of Equity Shares in the last one year for consideration other than cash

Our Bank has not issued any Equity Shares in the last one year from the date of this Draft Red Herring Prospectus, for consideration other than cash.

For further details, please see "*Capital Structure*" on page 82.

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.

For further details, please see "*Capital Structure*" on page 82.

Exemption from complying with any provisions of securities laws, if any, granted by SEBI

Our Bank filed an application dated May 18, 2023 ("**Exemption Application**") under Regulation 300(1)(c) of the SEBI ICDR Regulations to SEBI seeking relaxation from disclosing Dia Vikas Capital Private Limited, a pure financial investor in our Corporate Promoter holding 19.99% of the paid-up equity share capital of our Corporate Promoter and also holding 1,804,850, 1% compulsorily convertible preference shares of face value of ₹100 each of our Corporate Promoter, as a part of the "promoter group" of the Bank in accordance with the SEBI ICDR Regulations on the following grounds: (i) under the first proviso to Regulation 2(1)(pp) of the

	SEBI ICDR Regulations, a financial institution, scheduled bank, foreign portfolio investor other than individuals, corporate bodies and family offices, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the IRDAI or any other category as specified by SEBI from time to time are not deemed to be part of the promoter group merely by virtue of the fact that 20% or more of the equity share capital of the promoter of the issuer is held by such person or entity. Our Bank sought such exemption on the grounds that a financial investor such as Dia Vikas should not be considered to form part of promoter group of our Bank merely by virtue of holding more than 20% of the paid-up capital of our Corporate Promoter on a fully diluted basis; (ii) Dia Vikas has no control or special rights over the Bank either as a shareholder of the Corporate Promoter or by virtue of the Corporate Promoter SHA or the charter documents of the Corporate Promoter; (iii) Dia Vikas has not held any shares in the Bank, or had any other rights in the Bank at any point in the past, as a result of which, there has been no identifiable relation between the Bank and Dia Vikas at any point of time; and (iv) Dia Vikas does not exercise any control or influence over the Bank, nor is Dia Vikas involved in the day-to-day operations or administrative functions of the Bank. Our Bank pursuant to the Exemption Application sought exemption from (i) naming Dia Vikas as promoter group in the Offer Documents; and (ii) providing any confirmations as required to be provided by an issuer's promoter group under the SEBI ICDR Regulations in respect of Dia Vikas in the Offer Documents. The Exemption Application has been granted by SEBI by its approval letter dated June 23, 2023.

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

Certain Conventions

All references in this Draft Red Herring Prospectus to "India" are to the Republic of India. All references to the "Government", "Indian Government", "GOI", "Central Government" or the "State Government" are to the Government of India, central or state, as applicable.

All references to the "US", "U.S." "USA" or "United States" are to the United States of America and its territories and possession.

All references to time in this Draft Red Herring Prospectus are to Indian Standard Time ("**IST**") and unless indicated otherwise, all references to a year in this Draft Red Herring Prospectus are to a calendar year.

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

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Draft Red Herring Prospectus is derived from the restated statements of assets and liabilities as at March 31, 2023, March 31, 2022 and March 31, 2021, the restated profit and loss accounts and restated statements of cash flows for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 and the summary statement of significant accounting policies, and other explanatory notes prepared by the Bank in terms of the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time. For further information on the Bank's financial information, see "*Financial Statements*" on page 262. Certain other financial information in relation to our Corporate Promoter and Group Entities are derived from their respective audited financial statements.

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

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Information included in this Draft Red Herring Prospectus have been compiled by the management from the audited financial statements as at and for the years ended March 31, 2023, 2022 and 2021, 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 accounting standards prescribed under Section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Companies Act, 2013 and current practices prevailing within the Banking industry in India and the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time. Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Draft Red Herring 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, may be required to report financial statements as per Ind AS in the future. Differences exist between Ind AS and Indian GAAP. In the future, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be worse than if we prepared our financial statements in accordance with Indian GAAP*" and "*Risk Factor – Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors outside India may be more familiar with and may consider material to their assessment of our financial condition, results of operations and cash flows*" on pages 54 and 62, respectively. Accordingly, the degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP. Unless the context otherwise indicates, any percentage or amounts, with respect to financial information of our Bank in this Draft Red Herring Prospectus have been derived from the Restated Financial Information.

In this Draft Red Herring 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.

Non-GAAP Financial Measures

Certain non-GAAP financial measures and certain other statistical and operational information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring 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 financial measures and other statistical and operational information 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 non-GAAP financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere. These non-GAAP financial measures and other statistical and operational information have been reconciled to their nearest GAAP financial measure in "*Risk Factors*" "*Our Business*", "*Selected Statistical Information*", "*Other Financial Information*" and "*Capitalisation Statement*" on pages 29, 157, 244, 317 and 354, respectively.

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 Draft Red Herring 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 Draft Red Herring Prospectus in such denominations or rounded-off to such number of decimal points as provided in such respective sources.

Exchange Rates

This Draft Red Herring 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, as at the indicated, information with respect to the exchange rate between the Rupee and USD (in Rupees per USD):

Currency	As at*		
	March 31, 2023	March 31, 2022	March 31, 2021
1 USD	82.22	75.81	73.50

Source: RBI reference rate and www.fbil.org.in.
**In case March 31 of any of the respective years is a public holiday, the previous working day not being a public holiday has been considered.*

Industry and Market Data

Unless stated otherwise, all information pertaining to the industry in which our Bank operates in and market data used in this Draft Red Herring Prospectus has been obtained or derived from the CRISIL MI&A Report and publicly available information as well as other industry publications and sources. The CRISIL MI&A Report titled "*Industry Report on Small Finance Banks in India*" has been commissioned by and paid for by our Bank pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023, exclusively for the purposes of confirming our understanding of the industry in which the Bank operates, in connection with the Offer. The CRISIL MI&A Report will be made available on the website of our Bank at www.esafbank.com/investor-relations-info/ from the date of the Red Herring Prospectus till the Bid/ Offer Closing Date.

CRISIL MI&A is an independent agency which has no relationship with our Bank, our Promoters, any of our Directors, KMPs, Senior Management Personnel or the Book Running Lead Managers.

This Draft Red Herring Prospectus contains data and statistics from the CRISIL MI&A Report which is subject to the following disclaimer:

"*CRISIL Market Intelligence and Analytics (MI&A), 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). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / 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. ESAF 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 MI& operates independently of, and does not have access to information obtained by CRISIL's Ratings Limited which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL MI&A and not of CRISIL's Ratings Limited. 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 – Statistical and industry data in this Draft Red Herring Prospectus are derived from the CRISIL MI&A Report commissioned and paid for by us for such purpose. The CRISIL MI&A Report is not exhaustive and is based on certain assumptions, parameters and conditions. The data and statistics in the CRISIL MI&A Report may be inaccurate, incomplete or unreliable*" on page 67.

The extent to which the market and industry data used in this Draft Red Herring 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. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors-Statistical and industry data in this Draft Red Herring Prospectus are derived from the CRISIL Research MI&A Report commissioned and paid for by us for such purpose. The CRISIL Research MI&A Report is not exhaustive and is based on certain assumptions, parameters and conditions. The data and statistics in the CRISIL Research MI&A Report may be inaccurate, incomplete or unreliable.*" on page 67. Accordingly, no investment decision should be made solely on the information based on or derived from the CRISIL MI&A Report.

In accordance with the SEBI ICDR Regulations, "*Basis for Offer Price*" on page 101 includes information relating to our peer group companies that is derived from the CRISIL MI&A Report. Accordingly, no investment decision should be made solely on the basis of such information.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. All statements contained in this Draft Red Herring 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 include statements as to our business strategy, plans, revenue and profitability (including, without limitation, any financial or operating projections or forecasts) and other matters discussed in this Draft Red Herring Prospectus that are not historical facts. However, these are not the exclusive means of identifying forward-looking statements. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “estimate”, “intend”, “may”, “likely to”, “seek to”, “shall”, “objective”, “plan”, “project”, “propose”, “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 Draft Red Herring 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/ microfinance industry and incidence of any natural calamities and/or acts of violence. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Our business is significantly dependent on Micro Loans and any adverse developments in the microfinance sector could adversely affect our business, financial condition, results of operations and cash flows.

- A majority of our advances are unsecured. If we are unable to recover such advances in a timely manner or at all, our financial condition, results of operations and cash flows may be adversely affected.

- We incur significant operating expenses and any increase in these operating expenses without a corresponding increase in our Net Interest Income and other income combined will adversely affect our financial condition, results of operations and cash flows.

- We could be subject to various sanctions and penalties by the RBI for failing to comply with the requirement to list the Equity Shares on a stock exchange in India before July 31, 2021.

- Our business correspondents (which includes ESMACO, a Promoter Group and Group Entity, and Lahanti, a Group Entity) have sourced the majority of our advances. All of our Business correspondents for us on a non-exclusive basis. If any of our business correspondents and in particular ESMACO prefer to promote our competitors’ loans over our loans or the agreements between us and them are terminated or not renewed, it would adversely affect our business, financial condition, results of operations and cash flows.

- We are in non-compliance with certain Risk Based Supervision (“RBS”) Tranche III requirements and if the RBI imposes penalties on us for this non-compliance, it could adversely affect our reputation, business, financial condition, results of operations and cash flows.

- We are subject to inspections by various regulatory authorities, including by the RBI, PFRDA, IRDA and National Pension System Trust. Inspection by the RBI is a regular exercise for all banks and financial institutions. Regulators and external auditors appointed by a regulator have observed various non-compliances by us in the past and have required us to, among other things, take corrective actions and pay compensation. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows.

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

- If we are unable to control the level of gross NPAs in our portfolio effectively or if we are unable to improve our Provisioning Coverage Ratio, our business, financial condition, results of operations and cash flows could be adversely affected.

Certain information in “*Industry Overview*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations”* on pages 122, 157 and 319, respectively of this Draft Red Herring Prospectus has been obtained from the report titled “*Industry Report on Small Finance Banks in India*” dated June 2023, issued by CRISIL MI&A, which is available at our Bank’s website at www.esafbank.com/investor-relations-info/.

For further discussion of factors that could cause the actual results to differ from our expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 29, 157 and 319, 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 Draft Red Herring 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.

Forward-looking 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 Promoters, our Directors, the Selling Shareholders, 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 shall ensure that investors in India are informed of material developments from the date of filing of this Draft Red Herring Prospectus with the RoC until the time of the grant of listing and trading permission by the Stock Exchanges for this Offer. Each of the Selling Shareholders shall ensure that they will keep our Bank and the BRLMs informed of all material developments pertaining to their respective portion of the Offered Shares and itself, as a Selling Shareholder, from the date of this Draft Red Herring Prospectus until receipt of final listing and trading approvals by the Stock Exchanges for this Offer, that may be material in the context of the Offer.

SECTION II: RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before evaluating our business and making an investment in the Equity Shares. This section should be read in conjunction with "Industry Overview", "Our Business", "Selected Statistical Information", "Financial Statements", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 122, 157, 244, 262 and 319, respectively, before making an investment decision in relation to the Equity Shares.

The risks and uncertainties described in this section are not the only risks that are relevant to us or the Equity Shares or the industry and segment in which we operate. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, financial condition, results of operations and cash flows. If any of the following risks or other risks that are not currently known or are now deemed immaterial actually occur, our business, financial condition, results of operations and cash flows could be adversely affected and the trading price of the Equity Shares could decline and you may lose all or part of your investment. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors described below. However, there are certain risk factors where such implications are not quantifiable, and hence any quantification of the underlying risks has not been disclosed in such risk factors.

In making an investment decision, prospective investors must rely on their own examination of our Bank and the terms of the Offer, including the merits and risks involved. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.

The industry and market data used in this section have been derived from the CRISIL MI&A Report, which was prepared and released by CRISIL MI&A in connection with the Offer and commissioned and paid for by us pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023. For further details on the CRISIL MI&A Report, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 25. The CRISIL MI&A Report is available on our Bank's website at www.esafbank.com/investor-relations-info/.

This Draft Red Herring Prospectus contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. See "Forward-Looking Statements" on page 27.

RISKS RELATING TO OUR BUSINESS

1. Our business is significantly dependent on Micro Loans and any adverse developments in the microfinance sector could adversely affect our business, financial condition, results of operations and cash flows.

Our business is significantly dependent on our micro loan segment, which comprises our Microfinance Loans and Other Micro Loans (together, "**Micro Loans**"). Our Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a Microfinance Loan or Other Micro Loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, which was effective from October 17, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective from October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans. A person whose annual household income is up to ₹300,000 is eligible for a Microfinance Loan provided that the percentage of the monthly household income to be used for the repayment of loans (including the new loan) shall be a maximum of 50% of the monthly household income. Household means an individual family unit, i.e., husband, wife and their unmarried children. Persons whose household income is above ₹300,000 can apply for Other Micro Loans. Demand for our Micro Loans is affected by a number of factors, including changes in regulations and policies, any adverse publicity or litigation relating to the microfinance sector and public criticism of the microfinance sector in general.

The table below sets forth certain details in relation to our Micro Loans as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million, except for percentages)		
AUM[(1)] of Micro Loans [A]	122,548.83	100,159.62	71,452.80
Total AUM [B]	163,312.65	123,406.91	84,259.30
AUM of Micro Loans as a percentage of total AUM [C = A / B] (%)	75.04%	81.16%	84.80%
Gross Micro Loans [D]	101,441.84	98,161.91	71,343.55
Gross Micro Loans NPAs [E]	3,145.49	9,254.16	5,329.90
Gross Micro Loans NPAs as a percentage of gross Micro Loans [F = E/D] (%)	3.10%	9.43%	7.47%

Note:

(1) *AUM is calculated as gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which we continue to hold collection responsibilities ("**Advances Under Management**" or "**AUM**").*

For further details on our Micro Loans, see "*Our Business-Asset Products-Micro Loans-Microfinance Loans and Other Micro Loans*" on page 164. Any decline in the demand for our Microfinance Loans and Other Micro Loans would adversely affect our business, financial condition, results of operations and cash flows.

2. A majority of our advances are unsecured. If we are unable to recover such advances in a timely manner or at all, our financial condition, results of operations and cash flows may be adversely affected.

Our Micro Loans and some of our retail loans are unsecured and, as such, are at a higher credit risk than secured loans because they are not supported by collateral. Since these advances are unsecured, in the event of defaults by such customers, our ability to realise the amounts due to us would be restricted to initiating legal proceedings for recovery. There can be no guarantee as to the amount of our resources that would be utilised and the length of time it could take to conclude such legal proceedings or for the legal proceedings to result in a favourable decision to us. For details, see "*Outstanding Litigation and Material Developments*" on page 357.

The table below sets forth our unsecured advances (net of provisions) and our advances (net of provisions) as a percentage of our advances (net of provisions) as at the date indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million, except for percentages)		
Unsecured advances (net of provisions) [A]	104,926.62	97,274.43	69,836.01
Advances (net of provisions) [B]	139,243.31	116,370.05	81,675.86
Unsecured advances (net of provisions) as a percentage of advances (net of provisions) [C = A / B] (%)	75.35%	83.59%	85.50%

As at March 31, 2023, our provisions and contingent liabilities for litigation were nil. Any failure to recover the full amount of principal and interest on unsecured advances given to our customers could adversely affect our financial condition, results of operations and cash flows.

3. We incur significant operating expenses and any increase in these operating expenses without a corresponding increase in our Net Interest Income and other income combined will adversely affect our financial condition, results of operations and cash flows.

The table below sets forth details of our operating expenses and such expenses as a percentage of our net interest income, which is defined as interest earned minus interest expended ("**Net Interest Income**"), and other income (together with Net Interest Income, "**Operating Income**") (the "**Cost to Income Ratio**").

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million, except for percentages)		
Operating expenses [A]	12,305.41	8,628.71	6,318.55
Of which:			
Business correspondent expenses	*5,442.36*	*3,486.58*	*2,328.08*
Payments to and provisions for employees	*2,779.98*	*2,321.37*	*1,877.84*
Rent, taxes and lighting	*748.01*	*600.21*	*420.39*
Depreciation on Bank's property	*417.89*	*327.74*	*285.73*
Interest earned [B]	28,536.59	19,399.25	16,411.73
Interest expended [C]	10,173.19	7,927.86	7,195.82
Net Interest Income [D = B – C]	18,363.40	11,471.39	9,215.91
Other income [E]	2,879.13	2,075.83	1,272.48
Operating Income [F = D + E]	21,242.53	13,547.22	10,488.39
Cost to Income Ratio [G = A / F] (%)	57.93%	63.69%	60.24%

Our material fixed operating expenses comprise: (i) payments to and provisions for employees; (ii) rent, taxes and lighting; and (iii) depreciation on Bank's property. Our business correspondent expenses are primarily variable in nature as we pay our business correspondents a variable fee based on collections, which is the largest part of their compensation, and a fixed fee for the acquisition and maintenance of each customer.

An increase in our Cost to Income Ratio will adversely affect our financial condition, results of operations and cash flows.

4. We could be subject to various sanctions and penalties by the RBI for failing to comply with the requirement to list the Equity Shares on a stock exchange in India before July 31, 2021.

Under the provisions of the SFB Licensing Guidelines, the RBI In-Principle Approval and the RBI Final Approval, the Equity Shares are required to be mandatorily listed on a stock exchange in India within three years from the date our Bank reached a net worth of ₹5.00 billion, which we reached on July 31, 2018. Therefore, the Equity Shares were required to be listed on a stock exchange in India before July 31, 2021, which we did not comply with. Our Bank has made best efforts to list the Equity Shares on a stock exchange in India and in connection therewith filed draft red herring prospectuses on January 6, 2020 and July 24, 2021 with SEBI. Pursuant to our letter dated July 26, 2021, we requested RBI's permission to extend our listing deadline to December 31, 2021. The RBI, vide its letter dated August 20, 2021, did not accede to our request for the extension. In an email dated February 23, 2022, the RBI enquired about the progress made toward listing and we responded in an email dated February 24, 2022 saying that we would initiate the listing of the Equity Shares in the first quarter of Fiscal 2023. In its letter dated June 29, 2022, the RBI directed us to complete the listing of the Equity Shares before the expiry of current approval of SEBI, i.e., by October 19, 2022, or else the RBI would treat this as a violation of our licensing conditions and take the necessary supervisory/enforcement action against our Bank. We responded to the RBI via a letter dated July 8, 2022, updating the RBI on the status of our preparations for the listing of the Equity Shares. However, our Bank was unable to launch the initial public offering on account of unfavourable market conditions. Pursuant to our letter dated October 14, 2022, we requested SEBI to extend the final date of its approval for our listing from October 19, 2022 to March 31, 2023. SEBI, vide its letter dated November 2, 2022, did not accede to our request for the extension. The RBI pursuant to its letter June 9, 2023 observed that our Bank continued to be in violation of the listing deadline and directed our Bank to ensure that our Bank's third draft red herring prospectus is filed by June 30, 2023 and the Equity Shares are listed by November 30, 2023. We responded to the RBI letter vide our letter dated June 13, 2023 saying that we are working towards filing the draft red herring prospectus by June 30, 2023 with an outer timeline of July 15, 2023. As on the date of this Draft Red Herring Prospectus, the RBI has not taken any action in relation to our failure to comply with the requirement to list the Equity Shares but the RBI may take regulatory action against us in the future. We are not in a position to determine the nature of such regulatory action. Any such action by the RBI could adversely affect our business, financial condition, results of operations and cash flows.

5. Our business correspondents (which includes ESMACO, a Promoter Group and Group Entity, and Lahanti, a Group Entity) have sourced the majority of our advances. All of our Business correspondents work for us on a non-exclusive basis. If any of our business correspondents and in particular ESMACO prefer to promote our competitors' loans over our loans or the agreements between us and them are terminated or not renewed, it would adversely affect our business, financial condition, results of operations and cash flows.

Our results of operations and financial condition depends significantly on the performance of our business correspondents and in particular on the performance of ESAF Swasraya Multi-State Agro Co-operative Society Limited ("**ESMACO**"). Our business correspondent entities are responsible for sourcing and servicing of customers for Microfinance Loans and Other Micro Loans (we do not do this ourselves). Our business correspondents also source customers for mortgage loans, vehicle loans, micro, small and medium enterprises ("**MSMEs**") loans, agricultural loans and select deposit products. In addition, our business correspondents are responsible for sourcing and servicing our banking agents. The table below sets forth the number of our business correspondents as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Number of business correspondents	20	14	12

ESMACO has been acting as a business correspondent for us on a non-exclusive basis since we began our operations. We have an agreement with ESMACO dated January 1, 2019 that is valid until December 31, 2028. ESMACO, which is an entity forming part of the Promoter Group and is a Group Entity, owns 63.49% of the equity shares in our Corporate Promoter, which in turn owns 62.46% of the Equity Shares prior to the Offer. For further details on our business correspondents, see "*Our Business – Delivery Channels – Business Correspondents*" on page 174.

Set forth below are certain details of our advances that our business correspondents, including ESMACO, were responsible for sourcing or servicing as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million, except for percentages)		
Gross advances sourced or serviced by business correspondents [A]	106,638.60	101,104.45	71,343.55
Of which:			
Gross advances sourced or serviced by ESMACO [B]	*87,773.07*	*91,131.33*	*63,217.49*
Total gross advances [C]	141,181.27	121,306.43	84,150.05
Gross advances sourced or serviced by business correspondents as percentage of total gross advances [D = A/C] (%)	75.53	83.35	84.78
Gross advances sourced or serviced by ESMACO as a percentage of total gross advances [E = B/C] (%)	62.17	75.12	75.12
Gross NPAs sourced or serviced by business correspondents [F]	3,164.63	9,112.20	5,232.79
Of which:			
Gross NPAs sourced or serviced by ESMACO [G]	*2,859.59*	*7,889.90*	*4,632.09*
Gross NPAs [H]	3,516.90	9,495.94	5,639.97
Gross NPAs sourced or serviced by business correspondents as a percentage of gross NPAs [I = F/H] (%)	89.98%	95.96%	92.78%
Gross NPAs sourced or serviced by ESMACO as a percentage of gross NPAs [J = G/H] (%)	81.31%	83.08%	82.12%

Set forth below is a table showing our deposits sourced by business correspondents, including deposits sourced by ESMACO, and such amounts as a percentage of our deposits as at the dates indicated.

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	(₹ in million)	% of total deposits	(₹ in million)	% of total deposits	(₹ in million)	% of total deposits
Deposits sourced by business respondents	2,536.15	1.73%	2,145.14	1.67%	1,495.12	1.66%
Of which:						
Deposits sourced by ESMACO	*2,247.74*	*1.53%*	*1,828.12*	*1.43%*	*1,264.76*	*1.41%*
Total deposits	146,656.25	100.00%	128,150.72	100.00%	89,994.26	100.00%

We terminated our agreement with Sambandh Finserve Pvt Ltd ("**Sambandh**"), pursuant to which it acted for us as a business correspondent, on October 24, 2020 following revelations of serious alleged irregularities in the conduct and functioning on the part of Sambandh. We notified the RBI vide a letter dated October 21, 2020 that Sambandh had not committed any fraudulent acts against us; the alleged fraud was committed by Sambandh against other parties. The loan portfolio managed by Sambandh was subsequently taken over by Lahanti Lastmile Services Private Limited ("**Lahanti**") effective November 1, 2020. As at March 31, 2021, Lahanti was responsible for sourcing and/or servicing customers for gross advances of ₹5,374.22 million, or 6.39% of our gross advances. The termination of Sambandh did not have any material adverse effect on our business.

We also terminated our agreement with Margdarshak Financial Services Ltd ("**Margdarshak**"), pursuant to which it acted for us as a business correspondent, effective May 31, 2021, in accordance with a termination letter dated May 11, 2021 we sent to Margdarshak, because they were undergoing liquidity issues due to the COVID-19 pandemic and were unable to adequately manage their loan portfolio for us, which was subsequently taken over by Lahanti on June 1, 2021. As at March 31, 2021, Margdarshak was responsible for sourcing and/or servicing customers for gross advances of ₹249.82 million, or 0.30% of our gross advances. The termination of Margdarshak did not have any material adverse effect on our business.

We have not terminated the services of any other business correspondents in the past due to liquidity issues and have put in place checks and balances to avoid such instances in the future, namely: (i) we have Board-approved policies and standard operating procedures to monitor the performance of our business correspondents on a periodic basis; (ii) our BC Channel Vertical closely monitors our business correspondents by periodically collecting business correspondents' financial statements and other information to assess their financial liquidity position; (iii) we review operational efficiencies to ensure that business correspondents are acquiring adequate income and that they have sufficient funds for their operational activities; (iv) we closely monitor our business correspondents' relationships to other business partners and service providers; (v) we review the credit bureau reports of our business correspondents; (vi) we periodically visit our business correspondents in person to assess their operations; (vii) we collect first loss default guarantees from business correspondents that operate through their own premises to mitigate any credit loss; and (viii) our executive-level business correspondent committee monitors our business correspondents on a regular basis.

Further, pursuant to the agreement dated January 1, 2019 with ESMACO, ESMACO is required to obtain authorisations and licenses in compliance with legal and statutory requirements from time to time in relation to the banking outlets operated by it. As on the date of this Draft Red Herring Prospectus, 12 of our banking outlets operated by ESMACO do not have a registered shops and establishments license. In the event that these registrations are not availed by ESMACO within the prescribed timelines as per statutory requirements, it may adversely affect our operations.

If ESMACO or any of our other business correspondents prefer to promote our competitors' loans or our agreements with them ae terminated or not renewed it would adversely affect our business, financial condition, results of operations and cash flows.

6. We are in non-compliance with certain Risk Based Supervision ("RBS") Tranche III requirements and if the RBI imposes penalties on us for this non-compliance, it could adversely affect our reputation, business, financial condition, results of operations and cash flows.

The table below sets forth the number of our non-compliances with RBS Tranche III requirements as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Total number of RBS Tranche III requirements	272	262	218
Total Number of RBS Tranche III requirements we were non-compliant with	17	20	17

We are currently in non-compliance with 17 RBS Tranche III requirements, namely: (i) periodic updation of know your customer ("**KYC**") details, which is a re-KYC process, of which 372 high-risk customer accounts are yet to be updated and are an ongoing exercise; (ii) credit information for few fresh MSME/corporate loans were not obtained during sanction; (iii) our Central Know Your Customer Registry update is pending for legal entities; (iv) some risk items identified by the vulnerability assessment and penetration testing are breaching the remediation timelines; (v) some public applications are not covered in the vulnerability assessment and penetration testing; (vi) there were two instances where the compensation to customers for a failed transaction was paid with a delay; (vii) one time combination lock for cash replenishment in ATMs is yet to be implemented in all our ATMs; (viii) system enabled regulatory controls are to be implemented for accounts opened using OTP in non-face-to-face mode to monitor breaches; (ix) suitable mechanism to monitor unauthorised services/executables/software that are running in the processing platform/gateways/end points/access points is to be implemented; (x) interest subvention was not extended to certain Kisan Credit Card accounts; (xi) we are working with the National Payments Corporation of India to implement online dispute redressal; (xii) ad hoc/short review /renewal of credit facilities is not under audit; (xiii) we have yet to implement cassette swaps process in ATMs; (xiv) the contract between us and the third-party ATM switch application service provider did not mandate that party to comply with the RBI circular on cyber security controls for third-party ATM switch application service providers; (xv) our compensation policy not properly covering all the instances of failure of the transaction; (xvi) statements of cash shortages in ATMs are to be submitted to the RBI every month within five days of the following month for which there were delays in the submission for certain months; and (xvii) risk assessments are conducted with regard to the safety and security of digital payment products and associated processes and services for their suitability and appropriateness whenever such products are launched, however, an ongoing risk assessment is yet to be performed (our compliance department has communicated with the respective department of our Bank to rectify this non-compliance by implementing the necessary processes, and the same will be reviewed by our compliance department as per the chart of review). The RBI could impose penalties on us for our non-compliance with the RBS Tranche III requirements, which could adversely affect our reputation, business, financial condition, results of operations and cash flows.

7. We are subject to inspections by various regulatory authorities, including by the RBI, PFRDA, IRDA and National Pension System Trust. Inspection by the RBI is a regular exercise for all banks and financial institutions. Regulators and external auditors appointed by a regulator have observed various non-compliances by us in the past and have required us to, among other things, take corrective actions and pay compensation. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows.

We are subject to inspections by various regulatory authorities, including the RBI, the Pension Fund Regulatory and Development Authority ("**PFRDA**"), Insurance Regulatory and Development Authority ("**IRDA**") and National Pension System Trust.

Inspection by the RBI is a regular exercise for all banks and financial institutions. The RBI has carried out four inspections of our Bank and three examinations of our Bank's information technology ("**IT**") systems and processes.

Most recently, the RBI carried out an examination of our Bank's IT systems and processes from November 21, 2022 to November 30, 2022 and identified certain deficiencies, including, among others: (i) inadequate measures for oversight of vendor managed activities; (ii) critical measures such as CAPTCHA, multifactor authentication and input validation controls were not implemented for net banking applications; (iii) data loss prevention controls to (a) protect customer sensitive data, or (b) prevent unwanted destruction of sensitive data and (iv) protection of intellectual property is relatively weak; (v) network security controls were inadequately implemented to protect IT systems from cybersecurity risk, rendering our critical systems and infrastructure vulnerable to malicious security exploits; (vi) significant gaps were noted in the process of application whitelisting, which may render our systems to unauthorised data access due to risk of virus/malware present in such software; (vii) periodic review of web application firewall controls and policies, firewall rules, network access control configuration, application programming interface security testing and input validation controls were not in place to prevent unauthorised access to our network and applications; and (viii) lack of adequate measures to prevent cyber-attack for public-facing email applications and corporate website. In addition, the RBI noted that there are certain observation from the RBI's July 2021 IT examination of our Bank that were yet to be complied with, including (i) maintenance of information on sub-outsourcing being done by a system integrator to third-party software vendors and not monitoring relevant controls/checks such as clauses in their agreement covering confidentiality, non-disclosure, information security requirements, regulatory and compliance responsibility (ii) use of out of warranty in-house IT asset inventory tool; (iii) older versions of Java was were installed on end point machines; (iv) use of an older Oracle database server for applications of mobile banking and agent banking; (v) no second factor authentication enabled for user login to Servosys application; (vi) our Bank's confidential and internal information were sent outside the bank's mail domain; (vii) the AppSec testing tracker showed 11 high priority findings, which were opened or reopened beyond due dates and the vulnerability assessment tracker showed 81 high vulnerabilities which were still open beyond the due date; (viii) Backup of the CCTV recordings for branch and off-site ATMs were not being stored separately; and (ix) file sharing at network level are not monitored. In addition, the RBI noted (i) that there are certain requirements in the Master Direction on Digital Payment Security Controls dated February 18, 2021 that we had not complied with; (ii) that there were certain non-compliances to the advisories provided by the RBI and (iii) that there were certain gaps identified in the quarterly return on public facing applications and databases for the quarter ending September 30, 2022. We responded to such observations and submitted the compliance status to the RBI.

The RBI conducted an on-site inspection for supervisory evaluation from August 22, 2022 to September 2, 2022 and again from September 12, 2022 to September 23, 2022 for Fiscal 2022 and an off-site analysis of the data and information furnished by our Bank ("**Inspection**"). Based on the Inspection, the RBI issued its (a) inspection report and (b) risk assessment report and noted certain deficiencies, including among others: (i) the overall risk assessment of capital was assessed as 'Medium' in the direction of 'Increasing'; (ii) decrease in CRAR led to the increase in risk weighted assets; (iii) KYC details of 1.02 million accounts, including 0.22 million accounts during the year of the inspection were yet to be shared with the Central KYC Records Registry; (iv) deficiencies in maintenance of capital for the credit risk under Pillar II risk; (v) 10 observations from the RBI's July 2021 IT examination of our Bank were yet to be complied with; (vi) though we had a system for fixing staff accountability, the same was not extended to senior management; (vii) delay in quarterly reporting to central fraud monitoring cell; and (viii) the number of customer complaints increased by 80% year-on-year from 7,168 as at March 31, 2021 to 12,901 as at March 31, 2022; (ix) strict timelines were not prescribed by the committees of the board while directing actions; (x) the succession plan of the Bank did not extend to the senior executives and it covered positions only up to heads of departments and relied on intra-cadre replacements even though the attrition rate had increased to 28.97% in Fiscal 2022 from 18.21% in Fiscal 2021; (xi) there was no system for back testing of the internal credit rating process of the borrower, further there was no mapping of the internal rating of the customers with corresponding external rating wherever applicable and (xii) suitable stop loss limits were not prescribed in the investment policy and there were frequent breaches in the stop loss limits in the equity transactions.

The pending three observations from the RBI inspection report for the Fiscal 2019 inspection have been included in the RBI inspection report for Fiscal 2022 which were yet to be complied with in relation to the automation of asset liability management computation and capital adequacy computation. We are in the testing phase for the automation of a CRAR solution and an asset liability management solution. We responded to such observations and submitted a three-round compliance status to the RBI with respect to the Inspection.

The RBI issued a letter dated May 20, 2022 notifying us to ensure compliance with certain instructions, such as (i) re-examination of targeted high level of growth in loan assets and to moderate the business plan accordingly; (ii) requiring us to furnish a concrete strategy on strengthening of the capital base to support the high level of growth in our loan assets as envisaged by the business plan; (iii) disclose the quantum of our stressed and restricted assets; and (iv) to submit the specific timelines on corrective actions taken by us in relation to the existence of multiple customer IDs, high pendency of re-KYC of accounts, gaps or junk entries in central KYC data, low CASA levels, deficiency in implementation of the NPA automation and compliance with licensing requirements. We responded to the RBI’s letter pursuant to our letter dated June 3, 2022 and submitted the compliance status along with the specific directions/decisions of the Board.

The RBI issued a show cause notice dated May 4, 2022 (“**RBI Show Cause Notice**”) notifying us to furnish reasons for certain non-compliances with their circular Ref.No.DoS.CO.PPG/SEC.03/11.01.005/2020-21 dated September 14, 2020, namely, that: (i) our investments have not been brought under the automated IT-based system for the asset classification, upgradation and provision process; and (ii) our income recognition/ de-recognition in case of investments is not system-driven and the amount required to be reversed from the income account in respect of non-performing investments as well as the upgradation and downgrading of investment accounts are done manually. Our Bank was advised by the RBI via an email dated August 17, 2021 to carry out an audit of the systems and processes relating to automation of income recognition, asset classification and provisioning processes through the Statutory Central Auditors/ Credible System Auditors and submit the status of compliance. Our Bank responded to the RBI Show Cause Notice via a letter dated May 11, 2022, in which we explained that, among others, (i) our Bank’s core banking solution is fully compliant on automation of the IRAC norms process for advances; (ii) with respect to investments, we have complied with the RBI’s requirements stipulated in the show cause notice with the launch of our treasury system “Quantum” and the non-performing investments functionality in Quantum, which went live from May 9, 2022; and (iii) with respect to the conduct of an audit of the system and processes relating to automation of income recognition, asset classification and provisioning processes through the Statutory Central Auditors / Credible System Auditors and submitting the status of compliance, our Bank had undertaken a system audit by a CERT-In certified auditor during November 2022 and a report in this regard was submitted to the senior supervisory manager on April 27, 2022.

The RBI required us to undergo a process audit, which was carried out from April 18, 2022 to April 22, 2022, following which the RBI observed certain shortcomings in our: (i) adherence to KYC guidelines in relation to the same Aadhar ID having multiple CIFs, KYC details being entered as random numbers/alphabets, unavailability of KYC information of guardians for accounts of customers who are minors in certain cases, unavailability of KYC data and the non-adherence to periodic updating of KYC at the prescribed periodicity, in certain cases; (ii) implementation of automation of Income Recognition and Asset Classification (“**IRAC**”) norms in relation to RBI’s instructions on automation of income recognition, asset classification and provisioning processes in banks; and (iii) liquidity coverage ratio calculations. Our Bank has provided its responses to the process audit report on April 29, 2022, mentioning the activities that we will undertake to address the shortcomings. Subsequently, vide its email dated May 6, 2022, the RBI recommended our Bank to take the following actions in relation to the gaps identified: (i) rectify the concerns in the adherence to KYC guidelines and furnish a satisfactory compliance response by June 30, 2022; (ii) ensure compliance with the RBI’s instructions on automation of income recognition, asset classification and provisioning processes in banks; (iii) complete implementation of automation of IRAC norms for classification of non-performing investments and furnish satisfactory compliance by June 30, 2022; and (iv) enhance the scope of the internal audit of our Bank to cover the areas of concerns identified by the process audit. Thereafter, our Bank has provided its compliance status as at June 30, 2022 to the RBI. Additionally, in its risk assessment report for its on-site Inspection for Supervisory Evaluation from August 22, 2022 to September 2, 2022 and again from September 12, 2022 to September 23, 2022 and an off-site analysis of the data and information furnished by our Bank, the RBI noted that we have yet to fully comply with the commitments given in June 2022 with respect to reducing the high pendency in re-KYC of accounts as we have not yet updated the KYC of 2,867 customers out of the 5,339 customers whose periodic updates of KYC was pending and increasing CASA levels. There has been no further communication with the RBI in this regard.

We received an email dated August 17, 2021 from the RBI advising us to complete the automation process in respect of the pending areas and submit full compliance by September 30, 2021 in relation to which we submitted the compliance status to the RBI. The RBI, pursuant to its letters dated August 31, 2018 and August 31, 2021, had mandated minimum percentages of members in the Board, Senior Management Personnel and CxO categories (viz., Chief Technology Officers, Chief Information

Officers, Chief Information Security Officers and Chief Risk Officers) to be trained in IT and cyber security on an ongoing basis. Based on the analysis of our Bank's response to the questionnaire on certification programmes in IT and cyber security, it has been observed that minimum requirement specified in the RBI's August 31, 2018 and August 31, 2021 letters has not been complied in one/ more categories. In this regard, the RBI, pursuant to its letter dated November 11, 2021, directed us to ensure full compliance in relation to the certification programmes in IT and cyber security by March 31, 2022. Subsequently, our Bank has complied with the same.

Further, the RBI, pursuant to its letter dated November 16, 2021, observed that the then composition of the Board of directors was not in compliance with Section 10A(2)(a) of the Banking Regulation Act, 1949 read with RBI circular number DBR.Appt.BC.No.39/29.39.001/2016-17 dated November 24, 2016 on account of a lack of a Board member with special knowledge or practical experience in the fields of economics, human resources and payment and settlement systems. The RBI advised our Bank with respect to proper mapping of special knowledge or practical experience of the Board members and compliance with the statutory and regulatory provisions. Our Bank, pursuant to its response letter dated November 30, 2021 stated that the Board at its meeting dated November 26, 2021 approved the revised mapping of special knowledge or practical experience of the Board members and have ensured the compliance as per Section 10A(2)(a) of the Banking Regulation Act, 1949 read with RBI circular number DBR.Appt.BC.No.39/29.39.001/2016-17 dated November 24, 2016. There have been no further written correspondences with the RBI in this regard.

In addition to the above, in its letter dated October 16, 2020, the RBI, among other things, observed deficiencies in credit appraisal including overfinancing, non-adherence to internal policy guidelines while approving loan products, failure to maintain arm's length relationship with group entities, deficiencies in the maintenance and management of internal accounts and monitoring of business correspondents, delays in compliance with various inspection reports, under-reporting of complaints, non-submission of the annual compliance certificate and ineligible charges made (e.g., excess processing fees, excess foreclosure and pre-payment and delayed payment charges) that we were instructed to refund to customers by October 31, 2020, which we have complied with.

We received a letter dated March 23, 2020 from the RBI highlighting various non-compliances with the RBI's instructions for strengthening our IT/cyber security systems, which we were instructed to resolve by December 2020. We received a second letter dated February 3, 2021 from the RBI notifying us that we had yet to comply with certain directions specified in the RBI's letter dated March 23, 2020, namely, that: (i) we were using the fraud risk monitoring tool of National Payments Corporation of India and a fraud navigation tool of FIS Payment Solutions and Services India Private Limited ("**FIS**") for fraud monitoring on a non-real time basis; (ii) we were non-compliant with the RBI's circular DBS.CO/CSITE/BC.11/33.01.001/2015-16 entitled "Cyber Security Framework in Banks" dated June 2, 2016; (iii) we were non-compliant with advisories issued by the Cyber Security and Information Technology Examination Cell of Department of Banking Supervision ("**CSITE Cell**"), RBI, regarding, among others, lacking a robust incident response mechanism to mitigate fraud loss and lacking a mechanism to monitor breaches, if any, on a twenty-four hours per day, seven days per week basis including weekends and long holidays, given that the potential for cyber-attacks are more probable on weekends and long holidays; and (iv) our implementation of risk based transaction monitoring or surveillance process as part of fraud risk management was non-compliant. We were instructed to comply with all such directions by June 30, 2021. The compliance status submitted to the CSITE Cell, RBI on April 5, 2021 had six observations not complied with by us out of 47, all of which are related to the Enterprise Fraud Risk Management Solution. We have implemented the Enterprise Fraud Risk Management Solution, which went live on June 30, 2021, and reported the same to the RBI. We plan to implement enhanced IT systems for better data management, and the same is in progress.

In addition, there have been instances of delays in the submission of compliance certificates as required under the Pension Fund Regulatory and Development Authority (Aggregators) Regulations, 2015. Pursuant to the audit and inspection report for FY 2016-2017 issued by the auditor appointed by the NPS Trust and the subsequent letters issued by the NPS Trust, our Corporate Promoter and our Bank were directed to, among other things, compensate 1,771 subscribers for the delay in uploading the subscriber contribution file ("SCF") and transferring funds to the trustee bank. Accordingly, our Corporate Promoter was required to compensate its NPS subscribers for an amount aggregating to ₹142,470. Pursuant to its letter dated January 2, 2020, our Corporate Promoter has communicated to the NPS Trust that out of this total compensation amount of ₹142,470 payable to 1,771 subscribers, a compensation amount of ₹134,600, pertaining to 1,686 subscribers has been paid by our Corporate Promoter and that the remaining amount has not been paid owing to technical difficulties, i.e., completion of 60 years of age of certain subscribers or completion of withdrawal process by certain subscribers. Accordingly, our Corporate Promoter has sought guidance from the NPS Trust on how to complete this process. Based on the approval from the NPS Trust, our Corporate Promoter sent a letter dated July 28, 2020 to the PFRDA informing them that, out of the remaining amount of ₹7,870 pertaining to 85 subscribers, a compensation amount of ₹5,860 pertaining to 60 subscribers has been transferred. Subsequently, the Corporate Promoter has sent a letter dated March 24, 2021 to the NPS Trust, saying that the remaining compensation amount of ₹2,010 pertaining to 25 subscribers has been transferred and the withdrawal process has been completed. We have yet to receive written communication from PFRDA in this regard.

Any significant deficiencies identified by the RBI in a final inspection report or other observations made that we are unable to rectify to the RBI's satisfaction could lead to sanctions (such as restrictions being applied on carrying out certain business activities or our ability to obtain the regulatory permits and approvals required to expand our business) and penalties being imposed by the RBI on our Bank, which could materially and adversely affect our reputation, business, financial condition, results of operations and cash flows.

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

We are regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI that apply to small finance bank ("**SFBs**"). The Banking Regulation Act limits the flexibility of shareholders and management of an SFB in many ways, including by way of specifying certain matters for which a banking company would require RBI approval. The RBI In-Principle Approval, RBI Final Approval, SFB Licensing Guidelines, SFB Operating Guidelines, the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 and Reserve Bank of India Guidelines on Acquisition and Holding of Shares dated January 16, 2023 requires us to comply with certain conditions in order to operate our business. For further details on these regulatory requirements and prudential norms, see "*Key Regulations and Policies*" on page 187. In case we fail to comply with the applicable directives and reporting requirements or meet the prescribed prudential norms, the RBI may charge penalties, 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 RBI approval in the future, or even cancel our banking license. If we are unable to comply with laws and regulations applicable to an SFB, it may have an adverse effect on our business, financial condition, results of operations and cash flows.

We have highlighted below some of the more material rules and regulations that we need to comply with as an SFB. Unless stated otherwise, we are in compliance with all of the following rules and regulations as on date of this Draft Red Herring Prospectus.

Restrictions relating to advances

The maximum loan size and investment limit exposure to a single and group borrower is restricted to 10.00% and 15.00% of our capital funds, respectively. In addition, at least 50.00% of our loan portfolio is required to constitute advances of up to ₹2.50 million.

We are also prohibited from exposure in terms of advances to our Directors, companies in which our Directors are interested, our Promoters, major shareholders (holding 10.00% or more of our paid-up equity share capital), relative (as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder) of our Individual Promoter and entities in which our Promoters, relatives of our Individual Promoter and major shareholders have significant influence or control (as defined under applicable accounting standards).

Maintenance of cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR")

We are currently required to maintain a CRR of a minimum of 4.50% of our demand and time liabilities with the RBI, on which no interest is paid. Due to the COVID-19 pandemic, from the fortnight beginning on March 27, 2021, the RBI raised the minimum CRR from 3.00% to 3.50% of net demand and time liabilities, which was revised to 4.00% from the fortnight beginning on May 22, 2021, and further revised to 4.50% from May 21, 2022. In addition, we are also currently required to maintain SLR equivalent to 18.00% of our net demand and time liabilities in cash and invested in Government and other RBI-approved securities. The table below sets forth our CRR and SLR as the dates indicated. which were above the minimum CRR and SLR required by the RBI as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CRR	4.54%	4.69%	3.39%
SLR	24.04%	29.13%	35.23%

As an SFB, our net interest margin, which is the difference of interest earned and interest expended divided by the average interest-earning assets ("**Net Interest Margin**") calculated on the basis of a quarterly average and return on net worth may be adversely affected, as we are required to set aside resources to meet the RBI's CRR and SLR requirements. Maintaining the CRR and SLR may impose liquidity constraints on us by reducing the amount of cash available with us for lending. In the event that the CRR or SLR requirements applicable to us are increased in the future, our ability to make advances would be correspondingly further reduced, which may adversely affect our business, financial condition, results of operations and cash flows.

Maintenance of capital to risk (weighted) assets ratio ("CRAR")

As per the SFB Operating Guidelines and the Master Circular – Basel II Capital Regulations, we are required under applicable laws and regulations to maintain a minimum CRAR, which is currently 15.00% of the risk weighted assets ("**RWAs**"), on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital of at least 7.50% of the RWAs and Tier II capital of not more than 100.00% of the Tier I capital. The table below sets forth our CRAR and Tier 1 capital, which were above the minimum CRAR and Tier I capital required by the RBI, as at the dates indicated.

	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CRAR	19.83%	18.64%	24.23%
Of which:			
Tier 1 capital	*18.12%*	*16.16%*	*21.54%*

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

As we continue to grow our loan portfolio and asset base, we may be required to raise additional capital in order to continue to meet applicable CRARs with respect to our business. We cannot assure you that we will be able to raise adequate additional capital in the future on terms favourable to us, or at all, which may adversely affect the growth of our business.

Maintenance of priority sector lending requirements

As an SFB, we are required to extend 75.00% of our adjusted net bank credit ("**ANBC**") to the sectors eligible for classification as PSL by RBI, such as agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and other sectors. The PSL requirements applicable to an SFB are significantly higher than the PSL limits applicable to other scheduled commercial banks, which could subject us to higher delinquency rates and may limit our funding from securitizations and assignments to comply with such requirements. In case of any shortfall by us in meeting the PSL requirements, we would subsequently be required to place the allocated amount by RBI in an account with the National Bank for Agriculture and Rural Development under the Rural Infrastructure Development Fund Scheme, or with other institutions specified by the RBI, which may earn lower rates of interest, compared to other interest-bearing securities. We were in compliance with the PSL requirements as at March 31, 2023, 2022 and 2021. Any failure to comply with the PSL requirements could have an adverse effect on our business, financial condition, results of operations and cash flows.

Banking outlets in unbanked rural centres

At least 25.00% of our total banking outlets, which comprises our Branches and business correspondent–operated banking outlets, are required to be located in unbanked rural centres. Left Wing Extremism affected districts as notified by the Government are considered as equivalent to unbanked rural centres as per RBI guidelines. The table below sets forth the number of our banking outlets in unbanked rural centres and as a percentage of our total banking outlets as at the dates indicated.

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
Banking Outlets	Number of banking outlets (actual number, not in million)	% of total banking outlets	Number of banking outlets (actual number, not in million)	% of total banking outlets	Number of banking outlets (actual number, not in million)	% of total banking outlets
Unbanked rural centres(1)	187	26.71%	174	30.26%	172	31.27%
Total	**700**	**100.00%**	**575**	**100.00%**	**550**	**100.00%**

Note:

(1) Includes Left Wing Extremism affected districts as notified by the Government, which are equivalent to unbanked rural centres as per RBI guidelines.

Restrictions relating to the Equity Shares

The RBI In-Principle Approval, RBI Final Approval, SFB Licensing Guidelines and SFB Operating Guidelines require us to comply with certain restrictions relating to the Equity Shares, including, among others:

- We are required to be owned and controlled by residents of India in accordance with the Foreign Exchange Management Act, 1999 ("**FEMA**") at all times from the date of commencement of our business, which we are in compliance with;

- Our Promoters are required to reduce their shareholding to 26.00% of our paid-up Equity Share Capital or voting rights after the completion of 15 years from the commencement of our business operations which was on March 10, 2017 as per the Reserve Bank of India Guidelines on Acquisition and Holding of Shares dated January 16, 2023 read with Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023. During the period prior to the completion of the 15 years, our Promoters may be allowed to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan submitted by our Bank and approved by the RBI with such conditions as it deems fit. Our Promoters hold 69.40% of our Pre-Offer paid-up Equity Share capital and following the Offer (assuming all of the Equity Shares offered in the Offer are sold), our Promoters will hold [●]% of our Post-Offer paid-up Equity Share capital). For further details, see "- *Our Promoters will continue to exercise significant influence over our Bank after the completion of the Offer*" on page 58;

- We are required to maintain a minimum paid-up Equity Share capital and a minimum net worth of ₹1.00 billion, which we were in compliance with as at March 31, 2023, 2022, and 2021;

- No Shareholder will be entitled to exercise voting rights in excess of 26.00% of the total voting rights of all Shareholders;

- An investor proposing to acquire shares in our Bank (directly or indirectly) where the aggregate holding of such investor, their relatives, associate enterprise or persons acting in concert, entitles the investor to hold 5.00% or more of the paid-up share capital of our Bank or 5.00% or more of the voting rights in our Bank will need to apply for the RBI's approval; and

- The Equity Shares were required to be listed on a stock exchange in India before July 31, 2021, which we were unable to comply with. For further details, see " – *We could be subject to various sanctions and penalties by the RBI for failing to comply with the requirement to list the Equity Shares on a stock exchange in India before July 31, 2021*" on page 30.

In addition, in the past, there have been certain instances of ATM cash-out penalties aggregating to ₹0.05 million imposed by the RBI for any ATM being out of cash for more than 10 hours in a month under the provision of the Banking Regulation Act, 1949 and the RBI circular titled "Monitoring of Availability of Cash in ATMs" dated August 10, 2021. We have made the payments in respect of such penalties imposed.

9. If we are unable to control the level of gross NPAs in our portfolio effectively or if we are unable to improve our Provisioning Coverage Ratio, our business, financial condition, results of operations and cash flows could be adversely affected.

The following table sets forth details on our NPAs, advances, provisions, technical write-offs and Provision Coverage Ratio as at and for the years ended March 31, 2023, 2022 and 2021.

	As at and for the year ended March 31,		
	2023	**2022**	**2021**
Opening balance of Gross NPAs at the beginning of the year	9,495.94	5,639.97	1,008.61
Additions during the year	7,190.49	6,424.56	4,734.65
Less: Reductions during the year on account of recovery	294.61	210.14	23.84
Less: Reductions during the year on account of upgradations	2,026.21	1,613.90	79.45
Less: Reductions during the year on account of write-offs (including technical write-offs)	4,965.95	744.55	-
Less: Reductions during the year on account of sale of NPAs to an asset reconstruction company	5,882.76	-	-
Gross NPAs at the end of year [A]	3,516.90	9,495.94	5,639.97
Total provision towards NPAs at the end of the year [B]	1,937.96	4,936.38	2,474.19
Net NPAs [C = A – B]	1,578.94	4,559.56	3,165.78
Gross Advances [D]	141,181.27	121,306.43	84,150.05
Net Advances [E = D – B]	139,243.31	116,370.05	81,675.86
Gross NPAs as a percentage of gross advances [F = A / D] (%)	2.49	7.83	6.70
Net NPAs as a percentage of net advances [G = C / E] (%)	1.13	3.92	3.88
Provision for standard assets (1) [H]	896.57	2,177.65	1,241.42
Total of provision towards NPAs and provision towards standard assets (1) [I = B + H]	2,834.53	7,114.03	3,715.61
Total of provision towards NPAs and provision towards standard assets held as percentage of gross advances (%) [J = I / D]*	2.01	5.86	4.41
Total provision towards NPAs held as percentage of gross NPAs (%) [K = B / A]*	55.10	51.98	43.87
Outstanding balance of technical written-off accounts [L]	127.13	1,728.03	1,063.33
Provision Coverage Ratio [M = (B+L)/(A+L)] (%)(2)	56.67	59.38	52.77

***Notes*:**

1. *The COVID-19 pandemic has adversely affected the world economy, including India. The extent to which the COVID-19 pandemic will continue to adversely affect our operations and asset quality will depend on the future developments, which are uncertain. Considering the prevailing uncertainty over the business due to COVID-19 pandemic, we held provisions of ₹132.40 million, ₹660.60 million and ₹404.00 million as at March 31, 2023, 2022 and 2021, respectively, against the potential effect of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID-19 norms). The provisions we held were in excess of the RBI prescribed norms.*
2. *Provision Coverage Ratio is computed as a percentage of total provisions towards gross NPAs as at the fiscal year end plus outstanding balance of technical written off accounts as at the fiscal year end divided by the sum of gross NPAs plus outstanding balance of technical written off accounts as at the fiscal year end.*

(*) Non-GAAP financial measure.

Our gross NPAs may increase in the future, due to numerous factors, including a new variant of COVID-19 emerging or the effects of any new pandemics or epidemics, the occurrence of other natural disasters, adverse effects on our borrowers' businesses, a rise in unemployment, slow business growth, changes in customer behaviour and demographic patterns and central and state government policies and regulations (including agricultural loan waivers that may affect our agricultural portfolio in the short-term). While we believe that we have appropriate internal controls, our credit monitoring and risk management policies and procedures may not be accurate, properly designed, 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 accurate and appropriate, we may be unable to anticipate future economic or financial developments or downturns, which could lead to an increase in our gross

NPAs. As at March 31, 2023, we used the services of 32 third-party collection agencies for collection of retail loans (except gold loans and retail loans that are sourced through business correspondents) that are SMA1 onwards and non-performance by them may lead to further delinquencies and an increase in gross NPAs. Our agreements with these third-party collection agencies all expire on March 31, 2024. Furthermore, it was noted by the RBI in its risk assessment report for its on-site inspection for supervisory evaluation undertaken from August 22, 2022 to September 2, 2022 and from September 12, 2022 to September 23, 2022 and an off-site analysis of the data and information furnished by our Bank, that there was a lag in our system-based identification of NPAs and our core banking solution was not equipped to arrive at the provisioning requirements in respect of NPAs. We have informed the RBI in our April 2023 compliance status for the risk assessment report that provisioning requirements for NPAs are automated through a solution outside the core banking solution and that we aim to ensure the straight-through processing for updating provisions into the core banking solution is set up by September 30, 2023.

There can be no assurance that our Provision Coverage Ratio 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 recoveries with respect to such NPAs do not materialize in time or at all.

Accordingly, if we are unable to control the level of our gross NPAs, it would have an adverse effect on our financial condition, results of operations and cash flows.

10. Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which 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 the 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 past, there have been delays in complying with certain provisions of the Listing Regulations. For instance, in January 2020, the Department of Debt and Hybrid Securities of SEBI observed, among other things, that there was a delay in the submission of compliance certificate to the stock exchange as required under Regulation 7(3) of the Listing Regulation for the half year ended September 30, 2018 and for the year ended March 31, 2019, and a delay in the submission of specified line items along with the half yearly financial results for the half year ended September 30, 2018 as required to be submitted under Regulation 52(4) of the Listing Regulations, along with the signed certificate from the debenture trustee as required under Regulation 52(5) of the Listing Regulations. Additionally, our Bank submitted an undertaking to BSE as required under Regulation 52(7) of the Listing Regulations for the financial year ended March 31, 2018 on March 10, 2020. There was an inadvertent delay in submitting such undertaking. While no actions were taken against us in relation to the foregoing, we cannot assure you that SEBI or any other regulatory authority will not take any actions against us or make similar observations in the future. There have been no instances since April 1, 2020 where we have failed to comply with the rules and regulations applicable to our listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of securities and the freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

11. Volatility in interest rates could cause our Net Interest Margin to decline and adversely affect our results of operations and cash flows. In addition, an increase in interest rates results in a decrease in the value of our fixed income investments and as a result of the RBI-mandated reserve requirements, we are also more structurally exposed to this risk than banks in many other countries.

Our results of operations are substantially dependent upon the amount of our Net Interest Income. The table below sets forth our Net Interest Income for the Fiscals indicated.

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million, except for percentages)		
Interest earned [A]	28,536.59	19,399.25	16,411.73
Interest expended [B]	10,173.19	7,927.86	7,195.82
Net Interest Income [C] = [A] - [B]	18,363.40	11,471.39	9,215.91

Our Net Interest Income is significantly dependent on our average performing advances for a particular period and our Net Interest Margin. Our interest earning assets are our advances and investments. Our interest-bearing liabilities are our deposits and our borrowings. The table below sets forth the amount and percentage of our advances, investments, deposits and borrowings on fixed or floating interest rates as at the date provided.

Particulars	As at March 31, 2023			
	Floating interest rates		Fixed interest rates	
	Amount (₹ in million)	% on floating interest rates	Amount (₹ in million)	% on fixed interest rates
Advances	24,344.62	17.24%	116,836.65	82.76%
Investments	-	-	48,885.28	100.00%
Deposits	-	-	146,656.25	100.00%

Particulars	As at March 31, 2023			
	Floating interest rates		Fixed interest rates	
	Amount (₹ in million)	% on floating interest rates	Amount (₹ in million)	% on fixed interest rates
Borrowings	-	-	33,541.95	100.00%

Interest rates are highly sensitive and volatility in interest rates could be a result of many factors, including the RBI's monetary policies, deregulation of the financial services sector in India, domestic and international economic and political conditions, inflation and economic policies in India.

In a rising interest rate environment, if the yield on our interest-earning assets does not increase simultaneously with or to the same extent as our cost of funds, and conversely, in a declining interest rate environment, if our Cost of Funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our Net Interest Income and Net Interest Margin would be adversely affected. While any reduction in the interest rates we pay on our deposits and borrowings may be passed on to customers for our loans, we are unable to pass on any increase in interest rates at which we lend to our customers who have existing loans on fixed interest rates. Competitive pressure may also require us to reduce the interest rates at which we lend to our customers without a proportionate reduction in interest rates at which we raise funds. Our customers may also prepay their loans to take advantage of a declining interest rate environment. An increase in the interest rates charged by us on our advances could result in our customers, particularly those with variable interest rate loans, prepaying their loans if less expensive loans are available from other sources.

In addition, as a result of the RBI-mandated reserve requirements, we are also more structurally exposed to interest rate risk with respect to fixed income securities than banks in many other countries. Under the RBI regulations, our liabilities are subject to the SLR requirement such that a minimum specified percentage, currently 18.00%, of a bank's net demand and time liabilities must be invested in cash, Government securities and other RBI approved securities. These securities generally carry fixed coupons and, in an environment of rising interest rates, the value of Government securities and other fixed income securities decline. The table below sets forth our fixed rate securities as a percentage of our SLR portfolio as at the date indicated.

	As at March 31, 2023	
	Amount (₹ in million)	% of SLR portfolio
SLR portfolio	47,421.02	100.00%
Of which:		
Fixed rate securities	*47,421.02*	*100.00%*

In addition to our SLR portfolio, we also invest in other fixed income securities. For further details, see "*Selected Statistical Information-Investment Portfolio*" on page 247.

Investments are classified into three categories, viz, held to maturity ("**HTM**"), available for sale ("**AFS**") and held for trading ("**HFT**") at the time of purchase as per guidelines issued by RBI. Investments we intend to hold until maturity are classified as HTM category. Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category. Investments which are not classified in either of the above two categories are classified under AFS category.

HTM securities are carried at their acquisition cost. Any premium on acquisition of government securities is amortised over the remaining maturity of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

AFS and HFT securities are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is measured with respect to the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. ("**FBIL**"), based on the relevant RBI circular.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the yield to maturity rates, shall be with a mark-up (reflecting associated credit risk) over the yield to maturity rates for government securities put out by the Fixed Income Money Market and Derivatives Association of India/FBIL. Securities are valued scrip wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

Treasury bills and certificate of deposits, being discounted instruments, are valued at carrying cost. Non-performing investments are identified and valued based on RBI guidelines.

With a view to building up of adequate reserves to protect against increase in yields, in accordance with RBI guidelines, we started an Investment Fluctuation Reserve with effect from Fiscal 2019. The amount transferred to the Investment Fluctuation Reserve is not less than lower of the following:

i. net profit on sale of investments during the year or

ii. net profit for the year less mandatory appropriations, until the amount of Investment Fluctuation Reserve is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the Investment Fluctuation Reserve shall be utilized by way of draw down, in accordance with the provisions of the RBI guidelines.

The table below shows the Investment Fluctuation Reserve as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million)		
Investment Fluctuation Reserve	321.42	261.94	41.27

The table below shows our provisions for investments for the Fiscals indicated.

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million)		
Provisions for investments	1,019.99	239.35	6.88

Our provisions for investments increased by 326.15% from ₹239.35 million for Fiscal 2022 to ₹1,019.99 million for Fiscal 2023 due to increasing interest rates, which resulted in the depreciation of the value of our fixed income investments.

There can be no assurance that we will be able to adequately manage our interest rate risk in the future, which could have an adverse effect on our financial condition, results of operations and cash flows.

12. We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our financial condition, results of operations and cash flows.

We face liquidity risks due to mismatches in the maturity of our assets and liabilities. For details on the maturity profile of our liabilities and assets as at March 31, 2023, see "*Selected Statistical Information – Asset Liability Gap*" on page 250. For details on the maturity pattern of certain items of our assets and liabilities as at March 31, 2023, 2022 and 2021, as per the disclosure prepared in line with the RBI Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021 (as amended) see "*Financial Statements – Note 19 - Notes to Accounts Forming Part of Restated Financial Information – Disclosures as Laid Down by RBI Circulars – Note 2 - Asset Liability Management*" on page 285. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to an asset liability mismatch for certain periods. Mismatches between our assets and liabilities are compounded in case of pre-payments of the advances we grant to our customers. Further, asset liability mismatches create liquidity surplus or liquidity crunch situations and depending upon the interest rate movement, such situations may adversely affect our Net Interest Income. Although we have implemented procedures and policies that are designed to mitigate our liquidity risks, if we are unable to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner or at all, it may lead to mismatches between our assets and liabilities, which could adversely affect our financial condition, results of operations and cash flows. For details on how we manage our liquidity risks, see "*Our Business – Risk Management – Market Risk Management – Liquidity risk*" on page 179.

13. COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows.

The World Health Organization (WHO) declared the outbreak of COVID-19 a global pandemic on March 11, 2020. The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks on all services except for essential services (which included banking outlets and ATMs), which was extended to May 31, 2020. Although the nation-wide lockdown was lifted on June 1, 2020, restrictions on non-essential activities and travel were imposed until August 31, 2020 in multiple states across specific districts that were witnessing increases in COVID-19 cases. On September 1, 2020, the Government's notification dated August 29, 2020 that all states to allow economic activities to function normally while continuing with restrictions only in containment zones came into effect.

India witnessed a second wave of COVID-19 at the end of February 2021, leading to state governments imposing curfews and lockdowns in an attempt to control the spread of COVID-19. Since March 25, 2020, we have closed down our Branches at different points of time in order to comply with state and local COVID-19-related regulations. In particular, on May 6, 2021, the Government of Kerala notified a state-wide lockdown from May 8, 2021 to May 16, 2021, which was extended until July 15, 2021, during which banks were permitted to remain open for a limited number of hours per day, on alternate days (i.e., Monday, Wednesday and Friday), with minimal staff. Our banking outlets in Kerala were permitted to operate on all five weekdays from July 15, 2021 onwards. The table below sets forth the number of our banking outlets located in and outside Kerala as at the date provided.

Particulars	As at March 31, 2023	
	Number of banking outlets	% of total banking outlets
Banking outlets in Kerala	304	43.43%

Particulars	As at March 31, 2023	
	Number of banking outlets	% of total banking outlets
Banking outlets outside Kerala	396	56.57%
Total banking outlets	700	100.00%

Pursuant to the RBI's circulars, we granted a full or partial moratorium on the payment of all loan instalments falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers who requested the moratorium. As per the RBI's directions, loans that benefited from the moratorium were not classified as NPAs if the accounts had any instalments that fell overdue during the moratorium period. The RBI circulars in relation to the moratorium required us to make provisions of up to 10.00% on loans that are subject to moratorium and that were overdue but standard as at February 29, 2020.

The Supreme Court of India in *Gajendra Sharma v. Union of India & Anr.*, vide its interim order dated September 3, 2020 directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders. On March 23, 2021, in *Small Scale Industrial Manufactures Association v. Union of India and others*, the Supreme Court directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. As per the RBI's notification dated April 7, 2021, for the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable RBI asset classification norms.

On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan ("**Resolution Framework 1.0**"), along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility was applicable for accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plans had to be finalized by December 31, 2020 and implemented within 180 days from the date of invocation. Restructuring of loans was also allowed for MSMEs. The table below sets forth certain details of our advances under Resolution Framework 1.0 as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million, except for percentages)		
Gross advances under Resolution Framework 1.0 [A]	143.50	169.35	192.60
Gross advances [B]	141,181.27	121,306.43	84,150.05
Gross advances under Resolution Framework 1.0 as percentage of gross advances [C] = [A] / [B] (%)	0.10	0.14	0.23

On May 5, 2021, the RBI announced the resolution framework 2.0 ("**Resolution Framework 2.0**") to protect individuals and MSMEs from the adverse effect of the second wave of COVID-19. The Resolution Framework 2.0 was applicable for accounts classified as 'Standard' as at March 31, 2021, wherein individuals and MSMEs having an aggregate loan exposure of up to ₹250 million who have not availed restructuring under any of the earlier restructuring frameworks and who were classified as 'Standard' as on March 31, 2021 were allowed to restructure their loans. Restructuring under the proposed framework was able to be invoked up to September 30, 2021 and had to be finalised and implemented within 90 days after invocation of the resolution process (with the last date to implement the restructuring for banks being December 31, 2021). The Resolution Framework 2.0 included rescheduling of loan equated monthly instalments and the granting of a moratorium as per our Board-approved policy. In accordance with Resolution Framework 2.0 and our Board approved policy, our Bank restructured loans that were standard as at March 31, 2021. For the purpose of restructuring, the balance outstanding as at the date of restructuring includes interest accrued as at such date, which is considered to be residual debt, and the equated monthly instalment is fixed for such debt by extending the tenure of the loan, if required. Our Bank also provided initial holidays at the customer's request to start repaying their loan as per Resolution Framework 2.0. Our Bank restructured 706,061 accounts amounting to ₹16,735.77 million as per Resolution Framework 2.0. The table below sets forth certain details of our advances under Resolution Framework 2.0 as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022
	(₹ in million, except for percentages)	
Gross advances under Resolution Framework 2.0 [A]	1,110.31	9,115.67
Gross advances [B]	141,181.27	121,306.43
Gross advances under Resolution Framework 2.0 as percentage of gross advances [C] = [A] / [B] (%)	0.79%	7.51%
Gross standard advances under Resolution Framework 2.0	868.33	5,515.25
Provision for gross standard advances under Resolution Framework 2.0	130.73	850.47
Gross NPAs under Resolution Framework 2.0	241.98	3,600.42
Provision for NPAs under Resolution Framework 2.0	92.68	929.88

For further details on loans restructured under Resolution Framework 1.0 and Resolution Framework 2.0, as per the disclosure prepared in line with the RBI Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021 (as amended) see "*Financial Statements – Note 4.8 – Disclosure under Resolution framework for Covid-19 related stress*" on page 302.

On October 23, 2020, the Department of Financial Services, Ministry of Finance, Government of India announced the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts, which mandates lending institutions, including our Bank, to make ex-gratia payments to borrowers with less than ₹20.00 million in total borrowings at all lending institutions by crediting, on or before November 5, 2020, the difference between simple interest and compound interest for the period between March 1, 2020 and August 31, 2020. Lending institutions could then make claims for reimbursement from the Government on or before December 15, 2020, which we did. Our claim for such reimbursement was ₹165.74 million for Fiscal 2021, which was reimbursed by the Government in Fiscal 2022.

The effects of COVID-19, including lockdowns and restrictions, led to significant disruptions for individuals and businesses, including us, and adversely affected our operations and our business correspondents' operations, including lending, collection of loan repayments and the acceptance of deposits, thereby adversely affecting our financial condition, results of operations and cash flows.

We terminated our agreement with Margdarshak, pursuant to which it acted for us as a business correspondent, effective May 31, 2021, because they were undergoing liquidity issues due to the COVID-19 pandemic and were unable to adequately manage their loan portfolio for us, which was transferred to Lahanti on June 1, 2021. For further details, including details on the checks and balances put in place to avoid such instances in the future, see " – *Our business correspondents (which includes ESMACO, a Promoter Group and Group Entity, and Lahanti, a Group Entity) have sourced the majority of our advances. All of our business correspondents provide services to us on a non-exclusive basis. If any of our business correspondents and in particular ESMACO prefer to promote our competitors' loans over our loans or the agreements between us and them are terminated or not renewed, it would adversely affect our business, financial condition, results of operations and cash flows*" on page 31.

The COVID-19 pandemic adversely affected our disbursements in Fiscal 2021. The table below shows our disbursements for Fiscals 2023, 2022 and 2021.

Particulars	**Fiscal 2023**	**Fiscal 2022**	**Fiscal 2021**
	(₹ in million)		
Disbursements	146,906.51	119,452.20	62,863.74

As a result of the second wave of the pandemic, our collection efficiency was adversely affected in April 2021 compared to the previous three months and was materially and adversely affected in May 2021. The third wave of the pandemic did not have a material adverse effect on our collection efficiency.

For further details on the effects of COVID-19, including the lockdowns and restrictions, on our business and on our financial condition, results of operations and cash flows as at and for the years ended March 31, 2023, 2022 and 2021, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Financial Condition, Results of Operations and Cash Flows – Effects of the COVID-19 Pandemic*" on page 327.

The previous sole statutory auditors of our Bank, namely, Deloitte Haskins & Sells, Chartered Accountants (the "**Previous Sole Statutory Auditors**") have included an emphasis of matters in their audit reports on our audited financial statements for Fiscals 2022 and 2021, noting that the extent to which the COVID-19 pandemic will impact our operations and asset quality will depend on future developments, which are highly uncertain.

The extent to which the COVID-19 pandemic adversely affects our businesses, results of operations, financial condition and cash flows in the future will depend on future developments that cannot be predicted, including the scope and duration of the pandemic and in particular the emergence of any new strains of COVID-19 that are more virulent, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on our customers, counterparties, employees and third-party service providers. In addition to the risks discussed above, the COVID-19 pandemic exposes us to the following risks, the occurrence of any of which could have an adverse effect on our business, financial condition, results of operations and cash flows:

- A decrease in cash flows and income of borrowers and the value of savings of borrowers could cause borrowers to default on repayments of advances, thereby increasing our NPAs and our provisions, and result in a decrease of eligible potential borrowers for new loans, thereby adversely affecting new loans.

- There could be a decrease in demand for our products due to lockdowns or other travel restrictions, an economic downturn or illness.

- Our operations and the operations of our business correspondents and other third-party service providers could be disrupted by social distancing, split-team, work from home and quarantine measures. As at March 31, 2023, we had 20 business correspondents and if their operations are disrupted, they may be unable to collect the cash from borrowers for the repayment of Microfinance Loans and Other Micro Loans or source new borrowers for such loans. In addition, due to the foregoing, our business correspondents may be unable to maintain sufficient liquidity and we may choose to provide support to them or terminate their services if they are unable to continue servicing our customers adequately.

- We could incur increased costs to ensure that we comply with any health and safety rules or regulations adopted by the Government or state governments in response to the COVID-19 pandemic.

The effects of the COVID-19 pandemic could heighten the other risks described in this "*Risk Factors*" section.

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

There are outstanding legal proceedings involving our Bank, our Promoters and our Directors. 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 and our Promoters, as applicable, are set forth below.

Category of individuals / entities	Criminal proceedings	Tax proceedings	Statutory or regulatory proceedings	Disciplinary actions by SEBI or Stock Exchanges against our Promoters in the last five years, including outstanding action	Material civil litigation	Aggregate amount involved (₹ in million)[(1)]
Bank						
By our Bank	752[#]	NA	NA	NA	1	123.05
Against our Bank	Nil	13	5	NA	Nil	288.67
Directors (excluding Individual Promoter)						
By the Directors	Nil	NA	NA	NA	Nil	Nil
Against the Directors	Nil	Nil	Nil	NA	Nil	Nil
Individual Promoter						
By Individual Promoter	Nil	NA	NA	NA	Nil	Nil
Against Individual Promoter	1	Nil	Nil	Nil[(2)]	Nil	Not quantifiable
Corporate Promoter						
By Corporate Promoter	Nil	NA	NA	NA	Nil	Nil
Against Corporate Promoter	Nil	9	2	Nil	Nil	271.39

(1) *To the extent ascertainable and quantifiable.*

(2) *Excludes directions issued by the RBI to our Bank in respect of the office of Kadambelil Paul Thomas.*

\# *Includes 627 cases filed by our Bank for alleged violation of Section 138 of the Negotiable Instruments Act, 1881 and 78 police complaints filed by our Bank under the IPC.*

The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally. As at March 31, 2023, our provisions and contingent liabilities for the litigation as set forth above were nil, except for with respect to fraud cases, and we have made provisions for all amounts related to such cases. 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, which would increase our expenses and current liabilities. Further, such legal proceedings could divert our management's time and attention and cause us to incur expenses. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

For further information, see "*Outstanding Litigation and Material Developments*" on page 357.

15. There is an ongoing criminal proceeding involving our Individual Promoter and if these proceedings are determined against him, it could have a material adverse effect on our reputation.

An FIR has been filed against our Individual Promoter Kadambelil Paul Thomas, in his capacity as the then managing director of our Corporate Promoter, and others, under Sections 406 and 420 of the Indian Penal Code, Section 17 of the Kerala Money Lenders Act, 1958 (the "**KMLA**") and Section 3 of the Kerala Prohibition of Charging Exorbitant Interest Act, 2012 alleging that our Individual Promoter, among other things, engaged in illegal money lending and charging high interest rates. A charge sheet has been filed against our Individual Promoter before the Judicial First Class Magistrate Court-1, Aluva, Kerala. The Individual Promoter approached the High Court of Kerala to quash the proceedings and subsequently the High Court of Kerala pursuant to its order dated March 13, 2020 granted the stay on all further proceedings, which was extended for a further period of two months pursuant its order dated September 2, 2022. In the event that the outcome of these proceedings are not favourable, our Individual Promoter may be liable for, among other things, penalties or imprisonment, which could have a material adverse effect on our reputation. For further details, see "*Outstanding Litigation and Material Developments – Litigation involving our Promoters – Litigation against Kadambelil Paul Thomas*" on page 367. The primary charge mentioned in the FIR was that the Corporate Promoter had not been registered under the KMLA, which stipulates that all financial institutions have to be registered under the KMLA. The applicability of the KMLA to NBFCs and other RBI-licensed financial institutions was challenged before the High Court of Kerala by the NBFC Welfare Association in 2007 in which our Corporate Promoter is a registered associate member. A Single Bench of the High Court of Kerala ordered that RBI-licensed NBFCs and microfinance institutions ("**MFIs**") need not obtain registration under the KMLA. A Division Bench of the same court overruled this decision and held that the registration under the KMLA is required. On appeal to the Supreme Court of India by the NBFCs operating in Kerala, the Supreme Court of India has passed an interim order directing maintenance of *status quo* of registration under the KMLA not being applicable to NBFCs and MFIs that are registered with the RBI, including our Corporate Promoter. Subsequently, the Supreme Court of India, pursuant to its order dated May 10, 2022 held that the KMLA is not applicable to the NBFCs registered under the RBI Act, 1934, and allowed all the appeals filed by the such NBFCs. This judgement could have a bearing on the outcome of the criminal proceedings initiated against our Individual Promoter, in his capacity as the then managing director of our Corporate Promoter.

16. The RBI has in the past sought clarifications on acquisition of shares by certain members of our Promoter Group (who are also our Group Entities). We cannot assure you that our holding structure will not be subject to additional scrutiny by the RBI in the future.

Pursuant to the preferential allotment made by our Bank on September 28, 2018, certain members of our Promoter Group and Group Entities, namely, ESMACO and Lahanti, acquired 21,346,993 Equity Shares and 149,738 Equity Shares, respectively, representing 4.99% and 0.03% of the issued and paid-up share capital of our Bank as at the date of this Draft Red Herring Prospectus, respectively. For further details, see "*Capital Structure*" on page 82. The RBI has pursuant to its letter dated May 13, 2019 sought clarifications on why the Equity Shares acquired by these Promoter Group entities should not be considered as Equity Shares acquired by them as persons acting in concert with our individual Promoter, Kadambelil Paul Thomas as per the provisions of Section 12B of the Banking Regulation Act read with Section 2(77) of the Companies Act, 2013. Our Bank has pursuant to its letter dated May 29, 2019 responded to this stating that Kadambelil Paul Thomas is not a person acting in concert with ESMACO, among other things, on the basis that (i) there is no significant voting power or shareholding either with Kadambelil Paul Thomas or his wife in ESMACO, as they hold only one equity share each and have one vote each in ESMACO, and (ii) Kadambelil Paul Thomas and his relatives do not hold any managerial position in ESMACO. It has further been clarified that while his wife is the honorary chairperson of ESMACO, she is not entitled to any substantial powers of management over ESMACO and is not involved in the day-to-day affairs of ESMACO. Further, in respect of the Individual Promoter's relationship with Lahanti, our Bank has stated that Kadambelil Paul Thomas is a person acting in concert with Lahanti and since Kadambelil Paul Thomas has received approval of the RBI to hold up to 10.00% of the total issued and paid-up share capital of our Bank, the aggregate shareholding of Lahanti and Kadambelil Paul Thomas in our Bank was within such cap on shareholding. Further, the RBI, pursuant to its inspection report for Fiscal 2019 dated September 7, 2020, observed that the arm's length relationship of our Bank and our group entities could not be established as our Bank had entered into agreement with ESMACO and Lahanti where the wife of Kadambelil Paul Thomas was a director and his daughter and son-in-law had substantial interests, respectively, which is also against the terms of agreement entered into with business correspondents, namely, that the business correspondents should not be owned or controlled by a relative of any director of our Bank. In order to adhere to the "Principles of Good Corporate Governance", our Bank has requested the relatives of Kadambelil Paul Thomas to relinquish their directorship on the board of directors, and divest their substantial interests in ESMACO and Lahanti in view of RBI circular on "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks" dated November 3, 2006, pursuant to which, the relatives of Kadambelil Paul Thomas relinquished their directorship from the respective boards of ESMACO and Lahanti as at March 13, 2021 and March 15, 2021, respectively, and have also divested substantial interests in Lahanti. While there has been no further correspondence with the RBI in this regard, we cannot assure you that the RBI will not seek additional clarifications or question other aspects of our holding structure in the future. Any adverse finding by the RBI with respect to our holding structure or allotments made by our Bank could adversely affect our reputation.

17. We depend on our brand recognition. Negative publicity about our brand, third parties who use the "ESAF" brand, including our Corporate Promoter, and third parties whose products we distribute could damage our reputation and, in turn, our business, financial condition, results of operation and cash flows.

The "ESAF" brand is owned by ESAF Foundation (formerly known as Evangelical Social Action Forum). We have a licence from ESAF Foundation to use the "ESAF" brand and certain logos. For details, see "*Business – Intellectual Property*" on page 183 and "*–If we fail to successfully enforce our intellectual property rights or are unable to renew our trademark licencing agreement, our business, results of operations and cash flows would be adversely affected*" on page 46. We have invested in promoting the "ESAF" brand for our Bank, and we expect to continue to invest in increasing our brand awareness. With the market becoming increasingly competitive, we believe that maintaining and enhancing our brand will become more important for our business. Reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. If we experience any negative publicity, it could adversely affect our brand and ability to attract and retain customers. In addition, the brand "ESAF" is used by other entities, including our Corporate Promoter. We have no control over the operations of these entities and our Corporate Promoter and in case any of these entities do something that adversely affects their reputation it could have an adverse effect on our reputation, and in turn on our business, financial condition, results of operations and cash flows.

Furthermore, we distribute several third-party products, including life insurance, general insurance, Atal Pension Yojana and the National Pension System. We have no control over the actions of such third parties. Any regulatory action taken against such third parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely affect our reputation.

18. If we fail to successfully enforce our intellectual property rights or are unable to renew our trademark licencing agreement, our business, results of operations and cash flows would be adversely affected.

We have entered into a trademark licencing agreement dated January 5, 2020 with ESAF Foundation (the "**Trademark Agreement**"), pursuant to which ESAF Foundation has granted our Bank an exclusive, irrevocable license and right to use the trademarks , , , , "CREATING OPPORTUNITIES" and "FIGHTING THE PARTIALITY OF PROSPERITY", which are registered trademarks of the ESAF Foundation under certain classes, and "ESAF" (word mark), of which the application status is 'opposed' (collectively, the "**Trademarks**"), exclusively in relation to the banking and financial services business subject to the rights already enjoyed and granted to our Corporate Promoter and ESMACO to use the mark and name "ESAF" in respect of their current business activities. Further, pursuant to the Trademark Agreement, our Bank has agreed to hold the trademark "ESAF SMALL FINANCE BANK", which is a registered trademark of the Bank, and any other mark registered by us containing "ESAF" in trust for the ESAF Foundation for so long as the Trademark Agreement is in force. The exclusive license is valid for a period of 15 years from January 5, 2020 ("**Term**") or until such time that it is terminated as per the Trademark Agreement. The consideration for the grant of the license for the Trademarks is 0.30% of the total income (calculated as the sum of interest earned and other income) or 2.50% of the net profit of our Bank, whichever is less (exclusive of applicable indirect taxes), as recorded in the audited financial statements of the respective financial year, payment of which commenced from April 1, 2020, and shall be annually payable on September 30 of the subsequent financial year. Set forth below is a table showing the amounts payable to ESAF Foundation for use of the Trademarks pursuant to the Trademark Agreement and such amounts as percentage of our total income for the Fiscals indicated.

	For the year ended					
	March 31, 2023		**March 31, 2022**		**March 31, 2021**	
	Amount (₹ in million)	**% of total income**	**Amount (₹ in million)**	**% of total income**	**Amount (₹ in million)**	**% of total income**
Amount payable to ESAF Foundation for use of the Trademarks	84.95	0.27%	14.36	0.07%	26.85	0.15%
Total income	31,415.72	100.00%	21,475.08	100.00%	17,684.21	100.00%

Prior to entering into the Trademark Agreement, we did not pay any fees to use ESAF Foundation's trademarks. Our Individual Promoter, Managing Director and Chief Executive Officer, Kadambelil Paul Thomas, is a board member of ESAF Foundation.

The Trademark Agreement shall stand automatically terminated: (a) in the event that our Bank goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation); or (b) upon revocation of our banking license by the RBI. Upon expiry of the Term or termination of the Trademark Agreement, our Bank shall be required to immediately, among other things: (i) cancel its registered trademark "ESAF SMALL FINANCE BANK" and any other application/registration for trademarks in its name containing "ESAF"; (ii) discontinue the use of the Trademarks, and dispose any material bearing or using the Trademarks; and (iii) change or procure to change its corporate name and/or trading style in such a manner so as to delete "ESAF" therefrom. If we change our corporate name, trading name, trademarks and logos, this may cause a loss of goodwill and result in increased costs, which would adversely affect our business, results of operations and cash flows.

For further details on the Trademark Agreement, see "*History and Certain Corporate Matters – Key terms of other subsisting material agreements*" on page 209.

At present, we have two trademark registrations for our corporate logos, i.e., and . Further, our application for the registration of the wordmark "Joy of Banking" has been refused by the Trademark Registry. Further, the application status of "ESAF" (word mark) was opposed by ESAB AB, Goteborg, Sweden under certain classes on July 16, 2018, and on July 14, 2021, Evangelical Social Action Forum filed an application to withdraw from the classes that have been objected to. The Bank is using the "ESAF" (word mark) under class 36, which has not been opposed. There can be no assurances that these applications will be successful or that we will be able to gain trademark protection over other key business 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. Unauthorized use of our intellectual property rights by third parties could adversely affect our reputation. Any adverse outcome in such legal proceedings or our failure to successfully enforce our intellectual property rights could adversely affect our ability to use intellectual property, which could have an adverse effect on our business, results of operations and cash flows. For further details on our intellectual property, see "*Government and Other Approvals – Intellectual Property*" on page 375.

19. Our business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu, and any adverse change in the economy of South India could have an adverse effect on our financial condition, results of operations and cash flows.

Our business is concentrated in South India, particularly in the states of Kerala and Tamil Nadu. While our operations are spread out across India, a significant number of our banking outlets are located in South India, especially Kerala and Tamil Nadu, and a majority of our gross advances and deposits are from customers in South India, especially Kerala and Tamil Nadu. We do not have a documented diversification plan in terms of products as well as regions.

The table below sets forth the number of our Banking outlets in South India, including Kerala and Tamil Nadu, and the rest of India and as a percentage of our total banking outlets as at the dates indicated.

Particulars	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Number of banking outlets	**% of total banking outlets**	**Number of banking outlets**	**% of total banking outlets**	**Number of banking outlets**	**% of total banking outlets**
Total banking outlets in South India(1)	437	62.43%	406	70.61%	396	72.00%
Of which:						
Kerala	*304*	*43.43%*	*279*	*48.52%*	*277*	*50.36%*
Tamil Nadu	*97*	*13.86%*	*93*	*16.17%*	*91*	*16.55%*
Total banking outlets in the Rest of India(2)	263	37.57%	169	29.39%	154	28.00%
Total banking outlets	**700**	**100.00%**	**575**	**100.00%**	**550**	**100.00%**

Notes:

(1) South India comprises Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Telangana and the Union Territory of Puducherry.

*(2) Rest of India comprises Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Maharashtra, Meghalaya, New Delhi, Odisha, Rajasthan, Union Territory of Chandigarh, West Bengal and Uttar Pradesh as at March 31, 2021, Uttarakhand (in addition to the foregoing) as at March 31, 2022 and Tripura (in addition to the foregoing) as at March 31, 2023 (the "**Rest of India**").*

The table below sets forth our gross advances from South India, including Kerala and Tamil Nadu, and the rest of India and as a percentage of our gross advances as at the dates indicated.

Particulars	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Advances (₹ in million)	**% of gross advances**	**Advances (₹ in million)**	**% of gross advances**	**Advances (₹ in million)**	**% of gross advances**
Gross advances from South India	102,154.23	72.36%	88,718.37	73.14%	67,392.26	80.09%
Of which:						
Kerala	*60,379.97*	*42.77%*	*55,329.21*	*45.61%*	*47,102.12*	*55.97%*
Tamil Nadu	*31,421.90*	*22.26%*	*27,630.51*	*22.78%*	*16,694.15*	*19.84%*
Gross advances from the Rest of India	39,027.04	27.64%	32,588.06	26.86%	16,757.79	19.91%
Gross advances	**141,181.27**	**100.00%**	**121,306.43**	**100.00%**	**84,150.05**	**100.00%**

The table below sets forth our deposits from South India, including Kerala and Tamil Nadu, and the rest of India and as a percentage of our total deposits as at the dates indicated.

Particulars	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Advances (₹ in million)	**% of total deposits**	**Advances (₹ in million)**	**% of total deposits**	**Advances (₹ in million)**	**% of total deposits**
Deposits from South India	130,739.31	89.15%	112,690.52	87.93%	82,355.24	91.51%
Of which:						
Kerala	*122,534.14*	*83.55%*	*105,325.81*	*82.19%*	*77,857.62*	*86.51%*
Tamil Nadu	*5,145.27*	*3.51%*	*3,789.33*	*2.96%*	*2,486.50*	*2.76%*
Deposits from the Rest of India	15,916.93	10.85%	15,460.20	12.07%	7,639.02	8.49%
Total deposits	**146,656.25**	**100.00%**	**128,150.72**	**100.00%**	**89,994.26**	**100.00%**

Any disruption, disturbance or sustained downturn in the economy of, or any adverse geological, ecological or political circumstances in South India, in particular in the states of Kerala and Tamil Nadu, could adversely affect our business, financial condition, results of operations and cash flows.

20. If we are unable to secure funding on acceptable terms and at competitive rates when needed, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our funding requirements historically have been met from a combination of shareholder capital and funds generated from, deposits, borrowings from other institutions, subordinated debt, borrowings from other banks and perpetual debt instruments. Unless we are able to access the necessary amounts of additional capital, any incremental capital requirement may adversely affect our ability to grow our business and may even require us to curtail or withdraw from some of our current business operations. There can also be no assurance that we will be able to raise adequate additional funding in the future on terms favourable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

Our Tier II Bonds (Basel III) issued by us in the form of subordinated debt instruments and also our proposed Tier II Bonds (Basel III) are rated by CARE Ratings Limited as "CARE A; Stable". Our proposed certificate of deposits are rated by CARE Ratings India Limited as "CARE A1+". Our ratings history for the past three Fiscals is as follows:

Rating history	Fiscal 2023	Fiscal 2022	Fiscal 2021
Tier II Bonds (Basel III)	CARE A; Negative(1)	CARE A; Negative	CARE A; Stable
Certificate of deposits	CARE A1+(2)	CARE A1+	CARE A1+

Notes:

(1) On July 4, 2023, CARE Ratings Limited reaffirmed the rating and revised the outlook from Negative to Stable.

(2) On July 4, 2023, CARE Ratings Limited reaffirmed the rating.

Any downgrade in our 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 business, financial condition, results of operations and cash flows.

21. The Indian finance industry is intensely competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows.

The Indian finance industry is intensely competitive. We face intense competition in all our principal products and services.

Loans in the microfinance sector are provided by banks, SFBs, non-banking finance company-microfinance institutions ("**NBFC-MFIs**"), other non-banking finance companies ("**NBFCs**"), and non-profit organisations. Banks provide loans under the self-help group model. However, they also disburse 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. The RBI has awarded in-principle SFB licences to 12 applicants as of March 31, 2023. All the MFI applicants received final approval from the RBI to start operations. These 12 SFBs, including us, cumulatively accounted for approximately 13% of the total AUM of the industry as at March 31, 2023. (*Source: CRISIL MI&A Report*). Our AUM of Micro Loans was ₹122,548.83 million as at March 31, 2023, which represented 3.63% of the microfinance sector's (JLG portfolio) AUM of approximately ₹3.38 trillion as at March 31, 2023 as per the CRISIL MI&A Report. For further details, see "*Industry Overview – Competitive Dynamics*" on page 143.

Our competitors in the organized sector may have a better brand recognition, greater business experience, more diversified operations, a greater customer and depositor base, a larger branch network and better access to funding and at lower costs than we do. Furthermore, certain requirements that are applicable to SFBs in terms of the SFB Operating Guidelines and other banking laws and regulations are significantly more stringent in comparison to scheduled commercial banks and NBFCs. Ensuring compliance with these laws and regulations has and will continue to limit our revenue, thereby making it more difficult to compete with other players in the organized sector. For further details, see "*–We are subject to stringent regulatory requirements and prudential norms. If we are unable to comply with such laws, regulations and norms it may have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 36. In addition, we compete with informal sources of lending for Micro Loans, including moneylenders, landlords, local shopkeepers and traders.

On December 5, 2019, the RBI issued guidelines for on-tap licensing of SFBs, which allows applicants to apply for an SFB license at any time, subject to the fulfilment of certain eligibility criteria and other conditions. We expect this to increase competition for us. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increases in operations of existing competitors or the entry of additional banks offering a similar or wider range of products and services could also increase competition. Further, with the advent of technology-based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn adversely affect our results of operations. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process.

If we are unable to compete effectively, it would adversely affect our business, financial condition, results of operations and cash flows.

22. If we fail to effectively manage our growth, our business may be adversely affected.

The table below shows the year-on-year growth in our AUM, total deposits and number of banking outlets as at the dates indicated.

	As at March 31, 2023	% increase / (decrease) from March 31, 2022	As at March 31, 2022	% increase / (decrease) from March 31, 2021	As at March 31, 2021
AUM (₹ in million)	163,312.65	32.34%	123,406.91	46.46%	84,259.30
Total deposits (₹ in million)	146,656.25	14.44%	128,150.72	42.40%	89,994.26

	As at March 31, 2023	% increase / (decrease) from March 31, 2022	As at March 31, 2022	% increase / (decrease) from March 31, 2021	As at March 31, 2021
Number of banking outlets	700	21.74%	575	4.55%	550

We intend to deepen our distribution within the states and territories we operate in by, among other things, opening additional Branches. Our newly opened Branches may not be profitable immediately upon their opening or may take time to break even. We also intend to deepen our distribution within the states and territories we operate in by having business correspondents open more business correspondent-operated banking outlets and customer service centres, and encouraging them to enter into agreements with more banking agents, entering into relationships with new business correspondent entities, business facilitators and banking agents and adding ATMs. For details, see "*Our Business-Our Strategies-Penetrate deeper into our existing geographies*" on page 162. As we plan to deepen our distribution within the states and union territories we operate in, 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 new Branches, operational risks, including integration of internal controls and procedures, compliance with KYC, AML, combatting financing of terrorism ("**CFT**") 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 Branches with our network of existing Branches. 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, financial condition, results of operations and cash flows will be adversely affected.

23. If we fail to increase our Retail Deposits Ratio, and in particular our CASA Ratio, we may have a higher cost of funds than our primary competitors, which could adversely affect our ability to compete for market share for loans unless we decrease our Net Interest Margin.

As an NBFC-MFI, our Corporate Promoter was unable to accept deposits as per applicable laws in India. After acquiring the business of our Corporate Promoter, we have placed a strong emphasis on increasing our Retail Deposits, and in particular our demand accounts (current accounts) and savings accounts (together referred to as "**CASA**"), as they tend to provide a stable and low-cost source of deposits compared to term deposits. Retail Deposits are single Rupee term deposits of less than ₹20.00 million ("**Retail Term Deposits**") plus CASA (together referred to as "**Retail Deposits**"). We have been able to leverage the strength of the "ESAF" brand to rapidly grow our deposit portfolio since we commenced operations as an SFB. Our Retail Deposits, which is a non-GAAP financial measure, increased to ₹133,230.03 million as at March 31, 2023 from ₹87,963.84 million as at March 31, 2021, representing a CAGR of 23.07% Our CASA, which is a non-GAAP financial measure, increased to ₹31,374.47 million as at March 31, 2023 from ₹17,476.45 million as at March 31, 2021, representing a CAGR of 33.99%.

Set forth below is a table setting forth details our deposits as at the dates indicated.

Particulars	As at March 31, 2023 (₹ in million)	% of Total Deposits	As at March 31, 2022 (₹ in million)	% of Total Deposits	As at March 31, 2021 (₹ in million)	% of Total Deposits
Demand deposits [A]	2,637.53	1.80	2,197.91	1.72	1,531.84	1.70
Savings bank deposits [B]	28,736.94	19.59	27,076.07	21.13	15,944.61	17.72
CASA (*) [C = A + B]	***31,374.47***	***21.39***	***29,273.98***	***22.84***	***17,476.45***	***19.42***
Term deposits	115,281.77	78.61	98,876.74	77.16	72,517.81	80.58
Of which:						
Retail Term Deposits(*) [D]	*101,855.56*	*69.45*	*90,814.46*	*70.87*	*70,487.39*	*78.32*
Bulk Deposits(1) (*)	*13,426.21*	*9.15*	*8,062.28*	*6.29*	*2,030.42*	*2.25*
Retail Deposits(2) (*) [E = C + D]	***133,230.03***	***90.85***	***120,088.44***	***93.71***	***87,963.84***	***97.74***
Total deposits	**146,656.25**	**100.00**	**128,150.72**	**100.00**	**89,994.26**	**100.00**
Of which:						
Total NRI deposits	*31,662.32*	*21.59*	*26,529.35*	*20.70*	*20,191.50*	*22.44*

Notes:

*(1) Bulk Deposits are single Rupee term deposits of ₹20.00 million or more ("**Bulk Deposits**").*

(2) Retail Deposits can also be calculated as total deposits less Bulk Deposits.

(*) Non-GAAP financial measure.

Among the compared SFBs, we had the highest share of Retail Deposits as a percentage of total deposits at 90.8% as of March 31, 2023. (*Source: CRISIL MI&A Report*). Also, we were third in deposits to net advances at 105.3% and fifth in deposits to overall borrowings at 81.4% among the compared SFBs as at March 31, 2023. (*Source: CRISIL MI&A Report*). Below is a table sourced from the CRISIL MI&A Report setting forth various details of our and our compared peers' deposits as at March 31, 2023.

As of March 31, 2023	Deposits to net advances (loan book) (%)	Deposits to total borrowings (%)	Retail Deposits to total deposits (%)	CASA to total deposits (%)	Retail Term Deposits to total deposits (%)	Bulk Deposits to total deposits (%)
SFBs						
AU SFB	118.7%	91.7%	68.8%	38.4%	30.3%	30.3%
Equitas SFB	98.4%	89.5%	77.5%	42.3%	35.2%	22.5%
Ujjivan SFB	120.0%	90.6%	66.0%	26.4%	39.6%	33.1%
Jana SFB	92.0%	72.2%	NA	20.9%	NA	NA
ESAF SFB	**105.3%**	**81.4%**	**90.8%**	**21.4%**	**69.5%**	**9.2%**
Utkarsh SFB	104.9%	85.4%	61.6%	20.9%	40.7%	35.9%
Fincare SFB	99.5%	74.3%	79.8%	33.1%	46.7%	20.2%
Suryoday SFB	85.9%	65.1%	73.1%	17.1%	56.0%	26.9%
Banks-MFI						
Bandhan Bank	103.2%	81.4%	71.2%	39.3%	31.9%	28.8%

***Notes**: 1) Retail Deposits comprises CASA and Retail Term Deposits, which are term deposits of less than ₹20 million. 2) CASA to total deposits (CASA ratio) is calculated based on total deposits excluding certificates of deposits (CoD) 3) Bulk Deposits are term deposits of ₹20 million or more.*
Source: Company reports, CRISIL MI&A

We pay no interest on demand accounts (current accounts) and we pay a lower average rate of interest on savings accounts compared to term deposits. The table below sets forth our Cost of Average CASA, Cost of Average Term Deposits and our Cost of Funds, which are all non-GAAP financial measures, for the Fiscals indicated.

Particulars	Year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
Cost of Average CASA	4.87%	4.93%	4.67%
Cost of Average Term Deposits	6.55%	6.71%	8.00%
Cost of Funds	6.19%	6.30%	7.56%

One of our strategies is to increase our Retail Deposits in order to reduce our Cost of Funds. For details, see "*Our Business – Our Strategies - Increase our deposits and in particular our Retail Deposits*" on page 162. If we are unable to increase our Retail Deposits Ratio (which is Retail Deposits to total deposits), and in particular our CASA Ratio (which is CASA to total deposits), to the desired extent, we may have a higher cost of funds than our competitors, which could adversely affect our ability to compete for market share for loans unless we decrease our Net Interest Margin. While we believe that the interest rate to be charged on a loan is not the only consideration a borrower takes into account when deciding between competing offers, we believe it is an important consideration. Therefore, if we are unable to increase our Retail Deposits Ratio, and in particular our CASA Ratio, to the desired extent, it could adversely affect our business, financial condition, results of operations and cash flows.

24. Weaknesses, disruptions or failures in IT systems could adversely affect our business.

We are heavily reliant on IT systems in connection with, but not limited to, financial controls, risk management and transaction processing. Our critical IT systems are managed by FIS. FIS provides us with an end-to-end banking solution, which encompasses core banking solution, risk management, domestic treasury, switching solutions, debit card issuance services and internet banking solutions. Any failure by FIS to perform any of these functions could adversely affect our business, financial condition and results of operations. In addition, we use another software service provider for managing our Micro Loan business. If this software fails to perform, it could adversely affect our business, financial condition and results of operations.

Our online delivery channels are subject to various risks, such as network connectivity failure, information security issues and browser compatibility issues. We may also be subject to disruptions of our IT systems arising from events that are wholly or partially beyond FIS' control (including, for example, damage or incapacitation by human error, natural disasters, electrical or telecommunication outages, sabotage, computer viruses, hacking, cyber-attacks or similar events, or loss of support services from other third parties, such as internet backbone providers). Since April 1, 2020, we have experienced no instances of cyber-security breaches and no instances of leakage of customer data and other sensitive information. We have experienced failures in our IT systems in the past that have resulted in all or some of our banking services and payment systems being unavailable for short periods of time (the maximum time was 325 minutes, which occurred in February 2019), and our Android mobile banking app did not work for 663 minutes in November 2018, 5,000 minutes in December 2018, and 55 minutes in November 2020. However, these IT failures did not have a material adverse effect on our business, financial condition, results of operations and cash flows.

The RBI more recently carried out an examination of our Bank's IT systems and processes from November 21, 2022 to November 30, 2022 and identified certain deficiencies. We have responded to such observations and have complied with or are in the process of complying with them. For further details, see "-*We are subject to inspections by various regulatory authorities, including by the RBI, PFRDA, IRDA and National Pension System Trust. Inspection by the RBI is a regular exercise for all* *banks and financial institutions. Regulators and external auditors appointed by a regulator have observed various non-compliances by us in the past and have required us to, among other things, take corrective actions and pay compensation. Non-compliance with the observations of such regulators could adversely affect our business, financial condition, results of operations and cash flows*” on page 33.

In the event we experience material interruptions in our IT systems in the future, this could give rise to deterioration in customer service and to loss or liability to us and it could adversely affect our business, financial condition, results of operations and cash flows.

We have a master service agreement with FIS dated June 10, 2016, which was renewed on January 1, 2022 and will expire on December 31, 2026, pursuant to which FIS maintains a data centre in Mumbai and disaster recovery centre in Hyderabad for us as part of our business continuity measures. However, if for any reason the switch over to the back-up system does not take place or if a calamity occurs in both Mumbai and Hyderabad such that our data is compromised at both places, it would have an adverse effect on our business, financial condition, results of operations and cash flows.

25. 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 financial condition, results of operations and cash flows.

We offer online banking services to our customers. Our online banking channel includes multiple services, such as funds transfer, balance enquiry, bill payment, online payment for certain services and payment of direct and indirect taxes. We are therefore exposed to various cyber threats, including (a) 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; and (b) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (c) 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. Since April 1, 2020, we have not experienced any cyber security breaches that have had a material adverse effect on our financial condition, results of operations and cash flows. Cyber 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. Although we intend to continue to implement security technology 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. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

26. We have introduced several new products and services since April 1, 2017 and we cannot assure you that such products and services will be profitable in the future. Further, we may be unable to successfully diversify our product portfolio or enter into new lines of business, which may adversely affect our business, financial condition, results of operations and cash flows.

Prior to Fiscal 2018, all of our loans were Micro Loans. In Fiscal 2018, we began offering retail loans and since then we have been expanding our portfolio of retail loan products, including offering gold loans in Fiscal 2019. We began distributing third party products in Fiscal 2019 when we started distributing the National Pension System, Atal Pension Yojna and third-party general insurance products. In Fiscal 2020, we began distributing third-party life insurance products and offering platinum debit cards, MSME loans and loans to financial institutions. In Fiscal 2021, we began agricultural loans. For a table showing the income from these products and services and such income as a percentage of our total income for Fiscals 2023, 2022 and 2021, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting our Results of Operation and Financial Condition – Increase in Product Offerings*” on page 329.

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. In the event that we fail to develop and launch new products or services successfully, we may lose any or all of the investments that we have made in promoting them and training our employees, and our reputation would be harmed. Further, we require approval from regulatory authorities before we commence offering certain products and services, such as mutual fund distribution and any additional foreign exchange 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 we may discontinue these offerings. If we are unable to effectively manage any of these issues it could adversely affect our business, financial condition, results of operations and cash flows.

27. We may be unable to maintain or renew certain of our statutory and regulatory permits, licences and approvals required to operate our business.

We require certain statutory and regulatory permits and approvals to operate our business. 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 to commence and operate mobile banking services and registrations from other regulatory authorities, such as the

IRDAI for acting as a Category Corporate Agent (Composite) and PFRDA to transact in pension schemes. We may not, at all points of time, have all approvals required for our business. Further, in relation to our banking outlets, 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 in the process of making such application. Our RBI In-Principle Approval and RBI Final Approval also require us to comply with certain terms and conditions. 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 licence or may place stringent restrictions on our operations. This may result in the interruption of all or some of our operations. If we fail to obtain, renew or maintain the required permits, licences or approvals, including those set out above, we could be subjected to penalties by the relevant regulatory authorities, which may result in the interruption of our operations or delay or prevent our expansion plans and may have an adverse effect on our business, financial condition, results of operations and cash flows. On April 20, 2023, the RBI issued us an Authorised Dealer Category-I license. We have yet to receive approval for our application dated March 3, 2022 to the RBI for the request for empanelment of our Bank as an agency bank of the RBI to conduct a government agency business.

Further, we are required to obtain certain approvals, registrations and licenses for the operation and functioning of our Branches. We have not applied for the shops and establishments registration for 16 of our Branches. Furthermore, in relation to our Branches, registrations under shops and establishments legislations in various states, as applicable, may either be pending approval or renewal in ordinary course of business. If we fail in the future to obtain or retain any of these registrations, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

Furthermore, our business correspondents are required to obtain certain approvals, registrations and licenses for the operation and functioning of our business correspondent-operated banking outlets. 12 of our banking outlets operated by ESMACO have not obtained shops and establishments registration. As per the agreement dated January 1, 2019 with ESMACO, ESMACO is required to obtain authorizations and licenses in compliance with legal and statutory requirements from time to time in relation to the banking outlets operated by it.

See also, "-*We could be subject to various sanctions and penalties by the RBI for failing to comply with the requirement to list the Equity Shares on a stock exchange in India before July 31, 2021*" on page 30.

28. Deterioration in the performance of any industry sector in which we have significant exposure may adversely affect our financial condition, results of operations and cash flows.

The following table presents our sector-wise outstanding gross advances and the percentage of these advances to our outstanding domestic advances as at the dates indicated.

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Advances (₹ in million)	% of Total	Advances (₹ in million)	% of Total	Advances (₹ in million)	% of Total
Agricultural and Allied Activities	96,455.75	68.32%	61,958.84	51.07%	37,485.27	44.54%
Advances to Industry Sector	6,827.71	4.84%	8,498.18	7.01%	9,474.44	11.26%
Advances to Services Sector	24,525.11	17.37%	24,614.41	20.29%	14,657.95	17.42%
Personal Loan and Others	13,372.70	9.47%	26,235.00	21.63%	22,532.39	26.78%
Gross Advances	**141,181.27**	**100.00%**	**121,306.43**	**100.00%**	**84,150.05**	**100.00%**

Note: *The above categorisation is based on the sectoral classification as reported under RBI DSB Risk Based Supervision Returns. The above figures reported are the same as reported under RBI DSB Risk Based Supervision Returns.*

Despite monitoring our level of exposure to sectors and borrowers, any significant deterioration in the performance of a particular sector in which we may have significant exposure driven by events not within our control, such as natural calamities, regulatory action or policy announcements by central or state government authorities, would adversely affect the ability of borrowers within that sector to service their debt obligations to us. As a result, we would experience increased delinquency risk, which may adversely affect our financial condition, results of operations and cash flows.

We cannot assure you that we will be able to diversify our exposure over different industry sectors in the future. Failure to maintain diverse exposure resulting in industry sector concentration may adversely affect our financial condition, results of operations and cash flows, in case of any significant deterioration in the performance of any such industry sector.

29. If our risk management policies are ineffective, it could adversely affect our business, financial condition, results of operations and cash flows.

We have devoted significant resources to develop our risk management policies and procedures and plan to continue to do so in the future. For details on our risk management policies, see "*Our Business – Risk Management*" on page 177. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our risk management systems are not automated and are subject to human error. Some of our methods of managing risks are based on the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than those indicated by the historical measures.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may be unable to effectively mitigate our risk exposures in particular market environments or against particular types of risk. Further, some of our risk management strategies may not be effective in a difficult or less liquid market environment, where other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated.

Our investment and interest rate risk are dependent upon our ability to properly identify, and mark-to-market changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of changes in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses.

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. Further, 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 for new business areas or manage the risks associated with the growth of our existing business effectively. If we are unable to develop and implement effective risk management policies, it could adversely affect our business, financial condition, results of operations and cash flows.

30. We could be subject to volatility in income from our treasury operations, which could have an adverse effect on our results of operations and cash flows.

Our income from treasury operations comprises interest and dividend income from investments, profit from sale of investments and income from our foreign exchange operations. The table below sets forth our treasury segment revenue and as a percentage of our total income for the Fiscals indicated.

Particulars	**Fiscal 2023**		**Fiscal 2022**		**Fiscal 2021**	
	Amount (₹ in million)	**% of total income**	**Amount (₹ in million)**	**% of total income**	**Amount (₹ in million)**	**% of total income**
Treasury segment revenue	2,471.94	7.87%	2,342.22	10.91%	1,925.31	10.89%
Total income	31,415.72	100.00%	21,475.08	100.00%	17,684.21	100.00%

Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors beyond our control, including the domestic and international economic and political scenario, inflationary expectations and the RBI's monetary policies. In particular, if interest rates rise, the valuation of our fixed income securities portfolio, such as Government securities and corporate bonds, would decline. For further details, see "*Volatility in interest rates could cause our Net Interest Margin to decline and adversely affect our results of operations and cash flows. In addition, an increase in interest rates results in a decrease in the value of our fixed income investments and as a result of the RBI-mandated reserve requirements, we are also more structurally exposed to this risk than banks in many other countries*" on page 39. Although we have operational controls and procedures in place for our treasury operations, such as counterparty limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not incur losses in the course of our proprietary trading on our fixed income book held in the available for sale and held for trading portfolios. Any such losses could adversely affect our financial condition, results of operations and cash flows.

31. We are exposed to operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, agents, customers or third parties, which could harm our reputation, business, financial condition, results of operations and cash flows.

We are exposed to many types of operational risks, including employee negligence, petty theft, burglary and embezzlement and fraud by employees, agents, customers or third parties. The table below sets forth the amounts of our losses due to fraud during the Fiscals indicated.

Particulars	**Fiscal 2023**	**Fiscal 2022**	**Fiscal 2021**
	(₹ in million)		
Losses due to fraud	14.40	8.50	0.50

Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions. For details, see "*Our Business – Risk Management – Operational Risk*" on page 179. Although we intend to continue to implement technology-based security measures and establish operational procedures to prevent fraud, break-ins, damage and failures, there can be no assurance that these security measures will be adequate. Any failure to mitigate such risks may adversely affect our financial condition, results of operations and cash flows.

In addition, some of our transactions expose us to the risk of theft or unauthorized transactions by our employees and fraud by our employees, agents, customers or third parties. In the past, we have been subject to acts of fraud and theft of a non-material nature. For details in relation to criminal cases filed by us, see "*Outstanding Litigation and Material Developments – Litigation by our Bank – Criminal Litigation*" on page 359. Our security systems and measures undertaken to detect and prevent the occurrence of these risks may be insufficient to prevent or deter such activities in all cases. Furthermore, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our reputation, business, financial condition, results of operations and cash flows.

32. Banking companies in India, including us, may be required to report financial statements as per Ind AS in the future. Differences exist between Ind AS and Indian GAAP. In the future, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be worse than if we prepared our financial statements in accordance with Indian GAAP.

We currently prepare our financial statements under Indian GAAP. However, the Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for the 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 statements 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 commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. As we became a scheduled bank on November 12, 2018, we were only required to submit such proforma Ind AS financial statements from November 12, 2018 onwards. Furthermore, the RBI granted us an exemption for the quarter ended December 31, 2018. In compliance of such regulatory requirements, we have submitted proforma Ind AS financial statements for the quarter ended March 31, 2019. We are required to continue 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 adopt Ind AS financial statements until permitted by the RBI. Accordingly, we continue to prepare and present our financial statements under Indian GAAP, while still submitting proforma Ind AS financial statements to the RBI. The Bank has undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-à-vis Ind AS to ensure the compliance as per applicable requirement and directions of the RBI in this regard.

Ind AS is different in many respects from Indian GAAP. There can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. Furthermore, if we are required to prepare our financial statements in accordance with Ind AS, there is a possibility that our financial condition, results of operations and cash flows could be worse than if we prepared our financial statements in accordance with Indian GAAP. Although we have procured a software solution for Ind AS from a third-party vendor and implementation of the same is in progress, if the RBI decides to implement the adoption of Ind AS for scheduled commercial banks, in our transition to Ind AS reporting, we may encounter difficulties in the on-going process of implementing and enhancing our management information systems. Our management may also have to divert significant time and additional resources in order to implement Ind AS on a timely and successful basis. Therefore, our transition to Ind AS reporting could have an adverse effect on our business, financial condition, results of operations and cash flows.

33. If we breach third-party intellectual property rights it could have an adverse effect on our reputation, business, financial condition, results of operations and cash flows.

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty as to whether we are infringing on any existing third-party intellectual property rights, which may force us to alter our technologies, obtain licenses or cease some of our operations. We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights that are of a similar nature to the intellectual property these third parties may have registered or are using. We might also be in breach of such third-party intellectual property rights due to accidental or purposeful actions by our employees where we may also be subjected to claims by such third parties.

Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

34. *If we fail to adapt to* ***technological*** *advancements in the financial services sector, it could affect the performance and features of our products and services and reduce our attractiveness to customers.*

Our continued success will depend, in part, on our ability to respond to technological advancement in the way customers prefer to execute their financial services. Technological innovation in digital wallets, mobile operator banking, advancements in blockchain technology payment banks, internet banking through smart phones, could disrupt the banking industry as a whole. If we fail to adapt to such technological advancements quickly and effectively it could affect the performance and features of our products and services and reduce our attractiveness to existing and potential customers hereby adversely affecting our business, financial condition, results of operations, and cash flows.

35. We lease or licence all of our business premises and any failure to renew such leases or licences or their renewal on terms unfavourable to us may adversely affect our business, financial condition and results of operations and cash flows.

Our Corporate Office and Registered Office as well as 16 other offices are located on leased premises. As at March 31, 2023, we leased/licensed 641 Branches. As at March 31, 2023, we had 528 ATMs, all of which are on leased/licensed premises. For further details, see "*Our Business – Properties*" on page 184. A failure to renew lease or licence agreements would require us to relocate operations. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease or licence agreements or the landlord does not have the title of the property and the actual owner of the property evicts us. If we are required to relocate a significant number of our Branches or ATMs, this may cause a disruption to our operations or result in increased costs, or both, which may adversely affect our business, financial condition and results of operations. In addition, we may not be able to renew our leases or licences on terms that are favourable to us, which would lead to an increase in costs, thereby affecting our business, financial condition, results of operations and cash flows.

36. Some of our lease/ license agreements have not been registered.

Some of our lease/ license agreements have not been registered in terms of the Registration Act, 1908. The delay in registration of lease agreements is primarily on account of many of our lease/license agreements being with multiple landlords as well as due to difficulties with getting landlords to physically appear at the registration office because of various reasons, such as landlords that live abroad. We are in communication with the landlords to complete these registrations. Further, we are in the process of shifting the premises of some of our Branches. Accordingly, registration charges, and consequent penalties will have to be paid on such documents. Unregistered lease/license agreements may not be produced for enforcement before a court of law until the applicable registration charges and consequent penalties are paid on such documents. Further, this may affect our ability to renew such agreements or result in us being required to enter into a new agreement and consequently, we may experience business disruption. This may adversely affect our business, financial condition and result of operations.

37. Any non-compliance with mandatory AML, KYC and CFT laws and regulations could expose us to liability and harm our business and reputation.

In accordance with the requirements applicable to banks in India, we are mandated to comply with applicable AML, KYC and CFT regulations. These laws and regulations require us, among other things, to adopt and enforce AML, KYC and CFT policies and procedures. Our reputation and business could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

In its inspection report for its on-site Inspection for Supervisory Evaluation from August 22, 2022 to September 2, 2022 and again from September 12, 2022 to September 23, 2022 and an off-site analysis of the data and information furnished by our Bank, the RBI noted that KYC details of 1.02 million accounts (historical data) and 0.22 million accounts during the year of the inspection, were yet to be shared with the Central KYC Records Registry. In its risk assessment report for the same inspection, the RBI noted that out of the 5,339 customers whose periodic updates of KYC was pending we had not yet updated the KYC of 2,867 customers as on the date of the conclusion of the inspection.

During the RBI's process audit of our Bank, which was carried out from April 18, 2022 to April 22, 2022, the following shortcomings were observed with respect to adherence to KYC guidelines: (i) 29,742 instances were detected where the same Aadhar ID had multiple customer information files; (ii) in 2,782 cases, KYC details were entered as random numbers and letters; (iii) some minor customer accounts indicated that the KYC details of the respective guardians have not been obtained; (iv) there were 13,590 instances where KYC data in our system indicated "Null" in both individual and non-individual accounts; (v) a sample check of 9,122 high risk customers indicated that we had not carried out periodic updates of KYC in respect of 5,339 cases at the prescribed interval of once every two years.

Although we believe that we currently have adequate internal policies, processes and controls in place to prevent and detect AML and CFT activity and ensure KYC compliance, there may be significant 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 our Branches. If we fail to comply with such laws and regulations, we may be subject to regulatory actions, including imposition of fines and other penalties by the relevant government agencies to whom we report.

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

Some of the financing arrangements entered into by us include conditions that require us 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, among others, prepayment of loan availed, reorganisation or restructuring and change in terms of the NCDs. We are also required to maintain certain financial ratios and ensure compliance with regulatory requirements, such as maintenance of capital adequacy ratio, qualifying asset norms and ensure positive net worth. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time.

In addition, our lenders may recall all or part of such unsecured amounts borrowed by us on short or no notice. 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 results of operations and cash flows.

Further, pursuant to clauses in certain financing agreements, any defaults under such facilities may also trigger acceleration provisions. 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 details on our material covenants under our financing agreements, see "*Financial Indebtedness*" on page 355.

39. We had negative cash flows generated from operating activities for Fiscals 2023 and 2022 and we may experience negative cash flows from operating activities in the future.

The table below sets forth a summary of our statement of cash flows for Fiscals 2023, 2022 and 2021.

Particulars	**For the year ended March 31,**		
	2023	**2022**	**2021**
	(₹ in millions)		
Net cash flow from / (used in) operating activities [A]	**(5,730.00)**	**(5,845.02)**	**11,274.45**
Of which:			
Cash generated from operations before adjustments	*10,243.99*	*5,169.58*	*4,305.14*
Adjustments for:			
(Increase)/decrease in investments (other than HTM investments)	(3,976.14)	(11,979.40)	4,075.38
(Increase)/decrease in advances	(29,031.17)	(37,900.94)	(18,084.91)
(Increase)/decrease in fixed deposit with banks (original maturity greater than 3 months)	-	(2.94)	2,264.25
(Increase) in other assets	(1,693.47)	(497.39)	(424.03)
Increase in deposits	18,505.51	38,156.46	19,710.44
Increase/(decrease) in other liabilities and provisions	834.32	1,378.63	521.25
Direct taxes (paid)/refunded	(613.04)	(169.02)	(1,093.07)
Net cash used in investing activities [B]	**(5,732.17)**	**(9,818.47)**	**(6,379.55)**
Cash flows from/(used in) financing activities [C]	**4,013.62**	**12,588.33**	**6,532.70**
Net increase/(decrease) in cash and cash equivalents [A]+[B]+[C]	**(7,448.55)**	**(3,075.16)**	**11,427.60**
Cash and cash equivalents at the beginning of the year	**15,112.79**	**18,187.95**	**6,760.35**
Cash and cash equivalents at the end of the year	**7,664.24**	**15,112.79**	**18,187.95**

Our cash generated from operations before adjustments was positive in Fiscals 2023 and 2022 and it was primarily an increase in advances and an increase in investments (other than HTM investments) that resulted in us having net cash used in operating activities for Fiscals 2023 and 2022. For further details, see "*Financial Statements – Restated Cash Flow Statement" and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources–Cash Flows–Operating Activities*" on pages 269 and 349, respectively. We may experience negative cash flows from operating activities in the future, which could adversely affect our business and financial condition.

40. We may face labour disruptions that would interfere with our operations and have an adverse effect on our business, financial condition, results of operations and cash flows.

Although none of our employees are in a trade union, we are exposed to the risk of labour disruptions. While our relations have been good with our employees, we cannot guarantee that our employees will not participate in work stoppages or other industrial action in the future. Our Bank is involved in two labour disputes, which are non-quantifiable in nature. These proceedings are pending at District Labour Offices at different jurisdictions. We cannot assure you that these proceedings will be decided in our favour. Any other such event could disrupt our operations, possibly for a significant period of time, and result in increased wages and other benefits, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

41. We depend on the accuracy and completeness of information about customers and counterparties and any misrepresentation, errors or incompleteness of such information could cause our business to suffer.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and/or counterparties. We may also rely on certain representations as to the accuracy and completeness of that information. To further verify the information provided by potential customers, we conduct searches through credit bureaus for creditworthiness of our customers who have a credit history.

Our business involves lending money to smaller, relatively low-income entrepreneurs and individuals who may not have any credit history. A significant majority of our customers belong to the low-income group and may not have any credit history supported by tax returns, credit card statements, statements of previous loan exposures or other related documents. They may also have limited formal education and are generally 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.

Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our NPAs, which could adversely affect our business, financial condition, results of operations and cash flows.

42. We are dependent on our Key Managerial Personnel, Senior Management Personnel and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows.

Our performance depends largely on the efforts and abilities of our Key Managerial Personnel, Senior Management Personnel and other key personnel, including our operational, credit managers and branch managers. We believe that the inputs and experience of our Key Managerial Personnel and Senior Management Personnel, in particular, are valuable for the development of our business and operations and the strategic directions taken by us. For details in relation to the experience of our Key Management Personnel and Senior Management Personnel, see "*Our Management*" on page 213. Further, the terms of employment of certain of our Senior Management Personnel, namely, George Thomas, Hari Velloor, Hemanth Kumar Tamta, Sivakumar P., E.A. Jacob, and Wilson Cyriac, are on a contractual basis, and are renewable subject to the terms and conditions of their respective appointments. The table below sets forth the attrition of our Key Management Personnel and Senior Management Personnel (combined) during the Fiscals indicated.

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Attrition of Key Management Personnel and Senior Management Personnel (combined) [A]	2	2	1
Attrition rate of Key Management Personnel and Senior Management Personnel (combined) [B = A/C] (%)	18.18%	20.00%	10.00%
Total Key Management Personnel and Senior Management personnel (combined) as at the end of the Fiscal [C]	11	10	10

We cannot assure you that we will renew the terms of employment of our Senior Management Personnel or 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 us. Further, the RBI is required to approve candidates proposed to be appointed as chairman, managing director and executive director. Additionally, the RBI has the power and the authority to remove any employee or managerial person under certain circumstances. For instance, in the past, the RBI has directed our Individual Promoter, Kadambelil Paul Thomas, to step down from his position of Managing Director and Chief Executive Officer of our Bank on account of his holding substantial interests in our Corporate Promoter and not being able to divest his shareholding in our Corporate Promoter in accordance with the Banking Regulation Act. As a result, Kadambelil Paul Thomas resigned from his position of Managing Director and Chief Executive Officer on June 2, 2018 and re-joined on October 1, 2018 with the approval of the RBI dated October 1, 2018, post divestiture of his shareholding in the Corporate Promoter in compliance with the directions of the RBI. For further details, see "*Outstanding Litigation and Material Developments*" on page 357.

Further, 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 table below set forth the attrition of our employees during the Fiscals indicated and our total employees as at the end of the Fiscals indicated.

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Attrition of employees [A]	1,596	1,040	570
Attrition rate of employees [B = A/C] (%)	31.70%	25.11%	14.99%

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Total employees as at the end of the Fiscal [C]	5,034	4,141	3,803

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, thereby adversely affecting our business, financial condition, results of operations, and cash flows.

43. Two of our Directors are on the board of directors of companies engaged in a line of business similar to that of ours. Any conflict of interest that may occur as a result could adversely affect our business, financial condition, results of operations and cash flows.

Two of our Directors are on the board of directors of companies that are engaged in a line of business similar to that of our Bank. Ravi Venkatraman, our Non-Executive Independent Director, is on the board of directors of Avanse Financial Services Limited, Kotak Mahindra Prime Limited and Sarvagram Fincare Private Limited. John Samuel, our Non-Executive Nominee Director, is on the board of directors of BWDA Finance Limited. The abovementioned companies may provide comparable services, expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate. A conflict of interest may occur between us and the abovementioned companies, which could have an adverse effect on our business, financial condition, result of operations and cash flows.

44. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have an adverse effect on our financial condition, results of operations and cash flows.

We have insurance policies covering 88.90% of our tangible fixed assets on a gross block basis as at March 31, 2023. We also have a bankers indemnity insurance policy covering cash in hand, coverage for which is based on a certain average amount based on industry practice. As at March 31, 2023, this insurance policy covered 100.00% of our cash in hand. For details on the insurance policies that we hold, see "*Our Business – Insurance*" on page 183. While we are covered by a range of insurance policies that we believe is consistent with industry practice in India to cover risks associated with our business, we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. Even if such losses are insured, we may be required to pay a significant 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 subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have an adverse effect on our financial condition, results of operations and cash flows.

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

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/card-related services, business correspondents, facility management services related to information technology, software services and call centre services. We are also dependent on various vendors for certain elements of our operations including branch rollouts, 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. We cannot assure you that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligations. 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 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 adversely affect our business, financial condition and results of operations.

The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI on March 11, 2015 places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. We have an outsourcing and vendor risk management policy. 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 adversely affect our business, financial condition, results of operations and cash flows.

46. Our Promoters will continue to exercise significant influence over our Bank after the completion of the Offer.

As at the date of this Draft Red Herring Prospectus, our Promoters hold 69.40% of the issued, subscribed and paid-up Equity Share capital of our Bank. Upon completion of the Offer, our Promoters will hold [•]% of our Equity Share capital, continuing to hold minimum capital as prescribed by the RBI. As per applicable law, our Promoters' voting rights in our Bank are capped to 26.00% of the total voting rights of our Bank (i.e., the maximum voting rights permitted to be exercised by any shareholder in a banking company). As long as our Promoters continue to hold a significant ownership stake in us, our Promoters have the ability to significantly influence the outcome of any matter submitted to Shareholders for approval, including matters relating to sale of all or part of our business, mergers, acquisitions, and changes to our capital structure or financing. Pursuant to the terms of the Corporate Promoter SHA, our Corporate Promoter has agreed to (upon successful completion of the Offer) to: (i) undertake a buy-back of its shares in accordance with applicable law from the amount received from the Offer for Sale of its Equity Shares and such buy-back shall be computed in the manner set out in the Corporate Promoter SHA; and (ii) file an application for cancellation and reduction of a certain portion of the share capital of the Corporate Promoter, in consideration for which the Corporate Promoter has agreed to transfer Equity Shares that the Corporate Promoter holds in the Bank to the Investors in the Corporate Promoter in such proportion as agreed to under the Corporate Promoter SHA as per the formula set out therein. This could result in significant dilution in our Corporate Promoter's shareholding in our Bank. For further details, see "*History and Corporate Matters – Shareholders' Agreements and Other Agreements" and "-Any future issuance of Equity Shares or securities convertible into Equity Shares by us or sales of Equity Shares by the Promoters could adversely affect the trading price of the Equity Shares, and in the case of the issuance of Equity Shares by us, result in the dilution of our then current Shareholders*" on pages 208 and 64, respectively. The trading price of the Equity Shares could be adversely affected if potential new investors are disinclined to invest in us because they perceive there to be disadvantages in our Promoters holding a large percentage of the Equity Shares. Further, subject to the receipt of Shareholders' approval, in the first general meeting of our Bank held after the successful completion of the Offer, our Articles of Association provides our Corporate Promoter and our Individual Promoter with the right to (i) nominate for appointment a maximum of three Directors and two (including himself or herself if he or she chooses to be one) Directors on the Board of our Bank, respectively; and (ii) nominate for appointment the Chairman and Managing Director and Chief Executive Officer of the Bank, both subject to applicable laws and the RBI's consent.

47. Our Promoters, certain of our Directors, Key Managerial Personnel and Senior Management Personnel and the relatives of the Key Managerial Personnel and Senior Management Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.

Our Promoters, certain of our Directors, Key Managerial Personnel and Senior Management Personnel and the relatives of the Key Managerial Personnel and Senior Management Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Our Promoters, certain Directors, Key Managerial Personnel, Senior Management Personnel and the relatives of George Kalaparambil John, Kadambelil Paul Thomas and George Thomas may be deemed to be interested to the extent of Equity Shares held by them as well as to the extent of any dividends, bonuses, or other distributions on such Equity Shares and to the extent of employee stock options granted to them. Additionally, George Kalaparambil John is a member of Prachodhan Development Services, a party with which our Bank has entered into a contract/arrangement for implementing CSR activities. George Thomas is interested in our Bank to the extent of benefits arising out of him being a shareholder in our Corporate Promoter, a shareholder in Prachodhan Development Services and the chairman of ESAF Staff Welfare Trust. For further details, see "*Capital Structure*", "*Our Management – Interests of Directors*" and "*Our Promoters and Promoter Group – Interests of our Promoters*" on pages 82, 218 and 237, respectively.

48. 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 with the equity shareholders.

We have entered into various transactions with related parties, including for payment of salaries and wages of key management persons, payment of consideration for business correspondent services provided by related parties pursuant to agreements entered into with related parties, facility management fees and payment of lease rentals. While we believe that all such transactions have been conducted on an arm's length basis in compliance with the Companies Act, 2013 and contain commercially reasonable terms, we cannot assure you that we could not have achieved more favourable 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 Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favourable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. The table below sets forth our related party transactions (being absolute arithmetic aggregate of gross values of items having an effect on the Statement of Profit and Loss) entered into by our Bank for the Fiscals indicated.

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income
Related party transactions	247.77	0.79%	221.76	1.03%	2,654.55	15.01%
Total income	31,415.72	100.00%	21,475.08	100.00%	17,684.21	100.00%

For a summary of the related party transactions into by our Bank for Fiscals 2023, 2022 and 2021, see "*Offer Document Summary – Summary of related party transactions*" on page 19. For further details, see "*Other Financial Information – Related Party Transactions*" on page 318. We cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of public shareholders and will not have an adverse effect on our business, financial condition, results of operations and cash flows.

For a summary of the lease agreements our Bank has entered with related parties as of the date of this Draft Red Herring Prospectus, see "*Our Business - Properties*" on page 184.

49. The Insurance Regulatory and Development Authority of India ("IRDAI") and SEBI have issued orders to two of our Selling Shareholders, namely, PNB MetLife and Bajaj Allianz respectively, directing them to pay certain penalties and imposing certain restrictions on them. While they have complied with the said orders, there is no assurance that the IRDAI or SEBI will not take any further action against PNB MetLife and Bajaj Allianz and any such action could adversely affect our reputation.

The IRDAI has issued an order for two violations to PNB MetLife and imposed a penalty on account of delayed settlement of maturity claims and for usage of various external service providers for lead generation. Additionally, IRDAI has issued four orders to Bajaj Allianz imposing penalties, and prescribing certain restrictive measures and directions thereto on account of non-compliances, including, among other things, (i) enrolment of new members in violation of existing group scheme violating provisions, and (ii) opening of offices without prior approval of the IRDAI. Bajaj Allianz has also received an order from SEBI for launch of unit linked insurance products without requisite authorisation from SEBI. As on the date of this Draft Red Herring Prospectus, PNB MetLife and Bajaj Allianz have certified to us that they have complied with all the aforementioned orders by remitting the penalties imposed and complied with the prescribed directions. However, we cannot assure you that IRDAI and SEBI will not take any further action against PNB MetLife and Bajaj Allianz and any such action could adversely affect our reputation.

50. We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial condition. These non-GAAP financial 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 relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. For information on the non-GAAP financial measures, see "*Selected Statistical Information – Certain Non-GAAP Financial Measures*" on page 260. 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 financial measures and other statistical and operational information 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.

EXTERNAL RISKS

51. Any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows.

Our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. Therefore, any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows. The Indian economy could be adversely affected by various factors, such as the effect of COVID-19 or other pandemics, epidemics, political and regulatory changes, including adverse changes in the Government's liberalisation policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, volatility in interest rates, volatility in commodity and energy prices, a loss of investor confidence in other emerging market economies and any worldwide financial instability. In addition, an increase in India's trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could increase interest rates and adversely affect liquidity, which could adversely affect the Indian economy and thereby adversely affect our business, financial condition, results of operations and cash flows.

Also see "*–COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 41.

52. The occurrence of natural disasters and man-made disasters could adversely affect our business, financial condition results of operations and cash flows. In addition, terrorist attacks and other acts of violence or war as well as civil unrest or rioting in India could create a perception that investment in Indian companies involves a higher degree of risk, thereby adversely affecting the market price of the Equity Shares.

The occurrence of natural disasters, including cyclones, storms, floods, earthquakes, tsunamis, fires, explosions, pandemics (such as COVID-19) and epidemics, and man-made disasters, including acts of terrorism, other acts of violence and war, could adversely affect our business, financial condition, results of operations and cash flows. In addition, terrorist attacks and other acts of violence or war as well as civil unrest or rioting in India could create a perception that investment in Indian companies involves a higher degree of risk, thereby adversely affecting the market price of the Equity Shares.

53. Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple states we operate in, may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business and financial condition could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and Micro Loan businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those that we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition, results of operations and cash flows.

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 investments in our Bank by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, GST, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

In addition, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts or regulators. The Indian Government has been mooting legislation governing non-personal data. On November 18, 2022, the Ministry of Electronics & Information Technology issued the draft Digital Personal Data Protection Bill, 2022, which was open for public consultation till January 2, 2023. Earlier on August 4, 2022, Ministry of Electronics & Information Technology withdrew the Data Protection Bill, 2021 on the premise that the joint committee had recommended substantial amendments to the original draft, highlighting the need for developing a "comprehensive" legal framework that is aligned with contemporary privacy laws and constantly evolving nuances of the digital ecosystem. Digital Personal Data Protection Bill, 2022 will apply to (i) the processing of digital personal data subject to exemptions (material scope), (ii) undertaken within India, and in certain cases, those carried outside of India. Once enacted as law, Digital Personal Data Protection Bill, 2022 is proposed to be implemented in phases. The RBI has also issued a circular on the procedure of storage of payment systems data, to ensure that data, relating to payment systems operated by us is stored only in India. Changes in laws or regulations relating to privacy, data protection, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could require us to modify our existing systems or invest in new technologies to ensure compliance with such applicable laws, which may require us to incur additional expenses.

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 and other burdens relating to compliance with such new requirements, which may also require significant 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. For example, the Government has recently introduced (a) the Code on Wages, 2019 ("**Wages Code**"); (b) the Code on Social Security, 2020 ("**Social Security Code**"); (c) the Occupational Safety, Health and Working Conditions Code, 2020; and (d) the Industrial Relations Code, 2020, which consolidate, subsume and replace numerous existing central labour legislations. The rules for the implementation of these codes have not been announced, and as such, the full impact of such laws on our business, operations and growth prospects, remain uncertain. For example, the Social Security Code aims to provide uniformity in providing social security benefits to employees which were previously segregated under different acts and had different applicability and coverage. A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. If we fail to comply with current and future health and safety and labour laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this may materially and adversely affect our business, financial condition, results of operations and cash flows.

54. Financial difficulties and other problems in certain long-term lending institutions and investment institutions in India could have a negative effect on our business, financial condition, results of operation and cash flows and the trading price of the Equity Shares could decrease.

As an Indian SFB, we are exposed to the risks of the Indian financial system, which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is referred to as "systemic risk," may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. As the Indian financial system operates within an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. The problems faced by individual Indian financial institutions and any instability in, or difficulties faced by, the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, financial condition, results of operations, cash flows and the trading price of the Equity Shares.

55. Our ability to borrow in foreign currencies is restricted by Indian law.

Indian banks and companies are subject to foreign exchange regulations that regulate borrowing in foreign currencies, including those specified under FEMA. Such regulatory restrictions limit our ability to borrow in foreign currencies and, therefore, could negatively affect our ability to obtain financing on competitive terms. 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 results of operations, financial condition and cash flows.

56. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors outside India may be more familiar with and may consider material to their assessment of our financial condition, results of operations and cash flows.

The Restated Financial Information has been compiled by the management from the audited financial statements as at and for the years ended March 31, 2023, 2022 and 2021. The above mentioned audited financial statements have been prepared in accordance with the requirements prescribed under the Banking Regulation Act. The accounting and reporting policies used in the preparation of these financial statements conform in all material aspects with Indian GAAP, the circulars and guidelines issued by the RBI from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act (as amended), read with the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 to the extent applicable and other relevant provisions of the Companies Act and current practices prevailing within the Banking industry in India. The Restated Financial Information have been prepared in accordance with the requirements of section 26 of Part 1 of Chapter III of the Companies Act, the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019). Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors outside India may be familiar. If the Restated Financial Information were to be prepared in accordance with such other accounting principles, our results of operations, financial condition and cash flows may be substantially different. Prospective investors should review the accounting policies applied in the preparation of the Restated Financial Information, 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. Any reliance by persons unfamiliar with Indian GAAP on the financial information presented in this Draft Red Herring Prospectus should accordingly be limited.

RISKS RELATING TO THE EQUITY SHARES AND THE OFFER

57. The determination of the Price Band is based on various factors and assumptions and the Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares upon listing on the Stock Exchanges. Investors bear the risk of fluctuations in the price of Equity Shares and there can be no assurance that a liquid market for the Equity Shares will develop following the listing of the Equity Shares on the Stock Exchanges.

There has been no public market for the Equity Shares prior to the Offer. The determination of the Price Band is based on various factors and assumptions and will be determined by us and the Corporate Promoter in consultation with the BRLMs. Our total income and net profit for the year for Fiscal 2023 were ₹31,415.72 million and ₹3,023.33 million, respectively. Our price to earnings ratio, based on our net profit for the year for Fiscal 2023 is [●] times at the upper end of the Price Band. Our market capitalization to total income for Fiscal 2023 multiple is [●] times at the upper end of the Price Band.

The Offer Price of the Equity Shares will be determined by us and the Selling Shareholders, in consultation with the BRLMs, through the Book Building Process. This price will be based on numerous factors, as described under in "*Basis for Offer Price*" on page 101. The Offer Price may not necessarily be indicative of the market price of the Equity Shares after the Offer is completed. You may not be able to re-sell your Equity Shares at or above the Offer Price and could, as a result, lose all or part of your investment. The price at which the Equity Shares will trade at after the Offer will be determined by the marketplace and may be influenced by many factors, including:

- our financial condition, results of operations and cash flows;
- the history of and prospects for our business;
- an assessment of our management, our past and present operations and the prospects for as well as timing of our future revenues and cost structures;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial condition, including financial estimates by research analysts and investors;
- a change in research analysts' recommendations;
- announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments;
- announcements of significant claims or proceedings against us;
- new laws and government regulations that directly or indirectly affect our business;
- additions or departures of Key Management Personnel;
- changes in the interest rates;
- fluctuations in stock market prices and volume; and
- general economic conditions.

The Indian stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our financial condition, results of operations and cash flows.

The Equity Shares are expected to trade on NSE and BSE after the Offer, but there can be no assurance that active trading in the Equity Shares will develop after the Offer, or if such trading develops that it will continue. Investors may not be able to sell the Equity Shares at the quoted price if there is no active trading in the Equity Shares.

58. Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in 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. 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/ Offer 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/ Offer 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 dispose 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 in this risk factor. 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.

59. ***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 intend to utilise the Net Proceeds to augment our Bank's Tier - I capital base to meet our Bank's future capital requirements, which are expected to arise out of growth in our Bank's assets, primarily our Bank's advances and investment portfolio, and to ensure compliance with applicable RBI regulations and guidelines. For further details, see "*Objects of the Offer – Net Proceeds*" on page 97. As stipulated in Regulation 41 of the ICDR Regulations, we are not required to appoint a monitoring agency for the use of the Net Proceeds and we do not intend to do so. Our proposed deployment of the Net Proceeds has not been appraised and it is based on management estimates. 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 of the Net Proceeds to achieve profitable growth in our business.

60. ***We will not receive any proceeds from the Offer for Sale.***

The Offer consists of a Fresh Issue and an Offer for Sale. Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale. See "*Objects of the Offer*" on page 97.

61. ***We have never declared or paid any cash dividends on the Equity Shares. Our ability to pay dividends in the future will depend on our financial condition, results of operations, cash flows, capital requirements, capital expenditures and restrictive covenants of our financing arrangements, as well as compliance with applicable RBI regulations.***

We have never declared or paid any cash dividends on the Equity Shares and have not adopted a formal dividend policy. Any future determination as to the declaration and payment of dividends will be, subject to relevant RBI regulations, at the discretion of our Board and subsequent approval of shareholders and lenders and will depend on factors that our Board and shareholders deem relevant, including among others, our future financial condition, results of operations, cash flows, capital requirements, capital expenditures, business prospects and restrictive covenants under our financing arrangements. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on the Equity Shares. In addition, the declaration and payment of dividends is subject to relevant RBI regulations (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005, as amended). In its circular dated April 22, 2021, the RBI permitted banks, including our Bank, to pay dividends on equity shares from profits for Fiscal 2021, subject to the quantum of dividend not exceeding more than 50.00% of the amount determined by the dividend payout ratio specified in in the RBI circular dated May 4, 2005. We cannot assure you that we will be able to pay dividends at any point in the future.

62. ***Any future issuance of Equity Shares or securities convertible into Equity Shares by us or sales of Equity Shares by the Promoters could adversely affect the trading price of the Equity Shares, and in the case of the issuance of Equity Shares by us, result in the dilution of our then current Shareholders.***

As disclosed in "*Capital Structure*" on page 82, an aggregate of 20.00% of our fully diluted post-Offer capital held by our Promoters shall be considered as minimum Promoters' contribution and locked in for a period of three years and the balance Equity Shares held by the Promoters and the other pre-Offer Shareholders following the Offer will be locked-in for one year from the date of Allotment. There can be no assurance that we will not issue additional Equity Shares or that the Promoters will not sell, pledge or encumber their Equity Shares during the lock-in period. Furthermore, our Promoters were required to reduce their aggregate shareholding to 40.00% of our paid-up Equity Share capital within a period of five years from the date of commencement of our business operation, which was on March 10, 2017, and thereafter required to reduce their aggregate shareholding to 30.00% and 26.00% 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. As per the SFB Licensing Guidelines, our Promoters were required to reduce their shareholding to 40.00% of our paid-up Equity Share capital by March 9, 2022. See also, "-*We are subject to stringent regulatory requirements and prudential norms. If we are unable to comply with such laws, regulations and norms it may have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 36.

Further, pursuant to the terms of the Corporate Promoter SHA, our Corporate Promoter has agreed to (upon successful completion of the Offer) (i) undertake a buy-back of its shares in accordance with applicable law from the amount received from the Offer for Sale of its Equity Shares and such buy-back shall be computed in the manner set out in the Corporate Promoter SHA; and (ii) to file an application for cancellation and reduction of a certain portion of share capital of the Corporate Promoter, in consideration for which the Corporate Promoter has agreed to transfer Equity Shares that the Corporate Promoter holds in the Bank to the Investors in the Corporate Promoter in such proportion as agreed to under the Corporate Promoter SHA as per the formula set out therein. For further details, see "*History and Corporate Matters – Shareholders' Agreements and Other Agreements*" and "*– Our Promoters will continue to exercise significant influence over our Bank after the completion of the Offer*" on pages 208 and 58, respectively. Further, any future issuances of Equity Shares or convertible securities could dilute the holdings of our Shareholders and adversely affect the trading price of the Equity Shares. Such securities may also be issued at prices below the Offer Price. Sales of Equity Shares by the Promoters could also adversely affect the trading price of the Equity Shares. Such securities may also be issued at prices below the Offer Price. Sales of Equity Shares by the Promoters could also adversely affect the trading price of the Equity Shares.

63. Investors may be subject to Indian taxes arising out of capital gains and stamp duty on the sale of the Equity Shares and on the payment of dividends.

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares held as investments 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 listed equity shares on a stock exchange held for more than 12 months may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any equity shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Further, any gain released on the sale of our equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India's right to impose tax on capital gains arising from sale of shares of an Indian company.

The Finance Act, 2020 ("**Finance Act 2020**") had stipulated that the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of certain securities other than debentures, on a delivery basis, is currently specified under the Finance Act at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount.

Under the Finance Act 2020, any dividends paid by an Indian company is subject to tax in the hands of the shareholders at applicable rates. Such taxes are to be withheld by the Indian company paying dividends. Further, the Finance Act, 2020 removed the requirement for dividend distribution tax to be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the Shareholders, both resident as well as non-resident. Our Bank may grant the benefit of a tax treaty (where applicable) to a non-resident Shareholder for the purposes of deducting tax at source pursuant to any corporate action, including dividends, subject to appropriate documentation provided by such non-resident Shareholder. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

64. 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 submitting a Bid.

Pursuant to the SEBI ICDR Regulations, 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 submitting a Bid. Retail Individual Investors can revise their Bids during the Bid/ Issue Period and withdraw their Bids until Bid/ Issue Closing Date. While our Bank is required to complete Allotment within six Working Days from the Bid or Offer Closing Date, events affecting the Bidders' decision to invest in the Equity Shares, including material adverse changes in international or national monetary policy, political or economic conditions, or changes to our business 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.

65. Fluctuations in the exchange rate between the Rupee and other currencies could have an adverse effect on the value of the Equity Shares in those currencies, independent of our results of operations.

The Equity Shares will be quoted in Rupees on the Stock Exchanges. Any dividends in respect of the Equity Shares will be paid in Rupees. Any adverse movement in currency exchange rates during the time it takes to undertake such conversion may reduce the net dividend received by 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 net proceeds received by investors. The exchange rate between the Rupee and other currencies (such as the U.S. dollar, the Euro, the pound sterling, the Hong Kong dollar and the Singapore dollar) has changed substantially in the past and could fluctuate substantially in the future, which may have an adverse effect on the value of the Equity Shares and returns from the Equity Shares in foreign currency terms, independent of our operating results.

66. Investors will not, without the RBI's prior approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights directly or indirectly. Further, no Shareholder will be permitted to exercise voting rights in excess of 26.00% of the total voting rights of our Bank.

The Banking Regulation Act, read with the SFB Licensing Guidelines and RBI (Prior Approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, requires any person to seek 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 5.00% or more of the paid-up share capital of a bank or entitles them to exercise 5.00% or more of the voting rights in a bank. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of our total voting rights from exercising voting rights in excess of 5.00% if such person is deemed not to be fit and proper by the RBI. Further, as per the Banking Regulations Act read with gazette notification dated DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016 and in terms of RBI Master Direction DOR.HOL.No.95/16.13.100/2022-23 dated January 16, 2023 on Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023, no shareholder in a bank can exercise voting rights on poll in excess of 26.00% 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 in accordance with the provisions of applicable law. Further, the RBI may restrict any person holding more than 5.00% of our total voting rights from exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by the RBI.

For details, see "*Key Regulations and Policies*" on page 186. Consequently, even if a potential takeover of our Bank would result in the purchase of 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.

67. The individual foreign investment limit of registered FPIs in our Bank is 10.00% of the total paid-up equity share capital of our Bank and the aggregate foreign investment limit for registered FPIs in our Bank is 49.00% of the total paid-up equity share capital of our Bank under the automatic route and 74.00% of the total paid-up equity share capital of our Bank under the Government approval.

Foreign investment in India is governed by the provisions of FEMA along with the rules, regulations and notifications made by the RBI thereunder, and the Consolidated Foreign Direct Investment ("**FDI**") Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India from time to time. Under the current FDI Policy (effective October 15, 2020), up to 49.00% foreign direct investment in our Bank is permitted under the automatic route and beyond 49.00% up to 74.00% foreign direct investment in our Bank is permitted under the Government approval route.

In terms of the SEBI (Foreign Portfolio Investors) Regulations, 2019 (the "**SEBI FPI Regulations**"), the issue of Equity Shares to a single foreign portfolio investor ("**FPI**"), including its investor group (which means the same multiple entities registered as foreign portfolio investors having common ownership directly or indirectly of more than 50.00% or common control), must be below 10.00% of our Bank's post-Offer paid-up equity share capital on a fully diluted basis. Further, in terms of the FEMA Regulations, the total holding by each FPI, or an investor group, shall be below 10.00% of the total paid-up equity share capital, on a fully diluted basis, of our Bank and the total holdings of all FPIs put together can be up to 74.00% of the paid-up equity share capital of our Bank, being the sectoral cap applicable to our Bank. For calculating the aggregate holding of FPIs in our Bank, the holdings of all registered FPIs shall be included. Further, under the FDI Policy, at least 26.00% of the paid-up capital of our Bank is required to be held by residents. Also see "*-Investors will not, without the RBI's prior approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights directly or indirectly. Further, no Shareholder will be permitted to exercise voting rights in excess of 26.00% of the total voting rights of our Bank*" on page 65.

As per the circular issued by SEBI on November 24, 2014, the above investment restrictions shall also apply to subscribers of P-Notes. Two or more subscribers of P-Notes having a common beneficial owner shall be considered together as a single subscriber of the P-Notes. In the event an investor has investments as a FPI and as a subscriber of P-Notes, these investment restrictions shall apply on the aggregate of the FPI and P-Notes investments in our Bank.

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

Under foreign exchange regulations currently in force in India, transfers 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 422. Our ability to raise foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, results of operations and cash flows.

69. A third party could be prevented from acquiring control over our Bank because of 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 RBI's prior approval. 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.

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

Under the Companies Act, 2013, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without our Bank filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless our Bank makes such a filing. Our Bank may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in our Bank would be reduced.

71. Statistical and industry data in this Draft Red Herring Prospectus are derived from the CRISIL MI&A Report commissioned and paid for by us for such purpose. The CRISIL MI&A Report is not exhaustive and is based on certain assumptions, parameters and conditions. The data and statistics in the CRISIL MI&A Report may be inaccurate, incomplete or unreliable.

This Draft Red Herring Prospectus includes information that is derived from the CRISIL MI&A Report, which was prepared and released by CRISIL MI&A in connection with the Offer and commissioned and paid for by us pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023. CRISIL MI&A is not in any manner related to us, our Directors or our Promoters. The CRISIL MI&A Report is subject to various limitations and based upon certain assumptions that are subjective in nature. Discussions of matters relating to India, its economy, the global economy and the industry in which we currently operate are subject to the caveat that data and statistics upon which such discussions are based may be inaccurate, incomplete or unreliable. Further, there can be no assurance that such data and statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other reports. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Draft Red Herring Prospectus. 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. In view of the foregoing, investors may not be able to seek legal recourse for any losses resulting from undertaking any investment in the Offer pursuant to reliance on the information in this Draft Red Herring Prospectus based on, or derived from, the CRISIL MI&A Report. Accordingly, potential investors should not place undue reliance on, or base their investment decision solely on this information. For further details, see "*Industry Overview*" on page 122.

72. Withholding may be imposed on payments on the Equity Shares under the U.S. Foreign Account Tax Compliance Act.

Certain U.S. tax provisions in the U.S. Foreign Account Tax Compliance Act, which is commonly referred to as FATCA, may impose 30.00% withholding on "foreign passthru payments" made by a "foreign financial institution" (an "**FFI**"). Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Equity Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before the date that is two years after the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment." The United States has entered into an intergovernmental agreement with India (the "**IGA**"), which potentially modifies the FATCA withholding regime described above. We have registered as an FFI with the U.S. Internal Revenue Service and we believe that we may be subject to diligence, reporting and withholding obligations under the FATCA rules and the IGA. It is not yet clear how the IGA will address foreign passthru payments. Prospective investors in the Equity Shares should consult their tax advisors regarding the potential effect of FATCA, the IGA and any non-U.S. legislation implementing FATCA on their investment in the Equity Shares. For further details, see "*Certain United States Federal Income Tax Considerations*" on page 389.

73. If our Bank is classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, it could result in adverse U.S. federal income tax consequences to U.S. holders of Equity Shares.

Our Bank will be classified as a PFIC for any taxable year if either: (a) at least 75.00% of its gross income is "passive income" for purposes of the PFIC rules or (b) at least 50.00% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income; however, under final and proposed U.S. Treasury Regulations and a notice from the U.S. Internal Revenue Service, special rules apply to income derived in the active conduct of a banking business. Based on the current and anticipated composition of the income, assets (including their expected values) and operations of our Bank and the application to our Bank of the relevant PFIC rules governing banks referred to above, our Bank does not expect to be treated as a PFIC for the preceding taxable year, the current taxable year or in the foreseeable future. Whether our Bank is treated as a PFIC is a factual determination that must be made annually after the close of each taxable year. This determination will depend on, among other things, the composition of the income and assets, as well as the value of the assets (which may fluctuate with our Bank's market capitalization) of our Bank from time to time. In addition, the manner in which the PFIC rules governing banks apply to our Bank is unclear in some respects. Some of the administrative guidance governing the application of the PFIC rules to banks is in the form of proposed U.S. Treasury Regulations and may change significantly when finalized, and new or revised regulations or pronouncements interpreting or clarifying the PFIC bank provisions may be forthcoming. Therefore, there can be no assurance that our Bank will not be classified as a PFIC in any taxable year. If our Bank were treated as a PFIC for any taxable year during which a U.S. Holder held Equity Shares, certain adverse U.S. federal income tax consequences would apply to such U.S. Holder. For further details, see "*Certain United States Federal Income Tax Considerations*" on page 389.

SECTION III: INTRODUCTION

THE OFFER

The following table sets forth details of the Offer:

Equity Shares Offered	
Offer of Equity Shares*#	Up to [●] Equity Shares, aggregating up to ₹6,290.40 million
of which	
Fresh Issue(1)	Up to [●] Equity Shares, aggregating up to ₹4,867.40 million
Offer for Sale(1)(2)	Up to [●] Equity Shares, aggregating up to ₹1,423.00 million by the Selling Shareholders
of which:	
Employee Reservation Portion(3)	Up to [●] Equity Shares aggregating up to ₹[●] million
Net Offer	Up to [●] Equity Shares aggregating up to ₹[●] million
The Net Offer consists of:	
A) QIB Portion(4)(5)	Not more than [●] Equity Shares
of which:	
Anchor Investor Portion(6)	Up to [●] Equity Shares
Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
of which:	
Mutual Fund Portion (5% of the Net QIB Portion)(5)	[●] Equity Shares
Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion(4)(6)(7)(8)	Not less than [●] Equity Shares
of which:	
One-third of the Non-Institutional Portion available for allocation to Bidders with an application size of more than ₹0.20 million and up to ₹1.00 million	[●] Equity Shares
Two-thirds of the Non-Institutional Portion available for allocation to Bidders with an application size of more than ₹1.00 million	[●] Equity Shares
C) Retail Portion(4)(6)(8)	Not less than [●] Equity Shares
Pre and post-Offer Equity Shares(9)	
Equity Shares outstanding prior to the Offer	449,473,798 Equity Shares
Equity Shares outstanding after the Offer	[●] Equity Shares
Use of Net Proceeds	See "*Objects of the Offer*" on page 97 for information about the use of the proceeds from the Fresh Issue. Our Bank will not receive any proceeds from the Offer for Sale

* *Except with the prior approval from the RBI, and in terms of the Banking Regulation Act and circulars issued thereunder, no person can acquire or agree to acquire, directly or indirectly, by himself or acting in concert with any other person, Equity Shares or voting rights of our Bank, if such acquisition, taken together with Equity Shares and voting rights of our Bank held by such person or his relative or associate enterprise or person acting in concert with him, results in such person holding or exercising, five percent or more of the paid-up Equity Share capital or voting rights, respectively, of our Bank.*

\# *Our Bank may, in consultation with the Book Running Lead Managers, consider a Pre-IPO Placement between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer constituting at least [●]% of the post-offer paid-up equity share capital of the Bank in compliance with rule 19(2)(b) of the SCRR. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus.*

(1) *The Fresh Issue has been authorised by our Board pursuant to its meetings dated June 22, 2023 and our Shareholders pursuant to the resolution passed at their respective meeting dated June 29, 2023. The Board has pursuant to its resolutions dated June 22, 2023 and July 7, 2023 taken on record approval for the Offer for Sale for the Offered Shares by the Selling Shareholders.*

(2) *Each of the Selling Shareholders has authorised and consented to participate in the Offer for Sale. Each Selling Shareholder severally and not jointly confirms that the Offered Shares have been held by such Selling Shareholder for a period of at least one year prior to filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations. The Selling Shareholders have confirmed and authorized their participation in the Offer for Sale as set out below:*

Sr. No.	Name of the Selling Shareholder	No. of Offered Shares	Date of consent letter	Date of corporate action/board resolution/ power of attorney
Promoter Selling Shareholder				
a.	ESAF Financial Holdings Private Limited	[●] Equity Shares aggregating up to ₹1,192.60 million	July 5, 2023	June 2, 2023
Other Selling Shareholders				
b.	PNB MetLife	[●] Equity Shares aggregating up to ₹126.70 million	July 5, 2023	November 9, 2020
c.	Bajaj Allianz Life	[●] Equity Shares aggregating up to ₹103.70 million	July 5, 2023	December 6, 2011

(3) *The Employee Reservation Portion shall not exceed [●]% of our post-Offer paid-up Equity Share capital. Any unsubscribed portion remaining in the Employee Reservation Portion shall be added to the Net Offer. For further details, see "Offer Structure" on page 399. Unless the Employee Reservation Portion is under-subscribed, the value of allocation to an Eligible Employee Bidding in the Employee Reservation Portion shall not exceed ₹0.20 million. In the event of under-subscription in the Employee Reservation Portion (if any), the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million. The unsubscribed portion, if any, in the Employee Reservation Portion (after such allocation up to ₹0.50 million), shall be added to the Net Offer. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid in the Net Offer and such Bids*

will not be treated as multiple Bids subject to applicable limits. Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, offer a discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.

(4) *Subject to valid Bids being 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 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. 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. However, after receipt of minimum subscription of 90% of the Fresh Issue, the Offered Shares shall be allocated proportionately prior to the Equity Shares offered pursuant to the Fresh Issue.*

(5) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 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 shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the remaining Equity Shares shall be added to the Net QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders (other than Anchor Investors) in proportion to their Bids. For details, see "Offer Procedure" on page 403.*

(6) *Allocation to Bidders in all categories, except Anchor Investors, if any, Non-Institutional Bidders and Retail Individual Bidders, shall be made on a proportionate basis subject to valid Bids received at or above the Offer Price. The allocation to each Retail Individual Bidders shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. Allocation to Anchor Investors shall be on a discretionary basis. For details, see "Offer Procedure" on page 403.*

(7) *The Equity Shares available for allocation to Non-Institutional Bidders under the Non-Institutional Portion, shall be subject to the following: (i) one-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with an application size of more than ₹0.20 million and up to ₹1.00 million, and (ii) two-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with application size of more than ₹1.00 million, provided that the unsubscribed portion in either of the aforementioned sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders. The allotment to each Non-Institutional Bidder shall not be less than the minimum application size, subject to the availability of Equity Shares in the Non- Institutional Portion, and the remaining Equity Shares, if any, shall be allotted on a proportionate basis.*

(8) *SEBI through its circular (SEBI/HO/CFD/DIL2/CIR/P/2022/45) dated April 5, 2022, has prescribed that all individual investors applying in initial public offerings opening on or after May 1, 2022, where the application amount is up to ₹0.50 million shall use UPI. Individual investors bidding under the Non-Institutional Portion bidding for more than ₹0.20 million and up to ₹0.50 million, using the UPI Mechanism, shall provide their UPI ID in the Bid-cum-Application Form for bidding through Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.*

(9) *The aggregate pre-Offer and post-Offer shareholding of the Selling Shareholders and the percentage of the pre-Offer and post-Offer paid-up Equity Share capital, respectively, of our Bank is set out below:*

Sr. No.	Name of the Selling Shareholders	Total No. of Equity Shares held prior to the Offer	Percentage of Pre-Offer capital	Number of Equity Shares offered in the Offer for Sale	Total No. of Equity Shares held post the Offer	Percentage of Post-Offer capital
1.	ESAF Financial Holdings Private Limited	280,758,396*	62.46	[●] Equity Shares aggregating up to ₹1,192.60 million	[●]	[●]
2.	PNB MetLife	21,346,993	4.75	[●] Equity Shares aggregating up to ₹126.70 million	[●]	[●]
3.	Bajaj Allianz Life	17,469,428	3.89	[●] Equity Shares aggregating up to ₹103.70 million	[●]	[●]
Total		**319,574,817**	**71.10**		**[●]**	**[●]**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares*

For further details, see "*Offer Structure*" on page 399. For details of the terms of the Offer, see "*Terms of the Offer*" on page 393.

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*" on pages 262 and 319, respectively.

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SUMMARY RESTATED STATEMENT OF ASSETS AND LIABILITIES

(₹ in million)

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	4,494.74	4,494.74	4,494.74
Employee Stock Options Outstanding	58.75	48.06	-
Reserves and Surplus	12,596.55	9,573.22	9,025.90
Deposits	146,656.25	128,150.72	89,994.26
Borrowings	33,541.95	29,528.33	16,940.00
Other Liabilities and Provisions	4,888.33	5,280.57	2,931.62
Total	**202,236.57**	**177,075.64**	**123,386.52**
ASSETS			
Cash and Balances with Reserve Bank of India	7,395.48	13,006.68	16,180.72
Balances with Banks and Money at Call and Short Notice	275.01	2,112.36	2,010.54
Investments	48,885.28	40,702.98	19,320.69
Advances	1,39,243.31	1,16,370.05	81,675.86
Fixed Assets	1,879.27	1,594.75	1,385.12
Other Assets	4,558.22	3,288.82	2,813.59
Total	**202,236.57**	**177,075.64**	**123,386.52**
Contingent Liabilities	18.98	20.52	15.04
Bills for collection	-	-	-

SUMMARY RESTATED PROFIT AND LOSS ACCOUNT

(₹ in million except per share data)

Particulars	Year ended March 31, 2023	Year ended 31 March 2022	Year ended 31 March 2021
I. INCOME			
Interest Earned	28,536.59	19,399.25	16,411.73
Other Income	2,879.13	2,075.83	1,272.48
Total	**31,415.72**	**21,475.08**	**17,684.21**
II. EXPENDITURE			
Interest Expended	10,173.19	7,927.86	7,195.82
Operating Expenses	12,305.41	8,628.71	6,318.55
Provisions and Contingencies	5,913.79	4,371.19	3,115.88
Total	**28,392.39**	**20,927.76**	**16,630.25**
III. PROFIT			
Net Profit for the year (I - II)	**3,023.33**	**547.32**	**1,053.96**
Add: Balance in Restated Profit and Loss Account brought forward from Previous Year	3,214.96	3,062.43	2,271.96
IV. APPROPRIATIONS			
Transfer to Statutory Reserve	755.83	136.83	263.49
Transfer to Capital Reserve	2.76	37.29	-
Transfer to/(from) Investment Fluctuation Reserve Account	59.48	220.67	-
Balance carried over to Restated Statement of Assets and Liabilities	5,420.22	3,214.96	3,062.43
Total	**6,238.29**	**3,609.75**	**3,325.92**
Earnings per share (face value of ₹10 each) (₹)			
Basic	6.73	1.22	2.46
Diluted	6.71	1.22	2.46

SUMMARY RESTATED STATEMENT OF CASH FLOWS

(₹ in million)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Cash Flows from Operating Activities			
Net Profit before tax	4,060.45	738.50	1,413.73
Adjustments for:			
Depreciation on Bank's Property	417.89	327.74	285.73
Amortisation of Premium on HTM Investments	62.70	80.35	68.46
Profit on sale of investments (net)	(156.35)	(435.14)	(230.40)
Profit/(Loss) on sale of Fixed Assets	3.38	(0.06)	23.34
Provision for Non Performing Advances	6,157.91	3,206.75	1887.27
Provision/ (Reversal) for Standard Advances	(1,281.08)	936.22	925.52
Expense on Employee Stock Option	10.69	48.06	-
Provision for Depreciation on investments	913.88	233.06	(11.44)
Provision/ (Reversal) for Other Contingencies	54.52	34.10	(57.07)
	10,243.99	**5,169.58**	**4,305.14**
Adjustments for:-			
(Increase)/ Decrease in Investments (other than HTM Investments)	(3,976.14)	(11,979.40)	4,075.38
(Increase)/ Decrease in Advances	(29,031.17)	(37,900.94)	(18,084.91)
(Increase)/ Decrease in Fixed Deposit with Bank (Original Maturity greater than 3 months)	-	(2.94)	2,264.25
(Increase)/ Decrease in Other Assets	(1,693.47)	(497.39)	(424.03)
Increase/ (Decrease) in Deposits	18,505.51	38,156.46	19,710.44
Increase/ (Decrease) in Other liabilities and provisions	834.32	1,378.63	521.25
Direct taxes paid	(613.04)	(169.02)	(1,093.07)
Net Cash Flows from/(used in) Operating Activities (A)	**(5,730.00)**	**(5,845.02)**	**11,274.45**
Cash Flows Used inInvesting Activities			
Purchase of Fixed Assets	(716.51)	(540.14)	(495.01)
Proceeds from Sale of Fixed Assets	10.72	2.83	1.89
(Increase)/ Decrease in Held to Maturity Investments	(5,026.38)	(9,281.16)	(5,886.43)
Net Cash Used in Investing Activities (B)	**(5,732.17)**	**(9,818.47)**	**(6,379.55)**
Cash Flows fromFinancing Activities			
Proceeds from Issue of Share Capital (including Share Premium)	-	-	1,625.87
Increase/(Decrease) in Borrowings	4,013.62	12,588.33	4,906.83
Cash Flows fromFinancing Activities (C)	**4,013.62**	**12,588.33**	**6,532.70**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(7,448.55)**	**(3,075.16)**	**11,427.60**
Cash and Cash Equivalents at the beginning of year	**15,112.79**	**18,187.95**	**6,760.35**
Cash and Cash Equivalents at the end of year (Refer note below)	**7,664.24**	**15,112.79**	**18,187.95**
Note:			
Cash in Hand	1,544.46	1,466.22	1,155.33
Balance with RBI in Current Account	5,851.02	5,200.46	3,125.39
Balance with Banks in India in Current Account	268.76	356.11	2,007.23
Money at Call and Short Notice	-	1,750.00	-
Balance with RBI in Other Account	-	6,340.00	11,900.00
Cash and cash equivalents at the end of the year	**7,664.24**	**15,112.79**	**18,187.95**

GENERAL INFORMATION

Our Corporate Promoter, was granted the RBI In-Principle Approval to establish an SFB, on October 7, 2015. Our Bank was incorporated as 'ESAF Small Finance Bank Limited' on May 5, 2016 at Thrissur, Kerala, as a public limited company under the Companies Act, 2013, and was granted a certificate of incorporation by the RoC. Our Bank was thereafter granted the RBI Final Approval vide license no. MUM:124, to carry on business as an SFB, on November 18, 2016. For further details, see "*History and Certain Corporate Matters*" on page 205.

Registered and Corporate Office

ESAF Small Finance Bank Limited
Building No. VII/83/8
ESAF Bhavan, Thrissur-Palakkad National Highway
Mannuthy, Thrissur 680 651
Kerala, India
Registration Number: 045669
CIN: U65990KL2016PLC045669
RBI Registration Number: MUM:124

Address of the RoC

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

Registrar of Companies, Kerala at Ernakulam
Company Law Bhawan
BMC Road, Thrikkakara
Kochi 682 021
Kerala, India

Company Secretary and Compliance Officer

Ranjith Raj P

ESAF Small Finance Bank Limited
Building No. VII/83/8
ESAF Bhavan, Thrissur-Palakkad National Highway
Mannuthy, Thrissur - 680 651
Kerala, India
Tel: +91 487 7123 907
Email: investor.relations@esafbank.com

Board of Directors

As on the date of this Draft Red Herring Prospectus, the Board of our Bank comprises the following:

Name	Designation	DIN	Address
Ravimohan Periyakavil Ramakrishnan	Part-Time Chairman and Non-Executive Independent Director	08534931	Flat No. N 074, DLF New Town Heights, Seaport Airport Road, Opposite Doordarshan Kendra, Kakkanad P.O., Ernakulam 682 030, Kerala
Kadambelil Paul Thomas	Managing Director and Chief Executive Officer	00199925	Kadambelil House, Mannuthy P.O., Nettissery, Thrissur 680 651, Kerala
Joseph Vadakkekara Antony	Non-Executive Independent Director	00181554	A-1, Chakolas Marine Apartments, Pandit Karuppan Road, Opposite Chakolas Habitat, Thevara, Ernakulam 682 013, Kerala
Thomas Jacob Kalappila	Non-Executive Independent Director	00812892	Kalappilayil TC 5/2548(2), Krishna Gardens, Golf Links Road, Kowdiar P O, Trivandrum 695 003, Kerala
Vinod Vijayalekshmi Vasudevan	Non-Executive Independent Director	02503201	TC 4/ 2483-1, Saket, Marappalam, UM Road, Pattom Palace P.O, Trivandrum 695 004, Kerala
Ravi Venkatraman	Non-Executive Independent Director	00307328	A/4, Plot No. NA-52, New Samrat Society, Andheri Kurla Road, Opp. Vishal Hall, Andheri East Mumbai 400 069, Maharashtra
Kolasseril Chandramohanan Ranjani	Non-Executive Independent Director	01735529	Kolasseril House, Neendoor, Vadakkekara, PIN 683 522, Paravur, Ernakulam 683 513, Kerala
John Samuel	Non-Executive Nominee Director	07725212	A-6, MS Flats, Tilak Lane, Type 5, NDMC, New Delhi, G.P. Central Delhi 110 001, Delhi
Ajayan Mangalath Gopalakrishnan Nair	Non-Executive Nominee Director	09782416	50/261-C, Shivaganga, House No. 153, Road No. 4-B, Behind Edapally St. George Church, Prashanthinagar, Edapally S.O, Ernakulam 682 024, Kerala

For further details of our Directors, see "*Our Management*" on page 213.

Filing

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

It will also be filed with the Securities and Exchange Board of India at:

Securities and Exchange Board of India

SEBI Bhavan, Plot No. C4 A, 'G' Block
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051
Maharashtra, India

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 will be with the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act, 2013 would be filed with the RoC at its office.

Book Running Lead Managers

ICICI Securities Limited
ICICI Venture House
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India
Tel: +91 22 6807 7100
E-mail: esafsfb.ipo@icicisecurities.com
Investor grievance e-mail:
customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Kristina Dias / Ashik Joisar
SEBI Registration No.: INM000011179

DAM Capital Advisors Limited
One BKC, Tower C, 15th Floor, Unit No. 1511
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051
Maharashtra, India
Tel: +91 22 4202 2500
E-mail: esaf.ipo@damcapital.in
Investor Grievance ID: complaint@damcapital.in
Website: www.damcapital.in
Contact Person: Chandresh Sharma
SEBI Registration No.: MB/INM000011336

Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)
801 - 804, Wing A, Building No 3
Inspire BKC, G Block
Bandra Kurla Complex, Bandra East
Mumbai 400 051
Maharashtra, India
Tel: +91 22 4009 4400
E-mail: ESAF@nuvama.com
Investor grievance e-mail:
customerservice.mb@nuvama.com
Website: www.nuvamawealth.com
Contact Person: Lokesh Shah
SEBI Registration No.: INM000013004

Syndicate Members

[●]

Legal Advisors to the Offer

Legal Counsel to our Bank as to Indian Law

Cyril Amarchand Mangaldas
Prestige Falcon Tower
3rd Floor, Brunton Road
Craig Park Layout, Victoria Layout
Bengaluru 560 025
Karnataka, India
Tel: +91 80 6792 2000

Joint Statutory Auditors to our Bank

Deloitte Haskins & Sells, Chartered Accountants
19th Floor, Shapath-V, S.G. Highway
Ahmedabad 380 015
Gujarat, India
Tel: +91 79 6682 7300
Email: sgk@deloitte.com
Firm Registration Number: 117365W
Peer Review Certificate Number: 012965

Abarna & Ananthan, Chartered Accountants
521, 3rd Main Road, 2nd Phase, 6th Block
Banashankari 3rd Stage, Bengaluru 560 085
Karnataka, India
Tel: +91 88 8009 7322
Email: mohanrao@aaca1987.co.in
Firm Registration Number: 000003S
Peer Review Certificate Number: 014667

There has been no change in our auditors in the last three years preceding the date of this Draft Red Herring Prospectus, except as disclosed below:

Particulars	Date of change	Reason for change
Abarna & Ananthan, Chartered Accountants 521, 3rd Main Road, 2nd Phase, 6th Block Banashankari 3rd Stage, Bengaluru 560 085 Karnataka, India **Tel:** +91 88 8009 7322 **Email:** mohanrao@aaca1987.co.in **Firm Registration Number:** 000003S **Peer Review Certificate Number:** 014667	December 13, 2022	Appointment as one of the Joint Statutory Auditors of the Bank
Deloitte Haskins & Sells, Chartered Accountants 19th Floor, Shapath-V, S.G. Highway Ahmedabad 380 015 Gujarat, India Tel: +91 79 6682 7300 Email: sgk@deloitte.com Firm Registration Number: 117365W Peer Review Certificate Number: 012965	August 10, 2020	Appointment as Statutory Auditors of the Bank
S. R. Batliboi & Associates LLP, Chartered Accountants 12th Floor, The Ruby 29 Senapati Bapat Marg Dadar (West) Mumbai – 400 028 Maharashtra, India Tel: +91 22 6819 8000 Email: SRBA@srb.in Firm Registration Number: 101049W/E300004 Peer Review Certificate Number: 013325	August 10, 2020	Completion of term

Note: *In terms of the Guidelines on Auditors, the Bank is required to appoint a minimum of two audit firms as joint statutory auditors with effect from Financial Year 2023. The Bank has appointed Deloitte Haskins & Sells, Chartered Accountants and Abarna & Ananthan, Chartered Accountants as its joint statutory auditors pursuant to the Board and shareholders' resolution dated June 20, 2022 and December 13, 2022, respectively, and the RBI approval dated July 22, 2022.*

Registrar to the Offer

Link Intime India Private Limited
C-101, 1st Floor, 247 Park
Lal Bahadur Shastri Marg
Vikhroli (West)
Mumbai 400 083
Maharashtra, India
Tel: +91 022 4918 6060
E-mail: esaf.ipo@linkintime.co.in
Investor grievance e-mail: esaf.ipo@linkintime.co.in

Website: www.linkintime.co.in
Contact Person: Shanti Gopalkrishnan
SEBI Registration No.: INR000004058

Bankers to the Offer

Refund Bank(s)

[●]

Public Offer Account Bank(s)

[●]

Sponsor Bank(s)

[●]

Banker to the Bank

Federal Bank Limited
Corporate & Institutional Banking Department
1st Floor, Corporate Office, Federal Towers
Aluva, Ernakulum, 683 101
Telephone Number: +91 81 2990 2707
Contact Person: Vishnu M
Website: www.federalbank.co.in
Email: vishnum@federalbank.co.in

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 UPI Bidders 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 applications, 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.

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 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.

Expert

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

Our Bank has received written consent dated July 6, 2023 from our Joint Statutory Auditors namely, Deloitte Haskins & Sells, Chartered Accountants and Abarna & Ananthan, Chartered Accountants, respectively to include their name in this Draft Red Herring Prospectus, as required under Section 26(5) of the Companies Act, 2013, read with SEBI ICDR Regulations, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013, to the extent and in their capacity as an auditor, in respect of the examination report dated June 20, 2023 issued by it on our Restated Financial Information, and the statement of special tax benefits dated July 6, 2023 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" and the consent thereof shall not be construed to mean an "expert" or consent within the meaning as defined under the U.S. Securities Act.

Our Bank has received written consent dated July 7, 2023 from A. John Moris & Co., independent chartered accountants, holding a valid peer review certificate from ICAI, to include their name in this Draft Red Herring Prospectus, as required under Section 26(5) of the Companies Act, 2013, read with the SEBI ICDR Regulations, as an "expert" as defined under Section 2(38) of the Companies Act in respect of the certificates issued by them in their capacity as an independent chartered accountant to our Bank. However, the term "expert" and the consent thereof shall not be construed to mean an "expert" or consent within the meaning 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 offering 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.

Trustees

As this is an offering of Equity Shares, the appointment of 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 Book Running Lead Managers:

Sr. No.	Activity	Responsibility	Co-ordination
1.	Due diligence of the Company including its operations/management/business plans/legal etc. Drafting and design of this Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, abridged prospectus and application form. The Book Running Lead Managers 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	All BRLMs	I-Sec
2.	Capital structuring with the relative components and formalities such as type of instruments, size of issue, allocation between primary and secondary, etc.	All BRLMs	I-Sec
3.	Drafting and approval of all statutory advertisements	All BRLMs	I-Sec
4.	Drafting and approval of all publicity material other than statutory advertisements as mentioned in 3 above, including corporate advertising, brochures, media monitoring, etc. and filing of media compliance report	All BRLMs	Nuvama

Sr. No.	Activity	Responsibility	Co-ordination
5.	Appointment of registrar and advertising agency	All BRLMs	DAM Capital
6.	Appointment of intermediaries (including co-ordinating all agreements to be entered with such parties): printers, banker(s) to the Offer, Sponsor Bank, Anchor Escrow Bank, Share escrow agent, syndicate members / brokers to the Offer and underwriters.	All BRLMs	Nuvama
7.	Preparation of road show presentation and frequently asked questions	All BRLMs	Nuvama
8.	International institutional marketing of the Offer, which will cover, inter alia: • Institutional marketing strategy and preparation of publicity budget; • Finalising the list and division of international investors for one-to-one meetings • Finalising international road show and investor meeting schedules	All BRLMs	Nuvama
9.	Domestic institutional marketing of the Offer, which will cover, inter alia: • Institutional marketing strategy and preparation of publicity budget; • Finalising the list and division of domestic investors for one-to-one meetings • Finalising domestic road show and investor meeting schedules	All BRLMs	I-Sec
10.	Non - institutional Marketing including finalising media, marketing and public relations strategy	All BRLMs	DAM Capital
11.	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 centers for holding conferences for brokers etc.; • Follow - up on distribution of publicity and offer material including forms, the Prospectus and deciding on the quantum of Issue material; and • Finalising collection centres • Finalising the calculation of Brokerage, commission and processing fees post closure of the Offer	All BRLMs	Nuvama
12.	Coordination with Stock Exchanges for book building software, bidding terminals, mock trading, including allocation to anchor investors and intimation to Stock Exchange for anchor portion and deposit of 1% security deposit with designated stock exchange.	All BRLMs	DAM Capital
13.	Managing the book and finalization of pricing in consultation with our Company and/or the Selling Shareholders	All BRLMs	DAM Capital
14.	Post bidding activities including management of escrow accounts, coordinate non-institutional allocation, coordination with registrar, SCSBs and banks, intimation of allocation and dispatch of refund to bidders, etc. Post-Offer activities, which shall involve essential follow-up steps, , finalisation of the basis of allotment or weeding out of multiple applications, coordination for unblock of funds by SCSBs, finalization of trading and listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as registrar to the Offer, bankers to the Offer, SCSBs including responsibility for underwriting arrangements, as applicable Payment of the applicable securities transaction tax (“**STT**”) on sale of unlisted equity shares by the Selling Shareholder under the Offer for Sale to the Government by the prescribed due date as per Chapter VII of Finance (No. 2) Act, 2004. Co-ordination with SEBI and stock exchanges for refund of 1% security deposit and submission of all post-offer reports including final post-offer report to SEBI.	All BRLMs	DAM Capital

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 this Draft Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and minimum Bid Lot size will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and advertised in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, at least two Working Days prior to the Bid/ Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Offer Price shall be 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, are 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 will be blocked by SCSBs. In addition to this, the RIBs may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors are not permitted to participate in the Offer through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are 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 (subject to the Bid Amount being up to ₹0.20 million) can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot withdraw

their Bids after the Anchor Investor Bid/Offer Period. Allocation to the Anchor Investors will be on a discretionary basis.

For further details on the method and procedure for Bidding, see "*Offer Structure*" and "*Offer Procedure*" on pages 399 and 403, 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 403.

Underwriting Agreement

After the determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC, our Bank and each of the Selling Shareholders intend to enter 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 [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters will be several and will be subject to certain conditions specified therein.

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

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Name, address, telephone number and email address of the Underwriters	Indicative number of Equity Shares to be underwritten	Amount underwritten (₹ in million)
[●]	[●]	[●]

The abovementioned underwriting commitments are indicative and will be finalised after pricing of the Offer, 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. Our Board/ IPO Steering Committee, at its meeting held on [●], 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 Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC. The extent of underwriting obligations and the Bids to be underwritten in the Offer shall be as per the Underwriting Agreement.

Subject to the applicable laws and pursuant to the terms of the Underwriting Agreement, the BRLMs will be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations.

CAPITAL STRUCTURE

The Equity Share capital of our Bank, as on the date of this Draft Red Herring 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)		
	600,000,000 Equity Shares of face value of ₹10 each	6,000,000,000	-
	Total	**6,000,000,000**	-
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER**		
	449,473,798 Equity Shares of face value of ₹10 each#	4,494,737,980	-
C.	**PRESENT OFFER**		
	Offer of up to [●] Equity Shares aggregating up to ₹6,290.40 million(2)(3)(4)	[●]	[●]
	of which		
	Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,867.40 million(2)	[●]	[●]
	Offer for Sale of up to [●] Equity Shares aggregating up to ₹1,423.00 million(4)	[●]	[●]
	which includes		
	Employee Reservation Portion of up to [●] Equity Shares(5)	[●]	[●]
	Net Offer of up to [●] Equity Shares	[●]	[●]
D.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE OFFER**		
	[●] Equity Shares of face value of ₹10 each (assuming full subscription in the Offer)	[●]	[●]
E.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	4,887,627,991.95	
	After the Offer	[●]	

* *To be updated upon finalisation of the Offer Price*

(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 206.*

(2) *The Offer has been authorized by our Board of Directors pursuant to a resolution passed on June 22, 2023 and has revised the Offer for Sale portion pursuant to its resolution dated July 7, 2023 and the Fresh Issue has been authorized by our Shareholders pursuant to a special resolution passed on June 29, 2023. The Board has pursuant to its resolutions dated June 22, 2023 and July 7, 2023 taken on record approval for the Offer for Sale for the Offered Shares by the Selling Shareholders.*

(3) *Our Bank may, in consultation with the Book Running Lead Managers, consider a Pre-IPO Placement between the date of this Draft Red Herring Prospectus and prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the Fresh Issue size will be reduced to the extent of such Pre-IPO Placement, subject to the minimum Offer constituting at least [●]% of the post-Offer paid-up Equity Share capital of the Bank in compliance with Rule 19(2)(b) of the SCRR. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus.*

(4) *Each Selling Shareholder severally and not jointly confirms that the Offered Shares have been held by such Selling Shareholder for a period of at least one year prior to filing of this Draft Red Herring Prospectus in accordance with Regulation 8 of the SEBI ICDR Regulations and accordingly, are eligible for the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details on the authorization of each of the Selling Shareholders in relation to the Offered Shares, see "The Offer" on page 69.*

(5) *Eligible Employees bidding in the Employee Reservation Portion must ensure that the maximum Bid Amount does not exceed ₹0.50 million (net of the Employee Discount). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹0.20 million (net of the Employee Discount). Only in the event of an under-subscription in the Employee Reservation Portion post the initial Allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹0.20 million (net of the Employee Discount), subject to the total Allotment to an Eligible Employee not exceeding ₹0.50 million (net of the Employee Discount). Our Bank and the Promoter Selling Shareholder may, in consultation with the Book Running Lead Managers, offer a discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.*

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 of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Issue price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in ₹)
May 5, 2016	100,000	Allotment of 94,995 Equity Shares to our Corporate Promoter, and one Equity Share each to Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, who hold such Equity Shares as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares, and 5,000 Equity Shares to Kadambelil Paul Thomas	10	10	Cash	Initial subscription to the Memorandum of Association	100,000	1,000,000
May 20, 2016	109,900,000	Allotment of 108,805,000 Equity Shares to our Corporate Promoter and 1,095,000 Equity Shares to Kadambelil Paul Thomas	10	10	Cash	Preferential allotment(1)	110,000,000	1,100,000,000
March 9, 2017	78,817,733	Allotment of 59,113,300 Equity Shares to our Corporate Promoter and 19,704,433 Equity Shares to Kadambelil Paul Thomas	10	10.15	Cash	Preferential allotment(2)	188,817,733	1,888,177,330
March 10, 2017	58,823,529	Allotment of 58,823,529 Equity Shares to our Corporate Promoter	10	10.20	Cash	Preferential allotment(3)	247,641,262	2,476,412,620
March 29, 2017	49,019,607	Allotment of 49,019,607 Equity Shares to our Corporate Promoter	10	10.20	Cash	Preferential allotment(4)	296,660,869	2,966,608,690
March 30, 2017	4,901,960	Allotment of 4,901,960 Equity Shares to our Corporate Promoter pursuant to the Business Transfer Agreement	10	10.20	Other than cash	Preferential allotment pursuant to the Business Transfer Agreement(5)	301,562,829	3,015,628,290
January 31, 2018	10,382,352	Allotment of 10,382,352 Equity Shares to Kadambelil Paul Thomas	10	10.20	Cash	Preferential allotment(6)	311,945,181	3,119,451,810
July 31, 2018	63,638,630	Allotment of 18,717,244 Equity Shares to PNB MetLife India Insurance Company Limited, 18,717,244 Equity Shares to Muthoot Finance Limited, 17,469,428 Equity Shares to Bajaj Allianz Life Insurance Company Limited, and 8,734,714 Equity Shares to PI Ventures LLP	10	40.07	Cash	Preferential allotment(7)	375,583,811	3,755,838,110
September 28, 2018	52,211,679	Allotment of 2,629,749 Equity Shares to PNB MetLife India Insurance Company Limited, 21,346,993 Equity Shares to ESMACO, 21,346,993 Equity Shares to Yusuffali Musaliam Veettil Abdul Kader, 6,239,081 Equity Shares to ICICI Lombard General Insurance Company Limited, 149,738 Equity Shares to Lahanti, 124,781 Equity Shares to Abraham K John, 249,563 Equity Shares to John Chakola and 124,781 Equity Shares to Assan Khan Akbar	10	40.07	Cash	Preferential allotment(8)	427,795,490	4,277,954,900
March 31, 2021	21,678,308	Allotment of 13,333,333 Equity Shares to George lttan Maramkandathil, 1,000,000 Equity Shares to George Mammoottil Thomas, 1,066,666 Equity Shares to ESMACO, 1,066,666 Equity Shares to Yusuffali	10	75	Cash	Preferential allotment(9)	449,473,798	4,494,737,980

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Issue price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in ₹)
		Musaliam Veettil Abdul Kader, 1,000,000 Equity Shares to George Thomas (in the capacity as Chairman of M/s. ESAF Staff Welfare Trust), 666,666 Equity Shares to Mohan V. Mathew, 200,000 Equity Shares to Balu P. Mani, 200,000 Equity Shares to Sobha Balu Mani, 33,333 Equity Shares to KR Raju, 33,333 Equity Shares to Sobha Raju, 33,333 Equity Shares to Vinod Jacob Cherian, 66,666 Equity Shares to Mathew T. Thomas, 33,333 Equity Shares to Susan Mathew, 60,000 Equity Shares to Elizabeth Sabu, 66,666 Equity Shares to Mary Abraham, 40,000 Equity Shares to Lucy Sabu, 33,333 Equity Shares to Mereena Paul, 33,333 Equity Shares to Annie Varghese, 13,333 Equity Shares to Anand Menon, 13,333 Equity Shares to Radha Anand Menon, 13,333 Equity Shares to Abhijit Anand Menon, 26,666 Equity Shares to VM Xaviour, 33,333 Equity Shares to Sheena Kurian, 30,000 Equity Shares to Renny Varghese, 33,333 Equity Shares to Jameson Jacob, 33,333 Equity Shares to Sajo Jacob, 33,333 Equity Shares to Abraham Vinu Sam, 33,333 Equity Shares to Leo Joseph, 13,333 Equity Shares to Sarun Jobi Paul, 33,333 Equity Shares to Gigi Kesavan, 66,666 Equity Shares to Johnson Tharayilliathu Abraham, 13,333 Equity Shares to Joji Joshua Philipose, 13,333 Equity Shares to V. Venugopalan, 33,333 Equity Shares to Sisilamma George, 26,666 Equity Shares to TS Anantharaman, 13,333 Equity Shares to Saji P A, 33,333 Equity Shares to Hari Velloor, 40,000 Equity Shares to Mathews Markose, 33,333 Equity Shares to Soney Jose, 1,333,333 Equity Shares to Arakkanatil Oommen lype, 66,666 Equity Shares to KT Mathew, 86,666 Equity Shares to Jancy Mathew, 60.000 Equity Shares to Saju Abraham, 40,000 Equity Shares to Beena George, 13,333 Equity Shares to Nandakumar C. P, 13,333 Equity Shares to Gireesan C, 13,333 Equity Shares to Paul Valiyanirappel Joseph, 13,333 Equity Shares to Prema Rajan MV, 13,333 Equity Shares to Sajeev J, 40,000 Equity Shares to Bosco Joseph, 13,333 Equity Shares to Pratap Varkey, 15,000 Equity Shares to Vinod Manjila, 26,666 Equity Shares to Jins Antony, 26,666 Equity Shares to Rajesh Sreedharan PiIlai, 13,333 Equity Shares to M Rajan, 40,000 Equity Shares to Christo George, 26,666 Equity Shares to Catherine Christo, 13,333 Equity Shares to Sunil G. Nampoothiri, 13,333 Equity Shares to James V. Cheeran, 13,333 Equity Shares to Sidharth Ram, 13,333 Equity Shares to Uday Kumar Gopinathan, 26,666 Equity Shares to Dr. MA Joy, 20,000 Equity Shares to Girish Bhaskaran Nair, 13,333 Equity Shares to Joseph Varghese, 26,666 Equity Shares to Santhosh KR, 26,666 Equity Shares to Manoj V George, 20,000 Equity Shares to Rajan Varughese, 26,666 Equity Shares to Seejo PJ, 13,333 Equity Shares to Savio Joseph, 13,333 Equity Shares to Ajo Varghese, 13,333 Equity Shares to Arun Joseph, 13,333 Equity						

Date of allotment of Equity Shares	Number of Equity Shares allotted	Details of allottees	Face value per Equity Share (in ₹)	Issue price per Equity Share (in ₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (in ₹)
		Shares to Shruthi V, 13,333 Equity Shares to Alok Thomas Paul and 13,333 Equity Shares to Emy Acha Paul						
Total	**449,473,798**						**449,473,798**	**4,494,737,980**

(1) *Details of allottees for the preferential allotment dated May 20, 2016*

S. No.	Name of Allottee	Description of Allottee
1.	Corporate Promoter	Our Corporate Promoter, ESAF Financial Holdings Private Limited. For details, see "*Our Promoters and Promoter Group*" on page 235.
2.	Kadambelil Paul Thomas	Our Individual Promoter. For details, see "*Our Promoters and Promoter Group*" on page 235.

(2) *Details of allottees for the preferential allotment dated March 9, 2017*

S. No.	Name of Allottee	Description of Allottee
1.	Corporate Promoter	Our Corporate Promoter, ESAF Financial Holdings Private Limited. For details, see "*Our Promoters and Promoter Group*" on page 235.
2.	Kadambelil Paul Thomas	Our Individual Promoter. For details, see "*Our Promoters and Promoter Group*" on page 235.

(3) *Details of allottees for the preferential allotment dated March 10, 2017*

S. No.	Name of Allottee	Description of Allottee
1.	Corporate Promoter	Our Corporate Promoter, ESAF Financial Holdings Private Limited. For details, see "*Our Promoters and Promoter Group*" on page 235.

(4) *Details of allottees for the preferential allotment dated March 29, 2017*

S. No.	Name of Allottee	Description of Allottee
1.	Corporate Promoter	Our Corporate Promoter, ESAF Financial Holdings Private Limited. For details, see "*Our Promoters and Promoter Group*" on page 235.

(5) *Details of allottees for the preferential allotment dated March 30, 2017 pursuant to the Business Transfer Agreement.*

S. No.	Name of Allottee	Description of Allottee
1.	Corporate Promoter	Our Corporate Promoter, ESAF Financial Holdings Private Limited. For details, see "*Our Promoters and Promoter Group*" on page 235.

For further details on the Business Transfer Agreement, see "History and Certain Corporate Matters" on page 205.

(6) *Details of allottees for the preferential allotment dated January 31, 2018*

S. No.	Name of Allottee	Description of Allottee
1.	Kadambelil Paul Thomas	Our Individual Promoter. For details, see "*Our Promoters and Promoter Group*" on page 235.

(7) *Details of allottees for the preferential allotment dated July 31, 2018*

S. No.	Name of Allottee	Description of Allottee
1.	PNB MetLife India Insurance Company Limited	An insurance company situated in Bangalore, which is an institutional investor in our Bank and one of the Selling Shareholders
2.	Muthoot Finance Limited	A financial institution, situated in Ernakulam, Kerala and an institutional investor in our Bank

S. No.	Name of Allottee	Description of Allottee
3.	Bajaj Allianz Life Insurance Company Limited	An insurance Company, situated in Pune, Maharashtra, which is an institutional investor in our Bank and one of the Selling Shareholders
4.	PI Ventures LLP	A body corporate situated in Mumbai, which is a non-institutional investor in our Bank and one of the Selling Shareholders

(8) *Details of allottees for the preferential allotment dated September 28, 2018*

S. No.	Name of Allottee	Description of Allottee
1.	PNB MetLife India Insurance Company Limited,	An insurance company situated in Bangalore, which is an institutional investor in our Bank and one of the Selling Shareholders
2.	ESMACO	A cooperative society, situated in Kerala, and an investor in our Bank
3.	Yusuffali Musaliam Veettil Abdul Kader	An individual investor in our Bank
4.	ICICI Lombard General Insurance Company Limited	An insurance company situated in Mumbai, and an institutional investor in our Bank
5.	Lahanti	A body corporate, situated in Thrissur, Kerala, which is a non-institutional investor in our Bank and one of our Group Companies. For details, see "*Our Group Entities*" on page 240.
6.	Abraham K John	An individual investor in our Bank
7.	John Chakola	An individual investor in our Bank
8.	Assan Khan Akbar	An individual investor in our Bank and an erstwhile Non-Executive Nominee Director of our Bank

(9) *Details of allottees for the preferential allotment dated March 31, 2021*

S. No.	Name of Allottee	Description of Allottee
1.	George Ittan Maramkandathil	An individual investor in our Bank
2.	George Mammoottil Thomas	An individual investor in our Bank
3.	ESMACO	A member of our Promoter Group and Group Entity of our Bank. For further details see, "*Our Promoters and Promoter Group*" and "*Our Group Entities*" on pages 235 and 240, respectively.
4.	Yusuffali Musaliam Veettil Abdul Kader	An individual investor in our Bank
5.	George Thomas	A trustee holding Equity Shares on behalf of ESAF Staff Welfare Trust and Executive Vice President – Corporate Services of our Bank. For further details see, "*Our Management – Key Managerial Personnel"* on page 232.
6.	Mohan V. Mathew	An individual investor in our Bank
7.	Balu P. Mani	An individual investor in our Bank
8.	Sobha Balu Mani	An individual investor in our Bank
9.	KR Raju	An individual investor in our Bank
10.	Sobha Raju	An individual investor in our Bank
11.	Vinod Jacob Cherian	An individual investor in our Bank
12.	Mathew T. Thomas	An individual investor in our Bank
13.	Susan Mathew	An individual investor in our Bank
14.	Elizabeth Sabu	An individual investor in our Bank
15.	Mary Abraham	An individual investor in our Bank
16.	Lucy Sabu	An individual investor in our Bank
17.	Mereena Paul	A member of our Promoter Group of our Bank. Further, she is also a director of our Corporate Promoter. For further details see, "*Our Promoters and Promoter Group*" on page 235.
18.	Annie Varghese	An individual investor in our Bank
19.	Anand Menon	An individual investor in our Bank
20.	Radha Anand Menon	An individual investor in our Bank
21.	Abhijit Anand Menon	An individual investor in our Bank
22.	VM Xaviour	An individual investor in our Bank
23.	Sheena Kurian	An individual investor in our Bank
24.	Renny Varghese	An individual investor in our Bank
25.	Jameson Jacob	An individual investor in our Bank
26.	Sajo Jacob	An individual investor in our Bank
27.	Abraham Vinu Sam	An individual investor in our Bank
28.	Leo Joseph	An individual investor in our Bank
29.	Sarun Jobi Paul	An individual investor in our Bank

S. No.	Name of Allottee	Description of Allottee
30.	Gigi Kesavan	An individual investor in our Bank
31.	Johnson Tharayilliathu Abraham	An individual investor in our Bank
32.	Joji Joshua Philipose	An individual investor in our Bank
33.	V. Venugopalan	An individual investor in our Bank
34.	Sisilamma George	An individual investor in our Bank
35.	TS Anantharaman	An individual investor in our Bank
36.	Saji P A	An individual investor in our Bank
37.	Hari Velloor	An Executive Vice President - Network - 1 South of our Bank. For further details see, "*Our Management - Key Managerial Personnel*" on page 232.
38.	Mathews Markose	An individual investor in our Bank
39.	Soney Jose	An individual investor in our Bank
40.	Arakkanatil Oommen lype	An individual investor in our Bank
41.	KT Mathew	An individual investor in our Bank
42.	Jancy Mathew	An individual investor in our Bank
43.	Saju Abraham	An individual investor in our Bank
44.	Beena George	A member of our Promoter Group of our Bank. For further details see, "*Our Promoters and Promoter Group*" on page 235.
45.	Nandakumar C. P	An individual investor in our Bank
46.	Gireesan C	An individual investor in our Bank
47.	Paul Valiyanirappel Joseph	An individual investor in our Bank
48.	Prema Rajan MV	An individual investor in our Bank
49.	Sajeev J	An individual investor in our Bank
50.	Bosco Joseph	A member of our Promoter Group of our Bank. For further details see, "*Our Promoters and Promoter Group*" on page 235.
51.	Pratap Varkey	An individual investor in our Bank
52.	Vinod Manjila	An individual investor in our Bank
53.	Jins Antony	An individual investor in our Bank
54.	Rajesh Sreedharan PiIlai	An individual investor in our Bank
55.	M Rajan	An individual investor in our Bank
56.	Christo George	An individual investor in our Bank
57.	Catherine Christo	An individual investor in our Bank
58.	Sunil G. Nampoothiri	An individual investor in our Bank
59.	James V. Cheeran	An individual investor in our Bank
60.	Sidharth Ram	An individual investor in our Bank
61.	Uday Kumar Gopinathan	An individual investor in our Bank
62.	Dr. MA Joy	An individual investor in our Bank
63.	Girish Bhaskaran Nair	An individual investor in our Bank
64.	Joseph Varghese	An individual investor in our Bank
65.	Santhosh KR	An individual investor in our Bank
66.	Manoj V George	An individual investor in our Bank
67.	Rajan Varughese	An individual investor in our Bank
68.	Seejo PJ	An individual investor in our Bank
69.	Savio Joseph	A member of our Promoter Group of our Bank. For further details see, "*Our Promoters and Promoter Group*" on page 235.
70.	Ajo Varghese	An individual investor in our Bank
71.	Arun Joseph	An individual investor in our Bank
72.	Shruthi V	An individual investor in our Bank
73.	Alok Thomas Paul	A member of our Promoter Group of our Bank. For further details see, "*Our Promoters and Promoter Group*" on page 235.
74.	Emy Acha Paul	A member of our Promoter Group of our Bank. For further details see, "*Our Promoters and Promoter Group*" on page 235.

(b) ***Preference Share capital***

Our Bank has not issued any preference shares since its incorporation.

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

Our Bank has not issued any Equity Shares during a period of one year preceding the date of this Draft Red Herring Prospectus.

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

(a) Our Bank has not issued any Equity Shares out of revaluation of 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 this Draft Red Herring Prospectus:

Date of allotment of Equity Shares	Number of Equity Shares allotted	Face Value per Equity Share (₹)	Offer price (₹)	Reason for allotment	Benefits accrued to our Bank	Allottee
March 30, 2017	4,901,960	10	10.20	Preferential allotment pursuant to the Business Transfer Agreement	The business undertaking comprising the lending and financing business of our Corporate Promoter was transferred to our Bank pursuant to the Business Transfer Agreement. For further details, see "*History and Certain Corporate Matters*" on page 205.	Corporate Promoter

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

Our Bank has not allotted any Equity Shares pursuant to a scheme of amalgamation approved under Sections 230 to 234 of the Companies Act, 2013.

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

As on the date of this Draft Red Herring Prospectus, our Promoters namely ESAF Financial Holdings Private Limited and Kadambelil Paul Thomas collectively hold 311,945,181 Equity Shares equivalent to 69.40% of the issued, subscribed and paid-up Equity Share capital of our Bank. Our Corporate Promoter holds 280,758,396 Equity Shares (which includes five Equity Shares held by individuals beneficially on behalf of our Corporate Promoter) equivalent to 62.46% of the issued, subscribed and paid-up Equity Share capital of our Bank. Our Individual Promoter, Kadambelil Paul Thomas holds 31,186,785 Equity Shares equivalent to 6.94% of the issued, subscribed and paid-up Equity Share capital of our Bank.

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

The details regarding the Equity Shareholding of our Promoters since incorporation of our Bank is set forth in the table below:

Date of allotment and date on which Equity Shares were made fully paid-up	Nature of transaction	Number 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 (%)
Kadambelil Paul Thomas							
May 5, 2016	Initial subscription to the Memorandum of Association	5,000	Cash	10	10	0.00	[●]
May 20, 2016	Preferential allotment	1,095,000	Cash	10	10	0.24	[●]
March 9, 2017	Preferential allotment	19,704,433	Cash	10	10.15	4.39	[●]
January 31, 2018	Preferential allotment	10,382,352	Cash	10	10.20	2.31	[●]
Total (A)		**31,186,785**				**6.94**	**[●]**
ESAF Financial Holdings Private Limited							
May 5, 2016	Initial subscription to the	95,000*	Cash	10	10	0.02	[●]

Date of allotment and date on which Equity Shares were made fully paid-up	Nature of transaction	Number 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 (%)
	Memorandum of Association						
May 20, 2016	Preferential allotment	108,805,000	Cash	10	10	24.20	[●]
March 9, 2017	Preferential allotment	59,113,300	Cash	10	10.15	13.15	[●]
March 10, 2017	Preferential allotment	58,823,529	Cash	10	10.20	13.09	[●]
March 29, 2017	Preferential allotment	49,019,607	Cash	10	10.20	10.91	[●]
March 30, 2017	Preferential allotment pursuant to the Business Transfer Agreement	4,901,960	Other than cash	10	10.20**	1.09	[●]
Total (B)		**280,758,396**				**62.46**	**[●]**
Total (A+B)		**311,945,181**				**69.40**	**[●]**

* *One Equity Share each held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares*

** *The Equity Shares were allotted to our Corporate Promoter towards the discharge of purchase consideration for the business undertaking transferred to our Bank, pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 205.*

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

As of the date of this Draft Red Herring Prospectus, none of the Equity Shares held by our Promoters are pledged.

Our Promoters do not hold any preference shares as of the date of this Draft Red Herring Prospectus.

(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 our Promoters (assuming full conversion of vested options, if any, under the ESAF ESOP Plan 2019), shall be locked in for a period of 18 months as minimum Promoters' contribution from the date of Allotment and the shareholding of the Promoters in excess of 20% of the fully diluted post-Offer Equity Share capital shall be locked in for a period of six months from the date of Allotment.

(ii) Details of the Equity Shares to be locked-in for 18 months from the date of Allotment as minimum Promoters' contribution are set forth in the table below:

Name of Promoter	Number of Equity Shares locked-in	Date of allotment of Equity Shares and when made fully paid-up*	Nature of allotment	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 (%)
Kadambelil Paul Thomas	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Corporate Promoter	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total	[●]	[●]	[●]	[●]	[●]	[●]	[●]

* *All Equity Shares allotted to our Promoter were fully paid-up at the time of allotment*

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

(iv) Our Promoters have 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 ESAF ESOP Plan 2019).

(iv) In this connection, our Bank confirms the following:

(a) The Equity Shares offered for Promoters' 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 Promoters' contribution.

(b) The minimum Promoters' 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 Promoters' contribution are not subject to any pledge.

(e) All the Equity Shares held by our Promoter are in dematerialised form.

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

(i) In addition to the 20% of the fully diluted post-Offer shareholding of our Bank held by the Promoters locked in for 18 months as specified above, in accordance with Regulation 17 of the SEBI ICDR Regulations, the entire pre-Offer Equity Share capital of our Bank, will be locked-in for a period of six months from the date of Allotment, except for (i) the Equity Shares offered pursuant to the Offer for Sale; and (ii) any Equity Shares held by the eligible employees (whether currently employees or not, and including the legal heirs or nominees of any deceased employees or past employees) of our Bank which have been or will be allotted to them under the ESAF ESOP Plan 2019, prior to the Offer, except as required under applicable law. Any unsubscribed portion of the Equity Shares offered pursuant to the Offer for Sale will be locked-in as required under the SEBI ICDR Regulations. For details, see "*Offer Procedure*" on page 403.

(ii) Our Promoters have agreed not to sell, transfer, charge, pledge or otherwise encumber in any manner, the Promoters' contribution from the date of filing this 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 Promoters' minimum initial contribution to the paid-up Equity Share capital of our Bank is required to be at least 40% which is required to be held for a period of five years from the date of commencement of business. Our Promoters are required to reduce their shareholding to 26.00% of our paid-up Equity Share Capital or voting rights after the completion of 15 years from the commencement of our business operations which was on March 10, 2017 as per the Reserve Bank of India Guidelines on Acquisition and Holding of Shares dated January 16, 2023 read with Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023. During the period prior to the completion of the 15 years, our Promoters may be allowed to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan submitted by our Bank and approved by the RBI with such conditions as it deems fit as described in "*Key Regulations and Policies"* on page 186.

(iv) 50% of the Equity Shares Allotted to Anchor Investors under the Anchor Investor Portion shall be locked-in for a period of 90 days from the date of Allotment and the remaining 50% of the Equity Shares Allotted to Anchor Investors in 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 persons other than the Promoters and locked-in for a period of six months 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 compliance with the SEBI Takeover Regulations.

(iv) As required under Regulation 20 of the SEBI ICDR Regulations, our Bank shall ensure that details of the Equity Shares locked-in are recorded by the relevant Depository.

(v) The Equity Shares held by the Promoters that are locked-in may be pledged only with scheduled commercial banks or public financial institutions or Systemically Important NBFCs or housing finance companies, as collateral security for loans granted by such banks or public financial institutions or Systemically Important NBFCs or housing finance companies in terms of Regulation 21 of the SEBI ICDR Regulations.

6. **Shareholding Pattern of our Bank**

The table below presents the equity shareholding pattern of our Bank as on the date of this Draft Red Herring 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 dematerialised form (XIV)
								Number of Voting Rights: Class: Equity Shares	Number of Voting Rights: Total	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)	
(A)	**Promoter and Promoter Group**	10*	334,528,839**	-	-	334,528,839	74.43	334,528,839	334,528,839	74.43#	-	-		-		-	334,528,839
(B)	**Public**	77	114,944,959			114,944,959	25.57	114,944,959	114,944,959	25.57	-	-		-		-	114,944,959
(C)	**Non Promoter-Non Public**	-	-	-	-	-	-	-	-	-	-	-		-		-	-
(C1)	**Shares underlying depository receipts**	-	-	-	-	-	-	-	-	-	-	-		-		-	-
(C2)	**Shares held by employee trusts**	-	-	-	-	-	-	-	-	-	-	-		-		-	-
	Total (A+B+C)	**87**	449,473,798			449,473,798	**100.00**	449,473,798	449,473,798	**100.00**	-	-		-		-	449,473,798

* *Includes Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, who hold shares as nominees of the Corporate Promoter who is the beneficial owner of such shares. Mereena Paul, Alok Thomas Paul, Emy Acha Paul and Beena George are also members of the Promoter Group of our Bank.*

** *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares, of which Mereena Paul, Alok Thomas Paul, Emy Acha Paul and Beena George are also members of the Promoter Group of our Bank. For details of the Equity Shares held by our Promoters and Promoter Group, see "Offer Document Summary" and "Capital Structure" on pages 16 and 82, respectively.*

\# *As per the Banking Regulations Act read with gazette notification dated DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a banking company can exercise voting rights on poll in excess of 26% of total voting rights of all the shareholders of the bank.*

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 Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares of face value of ₹10 each	Percentage of the pre- Offer Equity Share capital (%)
1.	Corporate Promoter	280,758,396*	62.46
2.	Kadambelil Paul Thomas	31,186,785	6.94
3.	ESMACO	22,413,659	4.99
4.	Yusuffali Musaliam Veettil Abdul Kader	22,413,659	4.99
5.	PNB MetLife India Insurance Company Limited	21,346,993	4.75
6.	Muthoot Finance Limited	18,717,244	4.16
7.	Bajaj Allianz Life Insurance Company Limited	17,469,428	3.89
8.	George Ittan Maramkandathil	13,333,333	2.97
9.	PI Ventures LLP	8,734,714	1.94
10.	ICICI Lombard General Insurance Company Limited	6,239,081	1.39
	Total	**442,613,292**	**98.48**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who 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 Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares of face value of ₹10 each	Percentage of the pre- Offer Equity Share capital (%)
1.	Corporate Promoter	280,758,396*	62.46
2.	Kadambelil Paul Thomas	31,186,785	6.94
3.	ESMACO	22,413,659	4.99
4.	Yusuffali Musaliam Veettil Abdul Kader	22,413,659	4.99
5.	PNB MetLife India Insurance Company Limited	21,346,993	4.75
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	Total	**442,613,292**	**98.48**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who 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 Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares of face value of ₹10 each	Percentage of the pre- Offer Equity Share capital (%)
1.	Corporate Promoter	280,758,396*	62.46
2.	Kadambelil Paul Thomas	31,186,785	6.94
3.	ESMACO	22,413,659	4.99
4.	Yusuffali Musaliam Veettil Abdul Kader	22,413,659	4.99
5.	PNB MetLife India Insurance Company Limited	21,346,993	4.75
6.	Muthoot Finance Limited	18,717,244	4.16
7.	Bajaj Allianz Life Insurance Company Limited	17,469,428	3.89
8.	George Ittan Maramkandathil	13,333,333	2.97
9.	PI Ventures LLP	8,734,714	1.94
10.	ICICI Lombard General Insurance Company Limited	6,239,081	1.39
	Total	**442,613,292**	**98.48**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who 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 shares held by them two years prior to the date of this Draft Red Herring Prospectus are set forth in the table below:

Sr. No.	Name of the Shareholder	Number of Equity Shares of face value of ₹10 each	Percentage of the pre- Offer Equity Share capital (%)
1.	Corporate Promoter	280,758,396*	62.46
2.	Kadambelil Paul Thomas	31,186,785	6.94
3.	ESMACO	22,413,659	4.99
4.	Yusuffali Musaliam Veettil Abdul Kader	22,413,659	4.99
5.	PNB MetLife India Insurance Company Limited	21,346,993	4.75
6.	Muthoot Finance Limited	18,717,244	4.16
7.	Bajaj Allianz Life Insurance Company Limited	17,469,428	3.89
8.	George Ittan Maramkandathil	13,333,333	2.97
9.	PI Ventures LLP	8,734,714	1.94
10.	ICICI Lombard General Insurance Company Limited	6,239,081	1.39
	Total	**442,613,292**	**98.48**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares.*

8. **Details of Equity Shares held by our Promoters, members of our Promoter Group, Directors, Key Managerial Personnel, Senior Management Personnel and directors of our Corporate Promoter**

(i) None of our Promoters, members of our Promoter Group, Directors and directors of our Corporate Promoter hold any employee stock options in our Bank.

(ii) Set out below are details of the Equity Shares held by our Directors, Key Managerial Personnel and Senior Management Personnel in our Bank:

Sr. No.	Name	Number of Equity Shares of face value of ₹10 each	Number of vested employee stock options	Number of unvested employee stock options	Percentage of the pre-Offer Equity Share Capital (%)	Percentage of the post-Offer of Equity Share Capital (%)
Directors						
1.	Kadambelil Paul Thomas*	31,186,785	-	-	6.94	[●]
Total (A)		**31,186,785**	**-**	**-**	**6.94**	**[●]**
Key Managerial Personnel and Senior Management Personnel						
1.	Ranjith Raj P	-	-	2,891	-	
2.	George Thomas	-	-	22,653	-	[●]
3.	George Kalaparambil John	-	-	40,809	-	[●]
4.	Hari Velloor	33,333	-	-	Negligible	[●]
Total (B)		**33,333**	**-**	**66,353**	**-**	**[●]**
Total (A+B)		**31,220,118**	**-**	**66,353**	**6.94**	**[●]**

* *Kadambelil Paul Thomas is also a Key Managerial Personnel and Individual Promoter of our Bank.*

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

Name	Number of Equity Shares of face value of ₹10 each	Percentage of the pre-Offer Equity Share Capital (%)
Promoters		
Corporate Promoter	280,758,396*	62.46
Kadambelil Paul Thomas	31,186,785	6.94
Total (A)	**311,945,181**	**69.40**
Promoter Group		
ESMACO	22,413,659	4.99
Beena George	40,000	Negligible
Bosco Joseph	40,000	0.01
Mereena Paul	33,333	0.01
Leo Joseph	16,667	0.01
Savio Joseph	13,333	0.01
Alok Thomas Paul	13,333	Negligible
Emy Acha Paul	13,333	Negligible
Total (B)	**22,583,658**	**5.03**
Total (A+B)	**334,545,505**	**74.43**

* *280,758,391 Equity Shares are held by our Corporate Promoter and one Equity Share each is held by Mereena Paul, Alok Thomas Paul, Emy Acha Paul, George Kalaparambil John and Beena George, as nominees on behalf of our Corporate Promoter, who is the beneficial owner of such Equity Shares. Mereena Paul, Alok Thomas Paul, Emy Acha Paul and Beena George are also members of the Promoter Group of our Bank. Further, Mereena Paul is also a director of our Corporate Promoter.*

9. Except for ICICI Lombard General Insurance Company Limited, an associate of one of the BRLMs, namely ICICI, which holds 6,239,081 Equity Shares aggregating 1.39% of our pre-Offer Equity Share capital, 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 Draft Red Herring Prospectus. The BRLMs and their associates may engage in transactions with and perform services for our Bank in the ordinary course of business or may in the future engage in commercial banking and investment banking transactions with our Bank, for which they may in the future receive customary compensation.

10. There are no partly paid-up Equity Shares as on the date of this Draft Red Herring Prospectus and all Equity Shares were fully paid-up as on the date of allotment.

11. Our Bank has not made any public or rights issue of any kind or class of securities since its incorporation.

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

13. **ESAF ESOP Plan 2019**

Our Bank, pursuant to the resolutions passed by the Board on December 23, 2019 and Shareholders on January 3, 2020, adopted the ESAF ESOP Plan 2019, which was amended pursuant to the SEBI SBEB & SE Regulations and adopted pursuant to the resolution passed by the Board on June 22, 2023 and Shareholders' on June 29, 2023. Pursuant to the ESAF ESOP Plan 2019, the Bank may grant an aggregate number of up to 22,515,552 employee stock options under the ESAF ESOP Plan 2019. However, the Bank will not make any further grants which involves allotment or transfer of Equity Shares to its employees under ESAF ESOP Plan 2019 from the date of this Draft Red Herring Prospectus unless such grant is ratified by the Shareholders subsequent to the listing of the Equity Share, in conformity with the SEBI SBEB & SE Regulations. 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 ESAF ESOP Plan 2019 shall not exceed 22,515,552 Equity Shares of face value ₹10 each. The objectives of the ESAF ESOP Plan 2019 are, among others, to attract and retain employees with employee stock options as a compensation tool. Through the ESAF ESOP Plan 2019, our Bank intends to offer an opportunity of sharing the value created with those employees who have contributed or are expected to contribute to the growth and development of our Bank.

The ESAF ESOP Plan 2019 has been framed in compliance with the SEBI SBEB & SE Regulations. The ESOP grant is of two types (i) loyalty grant and (ii) performance grant. As on the date of this Draft Red Herring Prospectus, no options under performance grant have been granted by our Bank under the ESAF ESOP Plan 2019.The details of the options granted under the ESAF ESOP Plan 2019 as loyalty grant are as follows:

Particulars	**Details**			
	Fiscal 2021	**Fiscal 2022**	**Fiscal 2023**	**From April 1, 2023 till the date of this Draft Red Herring Prospectus**
Options granted	Nil	1,125,590 (loyalty grant)	Nil	Nil
Exercise price on options (in ₹)	Nil	18.75	Nil	Nil
Vesting period	Nil	Vesting of the options granted will happen on the first anniversary	Nil	Nil
Options vested and not exercised	Nil	Nil	1,125,590 (loyalty grant)	1,044,483 (loyalty grant)
Options exercised	Nil	Nil	Nil	Nil
The total number of Equity Shares arising as a result of exercise of options	Nil	Nil	Nil	Nil
Options forfeited/lapsed	Nil	Not Applicable	81,107	11,632
Variation of terms of options	Nil	Nil	Nil	Nil
Money realized by exercise of options	Nil	Not Applicable	Nil	Nil
Total number of options in force as of the date of this Draft Red Herring Prospectus	Nil	1,125,590 (loyalty grant)	1,044,483 (loyalty grant)	1,032,851 (loyalty grant)
Employee-wise detail of options granted to:				
i. Key managerial personnel and Senior Management Personnel	Nil	• George Kalaparambil John– 40,809 options • George Thomas - 22,653 options • Ranjith Raj P – 2,891 options	Nil	Nil
ii. Any other employee who received a grant in any one year of options amounting to 5%	Nil	Nil	Nil	Nil

<table>
<tr><th rowspan="2">Particulars</th><th colspan="4">Details</th></tr>
<tr><th>Fiscal 2021</th><th>Fiscal 2022</th><th>Fiscal 2023</th><th>From April 1, 2023 till the date of this Draft Red Herring Prospectus</th></tr>
<tr><td>or more of the options granted during the year</td><td></td><td></td><td></td><td></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 colspan="4">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 colspan="4"><table>
<tr><th>Year ended March 31, 2021</th><th>Year ended March 31, 2022</th><th>Year ended March 31, 2023</th><th>From April 1, 2023 till the date of this Draft Red Herring Prospectus</th></tr>
<tr><td>2.46</td><td>1.22</td><td>6.71</td><td>NA</td></tr>
</table></td></tr>
<tr><td>Lock-in</td><td colspan="4">The shares are freely transferable and there is no lock in period envisaged in the scheme</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 colspan="4">If “Fair Value Method” had been adopted based on “Black-Scholes pricing model” for pricing and accounting of options, net profit would be lower by ₹3.20 Million, ₹0.30 Million and Rs. Nil for the years ended March 31, 2023, March 31, 2022 and March 31, 2021 respectively . The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be as follows:<table>
<tr><th>Particulars</th><th>Year ended March 31, 2023</th><th>Year ended March 31, 2022</th><th>Year ended March 31, 2021</th></tr>
<tr><td>Basic earnings per share</td><td>6.72</td><td>1.22</td><td>NA</td></tr>
<tr><td>Diluted earnings per share</td><td>6.71</td><td>1.22</td><td>NA</td></tr>
</table></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 colspan="4">Following methods and assumptions were used for computing the weighted average fair value as per Restated Financial Information. The Black shoes model has been used for computing the weighted average value<table>
<tr><td>Risk Free rate</td><td>6.17%</td></tr>
<tr><td>Expected life of option</td><td>1 Year</td></tr>
<tr><td>Expected dividend (Annualised)</td><td>0.00</td></tr>
<tr><td>Annualised Standard Deviation</td><td>11.78%</td></tr>
<tr><td>Market Price at the time of Grant</td><td>₹75.00</td></tr>
<tr><td>Exercise Price</td><td>₹18.75</td></tr>
<tr><td>Fair Value of Option</td><td>₹57.37 per option</td></tr>
</table></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 & SE Regulations had been followed in respect of options granted in the last three years</td><td colspan="4">Complied with the SEBI SBEB & SE Regulations and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India</td></tr>
<tr><td>Intention of the key managerial personnel, senior management 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 Issue</td><td colspan="4">Nil</td></tr>
<tr><td>Intention to sell Equity Shares arising out of an employee stock option scheme within three months after the listing of Equity Shares, by Directors, key managerial personnel, 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 colspan="4">Nil</td></tr>
</table>

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

15. As of the date of the filing of this Draft Red Herring Prospectus, our Bank has 87 Shareholders.

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 the Equity Shares allotted pursuant to the Offer, the conversion of vested employee stock options, if any granted under the ESAF ESOP Plan 2019, the Pre-IPO Placement, and the sweat equity shares which may be allotted to the Managing Director and Chief Executive Officer, subject to approval from the RBI, 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 this Draft Red Herring Prospectus until the listing of the Equity Shares on the Stock Exchanges pursuant to the Offer.

19. Our Bank shall ensure that all transactions in Equity Shares by our Promoters and members of our Promoter Group between the date of filing of this Draft Red Herring Prospectus and the date of closing of the Offer shall be reported to the Stock Exchanges within 24 hours of such transaction.

20. There have been no financing arrangements whereby our Promoters, members of the Promoter Group, the directors of our Corporate 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 this Draft Red Herring Prospectus.

21. 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; (b) any issuance of any Equity Shares pursuant to the Pre-IPO Placement; (c) any issuance pursuant to the exercise of vested employee stock options, if any under the ESAF ESOP Plan 2019; and (d) the sweat equity shares which may be allotted to the Managing Director and Chief Executive Officer, subject to approval from the RBI as disclosed in "*Our Management - Terms of appointment of Directors - Remuneration paid to the Executive Director*" on page 217. Provided further that if our Bank enters into acquisitions or joint ventures or if the business needs otherwise arise, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares for participation in such acquisitions or joint ventures or other arrangements.

22. Other than employee stock options granted under the ESAF ESOP Plan 2019, there are no outstanding convertible securities or any other right granted by the Bank which would entitle any person any option to receive Equity Shares, as on the date of this Draft Red Herring Prospectus.

OBJECTS OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Offer for Sale

Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale. Our Bank will not receive any proceeds from the Offer for Sale.

For details regarding the aggregate pre-Offer and post-Offer shareholding of the Selling Shareholders and the percentage of the pre-Offer and post-Offer paid-up Equity Share capital, respectively, of our Bank, see "*The Offer*" on page 69.

Objects of the Offer

In terms of the SFB Licensing Guidelines, the Bank is required to list its Equity Shares on the Stock Exchanges within a period of three years from reaching a net worth of ₹5,000 million. Further, our Bank is required to maintain a minimum capital adequacy ratio of 15% of our risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and our Tier - I capital is required to be at least 7.5% of the risk weighted asset. For details, see "*Key Regulations and Policies*" on page 186. As at March 31, 2023, our Bank's–Tier - I capital base in accordance with the Restated Financial Information was ₹17,096.36 million.

The details of composition of the Bank's Tier - 1 capital as at March 31, 2023, March 31, 2022 and March 31, 2021:

(in ₹ million)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021
Share Capital	4,494.74	4,494.74	4,494.74
Reserves and surplus (excluding invest fluctuation reserve)	12,275.13	9,311.28	8,984.63
Additional Tier 1 Capital	480.00	480.00	480.00
Expenditure incurred for initial public offering purpose	(153.51)	(130.55)	(70.30)
Tier Capital - I	**17,096.36**	**14,155.47**	**13,889.07**
Sub debt	530.00	810.00	890.00
General Provision & Standard Assets Provisions	765.83	1,094.28	806.12
Investment Fluctuation Reserve	321.42	261.93	41.27
Tier Capital - II Restricted to 0	**1,617.25**	**2,166.21**	**1,737.39**
Total Capital Fund (Tier I & II)	18,713.61	16,321.68	15,626.46

Our Bank proposes to utilize the Net Proceeds from the Fresh Issue towards augmenting our Bank's Tier – I capital base to meet our Bank's future capital requirements. Further, the proceeds from the Fresh Issue will also be used towards meeting the expenses in relation to the Offer.

Our Bank expects to receive the benefits of listing the Equity Shares on the Stock Exchanges.

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(1)	4,867.40
(Less) Fresh Issue expenses(1)	[●]
Net Proceeds(1)(2)	**[●]**

(1) *Our Bank may, in consultation with the Book Running Lead Managers consider a Pre-IPO Placement. If the Pre-IPO Placement is completed, the Fresh Issue will be reduced to the extent of such Pre-IPO Placement, subject to the Offer constituting at least [●]% of the post-Offer paid up Equity Share capital of our Bank. Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement and after compliance with requirements prescribed under the Companies Act, our Bank shall utilise the proceeds from such Pre-IPO Placement towards one or more of the Objects. On utilization of proceeds from the Pre-IPO Placement (if any) prior to the completion of the Offer, our Bank shall appropriately intimate the subscribers to the Pre-IPO Placement that there is no guarantee that our Bank may proceed with the Offer or the Offer may be successful and will result into listing of the Equity Shares on the Stock Exchanges. Further, relevant disclosures in relation to such intimation to the subscribers to the Pre-IPO Placement (if any) shall be appropriately made in the relevant sections of the Red Herring Prospectus and Prospectus.*

(2) *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC*

Requirement of Funds and Utilization of Net Proceeds

The Net Proceeds are proposed to be utilised towards augmentation of our Bank's Tier-I capital base to meet our Bank's future capital requirements which are expected to arise out of growth in our Bank's assets, primarily our Bank's loans/advances and investment portfolio and to ensure compliance with regulatory requirements on capital adequacy prescribed by the RBI from time to time.

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹[●] million.

The Offer related expenses primarily include fees payable to the BRLMs and legal counsel, fees payable to the Auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' 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 the Bank, each of the Selling Shareholders and the Bank shall, upon successful completion of the Offer, share the costs and expenses (including all the applicable taxes) directly attributable to the Offer, on a pro-rata basis, in the manner agreed, based on the proportion of Equity Shares included in the Offer for Sale, among themselves, and the Equity Shares allotted by the Bank, respectively, as a percentage the total Equity Shares sold in the Offer. Any payments by our Bank in relation to the Offer expenses on behalf of Selling Shareholders shall be reimbursed by each of the Selling Shareholders to our Bank, upon successful completion of the Offer, inclusive of taxes. However, in the event that the Offer is withdrawn by our Bank or not completed for any reason whatsoever, all the Offer related expenses will be solely borne by our Bank.

The estimated Offer related expenses are as under:

Activity	Estimated expenses(1) (₹ in million)	As a % of the total estimated Offer expenses(1)	As a % of the total Offer size(1)
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]
Commission/processing fee for SCSBs and Bankers to the Offer and fee payable to the Sponsor Banks for Bids made by RIBs using UPI and Eligible Employees (1)(3)(4)	[●]	[●]	[●]
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs(2)	[●]	[●]	[●]
Fees payable to the Registrar to the Offer	[●]	[●]	[●]
Fees payable to the other advisors to the Offer	[●]	[●]	[●]
- Auditors#	[●]	[●]	[●]
- Independent chartered accountant#	[●]	[●]	[●]
- Industry expert#	[●]	[●]	[●]
Others			
- Listing fees, SEBI filing fees, upload fees, BSE and NSE processing fees, book building software fees and other regulatory expenses	[●]	[●]	[●]
- Printing and stationery	[●]	[●]	[●]
- Advertising and marketing expenses	[●]	[●]	[●]
- Fees payable to legal counsels	[●]	[●]	[●]
- Miscellaneous	[●]	[●]	[●]
Total estimated Offer expenses	[●]	[●]	[●]

\# *The names, roles and responsibilities of the other parties/ advisors to the Offer are as follows:*

(i) Auditors: Our Joint Statutory Auditors have been engaged for the purposes of audit and for providing certain deliverables in connection with the Offer.

(ii) Independent chartered accountant: A. John Moris & Co., Chartered Accountants, has been engaged to certify certain information in the Offer Documents.

(iii) Industry expert: CRISIL MI&A is engaged to provide an industry report exclusively in connection with the Offer.

(1) Selling commission payable to the SCSBs on the portion for RIBs and Non-Institutional Bidders and Eligible Employees Bidding in the Employee Reservation Portion which are directly procured and uploaded by the SCSBs, would be as follows:

*Portion for RIBs**	*[●]% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*[●]% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible Employees**	*[●]% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price.*

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.

No processing fees shall be payable by the Bank and the Selling Shareholders to the SCSBs on the applications directly procured by them.

Processing fees payable to the SCSBs of ₹[●] per valid application (plus applicable taxes) for processing the Bid cum Application Form for RIBs and Non-Institutional Bidders (excluding UPI Bids) and Eligible Employees which are procured by the members of the Syndicate/sub- Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking.

Processing fees payable to the SCSBs for capturing Syndicate members/ Sub-syndicate (Broker)/ sub-broker code on the ASBA form for Non- Institutional Bidders and Qualified Institutional bidders with bids above ₹0.50 million would be ₹[●] per valid application (plus applicable taxes).

(2) Brokerage, selling commission and processing/uploading charges on the portion for UPI Bidders (using the UPI mechanism) RIBs, Non-Institutional Bidders and Eligible Employees which are procured by members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs or for using 3-in-1 type accounts- linked online trading, demat & bank account provided bysome of the brokers which are members of Syndicate (including their sub-Syndicate Members) would be as follows:

*Portion for RIBs**	*[●]% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*[●]% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible Employees**	*[●]% of the Amount Allotted (plus applicable taxes)*

* *Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price.*

The Selling commission payable to the Syndicate / sub-Syndicate Members will be determined on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / sub-Syndicate Members. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / sub-Syndicate Members, is bid by an SCSB, the Selling Commission will be payable to the SCSB and not the Syndicate / sub-Syndicate Members.

Uploading Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the applications made by UPI Bidders using 3-in-1 accounts/Syndicate ASBA mechanism, Non-Institutional Bidders and Eligible Employees which are procured by them and submitted

to SCSB for blocking or using 3-in-1 accounts/Syndicate ASBA mechanism, would be as follows: ₹[●] plus applicable taxes, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs.
The selling commission and bidding charges payable to Registered Brokers, 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.

(3) Selling commission/ uploading charges payable to the Registered Brokers on the portion for RIBs, Non-Institutional Bidders and Eligible Employees which are directly procured by the Registered Broker and submitted to SCSB for processing, would be as follows:

*Portion for RIBs**	*₹[●] per valid application (plus applicable taxes)*
*Portion for Non-Institutional Bidders**	*₹[●] per valid application (plus applicable taxes)*
*Portion for Eligible Employees**	*₹[●] per valid application (plus applicable taxes)*

** Based on valid applications*

(4) Uploading charges/ Processing fees for applications made by UPI Bidders using the UPI Mechanism would be as under:

Members of the Syndicate / RTAs / CDPs / Registered Brokers	*₹[●] per valid application (plus applicable taxes)*
Sponsor Bank(s)	*₹[●] (plus applicable taxes) Processing fees for applications made by UPI Bidders using the UPI mechanism for each valid Bid cum application form. The Sponsor Bank(s) 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.*

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Cash Escrow and Sponsor Bank Agreement.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the SCSBs only after such banks provide a written confirmation on compliance with SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and such payment of processing fees to the SCSBs shall be made in compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI Circular No. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

Means of finance

The fund requirements set out for the aforesaid objects of the Offer 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 Fresh Issue 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 the flexibility to deploy the Net Proceeds. Pending utilization 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 IPO Steering 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 Draft Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

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.

Monitoring of Utilization 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 utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee and make other disclosures as may be required until such time as the Net Proceeds remain unutilized. Such disclosure shall be made only until such time that all the Net Proceeds have been utilized 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 utilization of the Net Proceeds of the Fresh Issue from the objects of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilization of the proceeds of the Fresh Issue from the objects of the Fresh Issue 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 Offer 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 Malayalam, being the regional language of Kerala, where the Registered and Corporate Office is situated in accordance with the Companies Act and applicable rules. Our Promoters 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 Articles of Association and the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be paid by us as consideration to our Promoters, Promoter Group, the Directors, Key Managerial Personnel and Senior Management Personnel, 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 Promoters, Promoter Group, Directors, Key Managerial Personnel, Senior Management Personnel and Group Entities 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 will be determined by our Bank and the Selling Shareholders, 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 [●] times the face value, [●] times the Floor Price and [●] times the Cap Price. The financial information included herein is derived from our Restated Financial Information. Prospective investors should also see "*Our Business*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Other Financial Information*" on pages 157, 29, 319 and 317, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the industry:

- Deep understanding of the micro loan segment, which has enabled us to grow our business outside of Kerala, our home state;
- Strong rural and semi-urban banking franchise;
- Fast-growing Retail Deposit portfolio with low concentration risk;
- Strong customer connections driven by our customer centric products and processes and other non-financial services for Micro Loan customers;
- Technology-driven model with an advanced digital technology platform; and
- Experienced Board and Key Management Personnel

For further details, see "*Our Business – Our Strengths*" on page 159.

Quantitative Factors

Some of the information presented below relating to our Bank is based on the Restated Financial Information. For details, see "*Financial Statements*" on page 262.

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

1. Basic and diluted earnings per share ("EPS"):

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2023	6.73	6.71	3
March 31, 2022	1.22	1.22	2
March 31, 2021	2.46	2.46	1
Weighted Average	4.18	4.17	-

(i) Basic/diluted earnings per share = $\frac{\text{Net profit, as restated, attributable to equity shareholders of the Bank}}{\text{Weighted average number of Equity Shares outstanding during the year}}$

(ii) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" ("**AS 20**") as notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014

The Weighted Average basic and diluted EPS is a product of basic and diluted EPS and respective assigned weight, dividing the resultant by total aggregate weight.

2. P/E Ratio in relation to the in relation to Price Band of ₹[●] to ₹[●] 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 year ended March 31, 2023	[●]	[●]
Based on diluted EPS for year ended March 31, 2023	[●]	[●]

3. Industry peer group P/E ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/E ratio is 403.33, the lowest P/E ratio is 6.93 and the average P/E ratio is 82.24.

Particulars	Industry P/E	Name of the company	Face value of the equity shares (₹)
Highest	403.33	Spandana Spoorthy Financial Limited	10
Lowest	6.93	Ujjivan Small Finance Bank Limited	10
Average	82.24		-

The industry high and low has been considered from the industry peer set provided later in this section.

For Industry P/E, P/E figures for the peers are computed based on closing market price as on July 5, 2023 at BSE, divided by Basic EPS (on consolidated basis unless otherwise available only on standalone basis) based on financial results of the respective company for the year ended March 31, 2023 submitted to stock exchanges.

4. Industry peer group price/book ratio

Based on the peer group information (excluding our Bank) given below in this section, the highest P/B ratio is 3.82, the lowest P/B ratio is 1.12 and the average P/B ratio is 2.05.

Particulars	Industry Peer P/B	Name of the company	Face value of the equity shares (₹)
Highest	3.82	Credit Access Grameen Limited	10
Lowest	1.12	Suryoday Small Finance Bank Limited	10
Average	2.05		-

Notes: The industry high and low have been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average P/B of the industry peer provided in this section.

For Industry P/B, P/B figures for the peers are computed based on closing market price as on July 5, 2023 at BSE, divided by book value per share based on financial results of the respective company for the year ended March 31, 2023 submitted to stock exchanges.

5. Average return on net worth ("RoNW")

Derived from Restated Financial Information:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2023	17.69	3
March 31, 2022	3.89	2
March 31, 2021	7.80	1
Weighted Average	11.44	-

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

(ii) "Net worth" means the aggregate of capital and reserves and surplus or other equity

The weighted average return on net worth is a product of return on net worth and respective assigned weight, dividing the resultant by total aggregate weight

6. NAV per Equity Share

As at	Amount (in ₹)
March 31, 2023	38.03
After the completion of the Offer	
Floor Price	NA
Cap Price	NA
Offer Price*	NA

**Offer Price per Equity Share will be determined on conclusion of the Book Building Process*

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

(ii) "Net worth" means the aggregate of capital and reserves and surplus or other equity

The Weighted average return on net worth is a product of return on net worth and respective assigned weight, dividing the resultant by total aggregate weight

7. 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 bank	Total revenue (₹ in million)	Face Value per Equity Share (₹)	P/E	P/B	EPS (Basic) (₹)	EPS (Diluted) (₹)	RoNW (%)	NAV (₹ per Equity Share)
ESAF Small Finance Bank Limited*	31,415.72	10.00	[●]	[●]	6.73	6.71	17.69	38.03
Listed peers								
Suryoday Small Finance Bank Limited	12,811.00	10.00	22.91	1.12	7.32	7.32	4.90	149.28
CreditAccess Grameen Limited	35,507.90	10.00	24.13	3.82	52.04	51.82	16.18	326.89
Spandana Sphoorty Financial Limited	14,770.32	10.00	403.33	1.61	1.74	1.74	0.40	436.58
Bandhan Bank Limited	1,83,732.50	10.00	16.51	1.85	13.62	13.62	11.21	121.58
Ujjivan Small Finance Bank Limited	47,541.90	10.00	6.93	1.91	5.88	5.87	26.45	21.27
Equitas Small Finance Bank Limited	48,314.64	10.00	19.61	1.97	4.71	4.67	11.12	46.44

* *Financial information for ESAF Small Finance Bank Limited is derived from the Restated Financial Information for the year ended March 31, 2023.*

Notes:

i *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/ financial results as available of the respective company for the year ended March 31, 2023 submitted to stock exchanges.*

ii *P/E ratio is calculated as closing share price (July 5, 2023 - BSE) / Basic EPS for the year ended March 31, 2023.*

iii *Basic and diluted EPS as reported in the relevant financial results of the respective company for the year ended March 31, 2023.*

iv *Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year.*

v *Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year.*

vi *P/B Ratio is calculated as closing share price as at July 5 ,2023 at BSE divided by Net Asset Value per equity share.*

The trading price of the Equity Shares could decline due to the factors mentioned in the "*Risk Factors*" on page 29 and you may lose all or part of your investment.

8. Key Performance Indicators

The table below sets forth the details of KPIs that our Bank considers have a bearing for arriving at the basis for Offer Price. All the KPIs disclosed below have been approved by a resolution of our Audit Committee dated July 7, 2023 and the Audit Committee has confirmed that verified and certified details of all the KPIs pertaining to the Bank that have been disclosed to earlier investors at any point of time during the three years period prior to the date of filing of this Draft Red Herring Prospectus have been disclosed in this section. Further, the KPIs herein have been certified by A. John Moris & Co., Chartered Accountants pursuant to certificate dated July 7, 2023.

Our Bank confirms that it shall continue to disclose all the KPIs included in this section on a periodic basis, at least once in a year (or any lesser period as determined by the Board of our Bank), for a duration of one year after the date of listing of the Equity Shares on the Stock Exchange or till the complete utilisation of the proceeds of the Fresh Issue as per the disclosure made in the Objects of the Offer Section, whichever is later or for such other duration as may be required under the SEBI ICDR Regulations.

Key Performance Indicators:

KPIs	Fiscal 2021	Fiscal 2022	Fiscal 2023
Operations			
Banking Outlets (1)	550	575	700
AUM (in INR million) (2)	84,259.30	123,406.91	163,312.65
AUM Growth (%) (3)	N.A.	46.46%	32.34%
Deposits (in INR million)	89,994.26	128,150.72	146,656.25
Deposits Growth (%) (4)	N.A.	42.40%	14.44%
CASA Ratio (%) (5)	19.42%	22.84%	21.39%
CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	97.74%	93.71%	90.85%
Capital			
Net worth (in INR million) (7)	13,520.64	14,067.96	17,091.29
Total Capital Ratio (CRAR) (%) (8)	24.23%	18.64%	19.83%
Tier 1 Capital Ratio (%) (9)	21.54%	16.16%	18.12%
Cost of Deposits (%) (10)	7.54%	6.22%	6.10%
Cost of Funds (%) (11)	7.60%	5.99%	6.02%
Asset Quality			
Gross NPA (%) (12)	6.70%	7.83%	2.49%
Provision Coverage Ratio (%) (13)	52.77%	59.38%	56.67%
Restructured Book as % of Advances (%) (14)	NA	4.84%	0.69%
Net NPA (%) (15)	3.88%	3.92%	1.13%
Profitability			
Pre-Provision Operating Profit (PPOP)(16)	4,169.84	4918.51	8,937.12
Net Profit (in INR million)	1,053.96	547.32	3,023.33
Yield on Advances (%) (17)	20.03%	17.44%	19.81%
Net Interest Margin (%) (18)	8.45%	7.64%	9.68%
Credit Cost Ratio (%) (19)	3.75%	4.22%	3.82%
Operating Expenses to Average Total Assets (%) (20)	5.79%	5.74%	6.49%
Cost to Income Ratio (%) (21)	60.31%	63.69%	57.93%
Return on Average Assets (%) (22)	0.97%	0.36%	1.59%
Return on Average Equity (%) (23)	8.65%	3.97%	19.41%
Basic EPS (in INR) (24)	2.46	1.22	6.73

(1) *Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year*

(2) *AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.*

(3) *AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.*

(4) *Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.*

(5) *CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage*

(6) *CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage*

(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage
(11) Cost of Funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including technical write off and Gross NPA, including technical write-off
(14) Restructured book as % of advances represent standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions towards NPAs and write-offs and provision towards standard assets to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: EPS as computed in accordance with Accounting Standard 20 notified under the Companies Act (Accounting Standards) Rules of 2014 (as amended).

For details of our other operating metrics disclosed elsewhere in this Draft Red Herring Prospectus, see "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 157 and 319, respectively. We have described and defined the KPIs, as applicable, in the section "*Definitions and Abbreviations*" on page 1.

9. Description on the historic use of the KPIs by our Bank to analyze, track or monitor the operational and/or financial performance of our Bank

In evaluating our business, we consider and use certain KPIs, as presented above, as a supplemental measure to review and assess our financial and operating performance. The presentation of these KPIs is not intended to be considered in isolation or as a substitute for the Restated Financial Information. We use these KPIs to evaluate our financial and operating performance. These KPIs have limitations as analytical tools.

Key Performance Indicator		Description and rationale	
Operations	Banking Outlets	Number of Branches including banking outlets operated by business correspondents	This metric is used by the management to assess the physical presence, footprints and geographical expansion of the business of our Bank
	AUM	AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities	These metrics are used by the management to assess the growth in terms of scale and composition of business of our Bank
	AUM Growth (%)	AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year	
	Deposits	Total deposits of the Bank	
	Deposits Growth (%)	Growth in deposits for the relevant period over deposits of the previous period	
	CASA Ratio (%)	Current and saving account deposit to total deposits for the period expressed as percentage	
	Retail Deposits Ratio (CASA plus Retail Term deposits as a percentage of total deposits)	Current account deposit, saving account deposit and retail deposit to total deposits expressed for the period as percentage	
Capital	Net worth	Sum of equity share capital and other equity as of the last day of the relevant period	These metrics are used by the management to ensure the adequacy of capital for the business growth of our Bank
	Total Capital Ratio (%) (CRAR)	Total Capital Ratio (CRAR) is the total of Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	
	Tier 1 Capital Ratio (%)	Tier 1 Capital Ratio consists mainly of share capital and disclosed reserves, and it is a bank's	

Key Performance Indicator		Description and rationale	
		highest quality capital because it is fully available to cover losses	
	Cost of Deposits (%)	Interest expense on deposits to average total deposits for the period expressed as percentage	These metrics are used by the management to assess the cost for financial resources which are deployed for the business growth of our Bank
	Cost of Funds (%)	Interest expense to the average of sum of deposits and borrowings for the period expressed as percentage	
Asset Quality	Gross NPA as a percentage of gross loan advances (%)	Gross NPA to the Gross Loan Advances as of the last day of the relevant period	These metrics are used by the management to assess the asset quality of the loan portfolio and adequacy of provisions against the delinquent loans
	Provision Coverage Ratio (%)	Provision Coverage Ratio represents the ratio of NPA provision including technical write off and gross NPA, including technical write off.	
	Restructured Book as a % of Advances (standard restructured book to net advances) (%)	Standard restructured book to net advances for the period expressed as percentage	
	Net NPA as a percentage of net advances (%)	Net NPA (%) is net Non-Performing Assets as at the year/period end / Net Advances	
Profitability	Pre-Provision Operating Profit (PPOP)	Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period	This metrics is used by the management for assessing the financial performance of our Bank during a particular period
	Net Profit	Net Profit is net profit after tax available for equity shareholders	These metrics are used by the management to assess the financial and profitability metrics and cost efficiency of the business of our Bank
	Yield on Advances (%)	Ratio of interest income on loan assets for a period to the average Net advances for the period expressed as a percentage	
	Net interest Margin (%)	Net interest income on the loans for a period to the average total assets for the period, represented as a percentage	
	Credit Cost Ratio (%)	Credit Cost Ratio is calculated as the ratio of total provisions towards NPAs and write-offs and provision towards standard assets to the company's average net advances for the relevant fiscal year, expressed as a percentage.	
	Operating Expenses to Total Average Assets (%)	Operating expenses for a period to the Average Total Assets for the period	
	Cost to Income Ratio (%)	Operating expenses for a period to the sum of net interest income and non-interest income for the period	
	Return on Average Total Assets (%)	Profit after Tax for the relevant period as a percentage of Average Total Assets in such period	These metrics are used by the management to assess the returns on the deployed capital and the assets in the business of our Bank
	Return on Average Equity (%)	Profit After Tax for the relevant period as a percentage of Average Net Worth/Equity in such period	
	Basic EPS	EPS as computed in accordance with Indian Accounting Standard 20 issued by ICAI	

10. Comparison of KPIs with Listed Peers

I. AU Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	744	919	1027
	AUM (in INR million) (2)	353,560.00	467,890.00	591,580.00
	AUM Growth (%) (3)	NA	32.34%	26.44%
	Deposits (in INR million)	359,793.14	525,846.21	693,649.86
	Deposits Growth (%) (4)	NA	46.15%	31.91%
	CASA Ratio (%) (5)	23.00%	37.29%	38.43%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	54.87%	66.61%	68.76%
Capital	Net worth (in INR million) (7)	61,720.99	74,726.82	109,333.19
	Total Capital Ratio (CRAR) (%) (8)	23.37%	21.00%	23.59%
	Tier 1 Capital Ratio (%) (9)	21.53%	19.69%	21.80%
	Cost of Deposits (%) (10)	5.98%	5.11%	NA
	Cost of Funds (%) (11)	6.50%	5.29%	5.63%
Asset Quality	Gross NPA (%) (12)	4.25%	1.98%	1.66%
	Provision Coverage Ratio (%) (13)	50.00%	75.00%	75.00%
	Restructured Book as % of Advances (%) (14)	1.80%	2.50%	1.20%

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
	Net NPA (%) (15)	2.18%	0.50%	0.42%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	2,157.98	1,815.00	2,019.48
	Net Profit (in INR million)	11,706.80	11,300.00	14,279.25
	Yield on Advances (%) (17)	12.82%	12.10%	13.10%
	Net Interest Margin (%) (18)	5.05%	5.36%	5.56%
	Credit Cost Ratio (%) (19)	1.27%	0.89%	0.30%
	Operating Expenses to Average Total Assets (%) (20)	3.54%	4.00%	4.32%
	Cost to Income Ratio (%) (21)	43.46%	57.07%	63.01%
	Return on Average Assets (%) (22)	2.50%	1.87%	1.79%
	Return on Average Equity (%) (23)	22.31%	16.56%	15.52%
	Basic EPS (in INR) (24)	38.19	18.03	21.86

Source: CRISIL MI&A Report

(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

II. Equitas Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	861	869	922
	AUM (in INR million) (2)	179,250.00	205,970.00	278,610.00
	AUM Growth (%) (3)	NA	14.91%	35.27%
	Deposits (in INR million)	163,919.72	189,507.97	253,805.56
	Deposits Growth (%) (4)	NA	15.61%	33.93%
	CASA Ratio (%) (5)	34.25%	52.00%	42.28%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	70.05%	89.44%	77.49%
Capital	Net worth (in INR million) (7)	33,963.41	42,460.00	51,579.48
	Total Capital Ratio (CRAR) (%) (8)	24.18%	25.16%	23.80%
	Tier 1 Capital Ratio (%) (9)	23.23%	24.53%	23.08%
	Cost of Deposits (%) (10)	7.14%	6.42%	6.13%
	Cost of Funds (%) (11)	7.66%	6.75%	6.48%
Asset Quality	Gross NPA (%) (12)	3.73%	4.24%	2.76%
	Provision Coverage Ratio (%) (13)	58.59%	42.73%	56.90%
	Restructured Book as % of Advances (%) (14)	NA	3.12%	1.00%
	Net NPA (%) (15)	1.58%	2.47%	1.21%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	886.60	873.00	1,176.01
	Net Profit (in INR million)	3,842.23	2,807.32	5,735.91

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
	Yield on Advances (%) (17)	18.97%	17.33%	16.67%
	Net Interest Margin (%) (18)	8.17%	7.89%	8.22%
	Credit Cost Ratio (%) (19)	2.45%	2.73%	1.80%
	Operating Expenses to Average Total Assets (%) (20)	6.04%	6.60%	6.58%
	Cost to Income Ratio (%) (21)	59.99%	66.12%	63.41%
	Return on Average Assets (%) (22)	1.75%	1.09%	1.85%
	Return on Average Equity (%) (23)	12.52%	7.35%	12.20%
	Basic EPS (in INR) (24)	3.53	2.43	4.71

Source: CRISIL MI&A Report

(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

III. Ujjivan Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	575	575	629
	AUM (in INR million) (2)	151,399.60	174,876.50	240,850.00
	AUM Growth (%) (3)	NA	15.51%	32.61%
	Deposits (in INR million)	131,357.70	182,922.20	255,380.00
	Deposits Growth (%) (4)	NA	39.26%	39.61%
	CASA Ratio (%) (5)	20.55%	27.30%	26.41%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	47.52%	54.24%	66.03%
Capital	Net worth (in INR million) (7)	31,750.20	27,604.30	41,580.00
	Total Capital Ratio (CRAR) (%) (8)	26.44%	18.99%	25.81%
	Tier 1 Capital Ratio (%) (9)	25.06%	17.70%	22.69%
	Cost of Deposits (%) (10)	6.53%	5.69%	-
	Cost of Funds (%) (11)	6.93%	5.70%	6.08%
Asset Quality	Gross NPA (%) (12)	7.07%	7.34%	2.88%
	Provision Coverage Ratio (%) (13)	60.34%	92.20%	98.00%
	Restructured Book as % of Advances (%) (14)	NA	NA	NA
	Net NPA (%) (15)	2.93%	0.61%	0.04%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	808.41	591.00	1,484.91
	Net Profit (in INR million)	82.97	(4,145.90)	10,999.20
	Yield on Advances (%) (17)	18.22%	16.73%	19.73%
	Net Interest Margin (%) (18)	8.91%	8.07%	9.48%
	Credit Cost Ratio (%) (19)	5.60%	7.41%	0.09%

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
	Operating Expenses to Average Total Assets (%) (20)	6.34%	6.80%	6.33%
	Cost to Income Ratio (%) (21)	60.34%	71.68%	54.82%
	Return on Average Assets (%) (22)	0.04%	(1.89)%	3.86%
	Return on Average Equity (%) (23)	0.26%	(13.97)%	31.80%
	Basic EPS (in INR) (24)	0.05	(2.40)	5.88

Source: CRISIL MI&A Report

(1) *Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.*
(2) *AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.*
(3) *AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.*
(4) *Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.*
(5) *CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(6) *CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.*
(7) *Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.*
(8) *CRAR (%) as of the last day of the relevant fiscal year as reported by the company.*
(9) *Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.*
(10) *Cost of Deposits represents interest expense on deposits for the relevant fiscal year to average deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(11) *Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.*
(12) *Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.*
(13) *Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.*
(14) *Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.*
(15) *Net NPA disclosed by the company as of the last day of the relevant fiscal year.*
(16) *Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.*
(17) *Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.*
(18) *Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.*
(19) *Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.*
(20) *Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.*
(21) *Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.*
(22) *Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.*
(23) *Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.*
(24) *Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.*

IV. Fincare Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	806	919	1231
	AUM (in INR million) (2)	60,722.11	76,001.65	99,111.44
	AUM Growth (%) (3)	NA	25.16%	30.41%
	Deposits (in INR million)	53,184.98	64,561.65	80,331.94
	Deposits Growth (%) (4)	NA	21.39%	24.43%
	CASA Ratio (%) (5)	23.76%	36.30%	33.06%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	91.70%	86.40%	79.79%
Capital	Net worth (in INR million) (7)	10,169.10	11,954.80	12,991.30
	Total Capital Ratio (CRAR) (%) (8)	29.60%	22.30%	20.04%
	Tier 1 Capital Ratio (%) (9)	24.91%	19.48%	18.64%
	Cost of Deposits (%) (10)	8.34%	7.15%	6.48%
	Cost of Funds (%) (11)	8.63%	7.07%	6.47%
Asset Quality	Gross NPA (%) (12)	6.42%	7.79%	3.25%
	Provision Coverage Ratio (%) (13)	73.68%	78.16%	60.82%
	Restructured Book as % of Advances (%) (14)	1.05%	5.26%	0.94%
	Net NPA (%) (15)	2.80%	3.55%	1.30%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	365.08	431.07	443.07
	Net Profit (in INR million)	1,131.40	88.70	1,036.40
	Yield on Advances (%) (17)	24.73%	21.45%	21.03%
	Net Interest Margin (%) (18)	9.29%	9.28%	9.33%
	Credit Cost Ratio (%) (19)	4.98%	6.84%	4.14%
	Operating Expenses to Average Total Assets (%) (20)	6.14%	6.85%	7.48%
	Cost to Income Ratio (%) (21)	55.93%	60.01%	66.36%

	Return on Average Assets (%) (22)	1.50%	0.09%	0.89%
	Return on Average Equity (%) (23)	11.78%	0.80%	8.31%
	Basic EPS (in INR) (24)	5.55	0.38	4.69

Source: CRISIL MI&A Report

(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the average total assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

V. Suryoday Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	556	565	577
	AUM (in INR million) (2)	42,060.00	50,640.00	61,140.00
	AUM Growth (%) (3)	NA	20.40%	20.75%
	Deposits (in INR million)	32,556.76	38,498.02	51,667.20
	Deposits Growth (%) (4)	NA	18.25%	34.21%
	CASA Ratio (%) (5)	15.45%	18.81%	17.11%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	80.00%	78.14%	73.10%
Capital	Net worth (in INR million) (7)	15,969.00	15,051.20	15,847.30
	Total Capital Ratio (CRAR) (%) (8)	51.47%	37.86%	33.72%
	Tier 1 Capital Ratio (%) (9)	47.23%	34.44%	30.80%
	Cost of Deposits (%) (10)	7.81%	6.43%	NA
	Cost of Funds (%) (11)	8.09%	6.31%	6.10%
Asset Quality	Gross NPA (%) (12)	9.41%	11.80%	3.13%
	Provision Coverage Ratio (%) (13)	63.73%	69.83%	51.43%
	Restructured Book as % of Advances (%) (14)	2.70%	10.40%	NA
	Net NPA (%) (15)	4.73%	5.97%	1.55%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	181.34	264.91	337.40
	Net Profit (in INR million)	118.55	(930.32)	777.00
	Yield on Advances (%) (17)	17.73%	18.72%	19.04%
	Net Interest Margin (%) (18)	6.80%	7.85%	8.28%
	Credit Cost Ratio (%) (19)	4.50%	8.98%	4.40%
	Operating Expenses to Average Total Assets (%) (20)	5.44%	5.55%	5.62%
	Cost to Income Ratio (%) (21)	64.44%	60.93%	60.02%
	Return on Average Assets (%) (22)	0.20%	(1.25)%	0.86%
	Return on Average Equity (%) (23)	0.89%	(6.00)%	5.03%
	Basic EPS (in INR) (24)	1.32	(8.76)	7.32

Source: CRISIL MI&A Report.

(1) *Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.*
(2) *AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.*
(3) *AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.*
(4) *Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.*
(5) *CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(6) *CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.*
(7) *Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.*
(8) *CRAR (%) as of the last day of the relevant fiscal year as reported by the company.*
(9) *Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.*
(10) *Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the total average as of the last day of the relevant fiscal year, expressed as a percentage.*
(11) *Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.*
(12) *Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.*
(13) *Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.*
(14) *Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.*
(15) *Net NPA disclosed by the company as of the last day of the relevant fiscal year.*
(16) *Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.*
(17) *Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.*
(18) *Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.*
(19) *Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.*
(20) *Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the average total assets for the relevant fiscal year, expressed as a percentage.*
(21) *Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.*
(22) *Return on Average Assets is calculated as the net profit for the relevant fiscal year to average total assets for the relevant fiscal year, expressed as a percentage.*
(23) *Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.*
(24) *Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.*

VI. Jana Small Finance Bank Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	585	700	NA
	AUM (in INR million) (2)	116,119.20	130,066.79	177,595.55
	AUM Growth (%) (3)	NA	12.01%	36.54%
	Deposits (in INR million)	123,859.30	135,402.02	163,340.16
	Deposits Growth (%) (4)	NA	9.32%	20.63%
	CASA Ratio (%) (5)	16.76%	22.55%	NA
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	NA	NA	NA
Capital	Net worth (in INR million) (7)	11,268.60	12,006.99	17,972.55
	Total Capital Ratio (CRAR) (%) (8)	15.51%	15.26%	NA
	Tier 1 Capital Ratio (%) (9)	11.75%	11.83%	13.80%
	Cost of Deposits (%) (10)	7.90%	7.18%	NA
	Cost of Funds (%) (11)	8.30%	7.58%	6.96%
Asset Quality	Gross NPA (%) (12)	7.20%	4.98%	NA
	Provision Coverage Ratio (%) (13)	27.89%	32.19%	NA
	Restructured Book as % of Advances (%) (14)	NA	2.70%	NA
	Net NPA (%) (15)	5.30%	3.43%	NA
Profitability	Pre-Provision Operating Profit (PPOP)(16)	450.90	574.73	1,000.37
	Net Profit (in INR million)	(843.09)	(54.06)	2,559.71
	Yield on Advances (%) (17)	21.34%	22.15%	19.99%
	Net Interest Margin (%) (18)	7.60%	7.08%	7.24%
	Credit Cost Ratio (%) (19)	3.40%	4.63%	4.84%
	Operating Expenses to Average Total Assets (%) (20)	6.30%	5.80%	5.61%
	Cost to Income Ratio (%) (21)	69.90%	66.46%	56.22%
	Return on Average Assets (%) (22)	0.51%	0.03%	1.12%
	Return on Average Equity (%) (23)	7.77%	0.46%	17.08%
	Basic EPS (in INR) (24)	16.62	1.06	47.47

Source: CRISIL MI&A Report

(1) *Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.*
(2) *AUM represents Advances under Management and is calculated as the sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.*

(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of net interest income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to average total assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to average net worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

VII. Bandhan Bank

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets (1)	5,310	5,639	5,723
	AUM (in INR million) (2)	870,430.00	993,380.00	1,091,200.00
	AUM Growth (%) (3)	NA	14.13%	9.85%
	Deposits (in INR million)	779,722.25	963,306.13	1,080,693.13
	Deposits Growth (%) (4)	NA	23.54%	12.19%
	CASA Ratio (%) (5)	43.38%	41.61%	39.29%
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) (6)	78.79%	77.28%	71.20%
Capital	Net worth (in INR million) (7)	174,081.84	173,811.45	195,841.53
	Total Capital Ratio (CRAR) (%) (8)	23.47%	20.10%	19.76%
	Tier 1 Capital Ratio (%) (9)	22.48%	18.89%	18.70%
	Cost of Deposits (%) (10)	5.87%	4.95%	NA
	Cost of Funds (%) (11)	5.89%	4.88%	5.34%
Asset Quality	Gross NPA (%) (12)	6.81%	6.46%	4.87%
	Provision Coverage Ratio (%) (13)	67.38%	87.23%	76.82%
	Restructured Book as % of Advances (%) (14)	NA	NA	NA
	Net NPA (%) (15)	3.51%	1.66%	1.17%
Profitability	Pre-Provision Operating Profit (PPOP)(16)	6,855.26	8,013.40	7,091.35
	Net Profit (in INR million)	22,054.57	1,257.94	21,946.38
	Yield on Advances (%) (17)	14.69%	13.88%	13.86%
	Net Interest Margin (%) (18)	7.32%	6.87%	6.29%
	Credit Cost Ratio (%) (19)	6.67%	8.98%	4.23%
	Operating Expenses to Average Total Assets (%) (20)	2.73%	2.78%	3.15%
	Cost to Income Ratio (%) (21)	29.13%	30.54%	39.54%
	Return on Average Assets (%) (22)	2.13%	0.10%	1.49%
	Return on Average Equity (%) (23)	13.53%	0.72%	11.87%
	Basic EPS (in INR) (24)	13.70	0.78	13.62

Source: CRISIL MI&A Report
(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.

(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to Average Total Assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

VIII. Credit Access Grameen

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets [1]	964	1,164	1,786
	AUM (in INR million) [2]	113,410.00	137,320.00	175,610.00
	AUM Growth (%) [3]	NA	21.08%	27.88%
	Deposits (in INR million)	NM	NM	NM
	Deposits Growth (%) [4]	NM	NM	NM
	CASA Ratio (%) [5]	NM	NM	NM
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) [6]	NM	NM	NM
Capital	Net worth (in INR million) [7]	36,340.00	39,398.00	51,069.40
	Total Capital Ratio (CRAR) (%) [8]	31.75%	26.54%	23.58%
	Tier 1 Capital Ratio (%) [9]	30.50%	25.87%	NA
	Cost of Deposits (%) [10]	NM	NM	NM
	Cost of Funds (%) [11]	8.82%	8.18%	8.30%
Asset Quality	Gross NPA (%) [12]	4.38%	3.12%	1.21%
	Provision Coverage Ratio (%) [13]	NA	70.55%	71.58%
	Restructured Book as % of Advances (%) [14]	NA	NA	NA
	Net NPA (%) [15]	1.37%	0.94%	0.35%
Profitability	Pre-Provision Operating Profit (PPOP)[16]	850.00	1,087.40	1,506.41
	Net Profit (in INR million)	1,423.90	3,821.40	8,260.30
	Yield on Advances (%) [17]	19.67%	19.16%	19.39%
	Net Interest Margin (%) [18]	9.80%	9.72%	10.75%
	Credit Cost Ratio (%) [19]	6.85%	4.87%	2.37%
	Operating Expenses to Average Total Assets (%) [20]	3.84%	3.93%	4.23%
	Cost to Income Ratio (%) [21]	34.57%	35.38%	37.48%
	Return on Average Assets (%) [22]	1.22%	2.78%	4.20%
	Return on Average Equity (%) [23]	4.52%	9.05%	17.81%
	Basic EPS (in INR) [24]	9.52	24.54	52.04

Source: CRISIL MI&A
(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.

(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.
(10) Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(11) Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.
(12) Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.
(13) Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.
(14) Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.
(15) Net NPA disclosed by the company as of the last day of the relevant fiscal year.
(16) Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.
(17) Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.
(18) Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.
(19) Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.
(20) Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the average total assets for the relevant fiscal year, expressed as a percentage.
(21) Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.
(22) Return on Average Assets is calculated as the net profit for the relevant fiscal year to average total assets for the relevant fiscal year, expressed as a percentage.
(23) Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.
(24) Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.

IX. Spandana Sphoorty

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets [1]	1,052	1,120	1,227
	AUM (in INR million) [2]	73,284.82	65,810.00	85,110.00
	AUM Growth (%) [3]	NA	(10.20)%	29.33%
	Deposits (in INR million)	NM	NM	NM
	Deposits Growth (%) [4]	NM	NM	NM
	CASA Ratio (%) [5]	NM	NM	NM
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) [6]	NM	NM	NM
Capital	Net worth (in INR million) [7]	27,510.97	30,899.45	30,992.48
	Total Capital Ratio (CRAR) (%) [8]	39.20%	50.74%	36.87%
	Tier 1 Capital Ratio (%) [9]	39.74%	50.55%	NA
	Cost of Deposits (%) [10]	NM	NM	NM
	Cost of Funds (%) [11]	10.10%	11.86%	12.86%
Asset Quality	Gross NPA (%) [12]	5.60%	15.00%	1.95%
	Provision Coverage Ratio (%) [13]	NA	NA	70.00%
	Restructured Book as % of Advances (%) [14]	NA	NA	NA
	Net NPA (%) [15]	3.10%	6.20%	0.58%
Profitability	Pre-Provision Operating Profit (PPOP)[16]	848.33	451.24	562.13
	Net Profit (in INR million)	1,454.60	698.27	123.94
	Yield on Advances (%) [17]	22.88%	21.47%	19.24%
	Net Interest Margin (%) [18]	14.73%	12.12%	9.96%
	Credit Cost Ratio (%) [19]	10.83%	7.72%	8.20%
	Operating Expenses to Average Total Assets (%) [20]	3.26%	4.76%	5.55%
	Cost to Income Ratio (%) [21]	21.63%	38.56%	44.84%
	Return on Average Assets (%) [22]	2.02%	0.91%	0.15%
	Return on Average Equity (%) [23]	5.41%	2.38%	0.40%
	Basic EPS (in INR) [24]	22.55	10.75	1.74

Source: CRISIL MI&A Report
(1) Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.
(2) AUM represents Advances under Management and is calculated as sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.
(3) AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.
(4) Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.
(5) CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.
(6) CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.
(7) Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.
(8) CRAR (%) as of the last day of the relevant fiscal year as reported by the company.
(9) Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.

(10) *Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(11) *Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.*
(12) *Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.*
(13) *Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.*
(14) *Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.*
(15) *Net NPA disclosed by the company as of the last day of the relevant fiscal year.*
(16) *Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.*
(17) *Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.*
(18) *Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.*
(19) *Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.*
(20) *Operating Expenses to average total assets represents operating expenses for the relevant fiscal year to the Average Total Assets for the relevant fiscal year, expressed as a percentage.*
(21) *Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.*
(22) *Return on Average Assets is calculated as the net profit for the relevant fiscal year to average total assets for the relevant fiscal year, expressed as a percentage.*
(23) *Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.*
(24) *Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.*

X. Fusion Micro Finance Limited

Certain Key GAAP Measures and Key Performance Indicators (KPIs)		FY 2021	FY 2022	FY 2023
Operations	Banking Outlets [1]	725	934	1,086
	AUM (in INR million) [2]	46,378.40	67,859.70	92,960.00
	AUM Growth (%) [3]	NA	46.32%	36.99%
	Deposits (in INR million)	NM	NM	NM
	Deposits Growth (%) [4]	NM	NM	NM
	CASA Ratio (%) [5]	NM	NM	NM
	CASA + Retail Term Deposits Ratio (as percentage of total deposits) [6]	NM	NM	NM
Capital	Net worth (in INR million) [7]	12,463.55	13,379.51	23,219.19
	Total Capital Ratio (CRAR) (%) [8]	27.26%	21.94%	27.94%
	Tier 1 Capital Ratio (%) [9]	25.52%	19.93%	NA
	Cost of Deposits (%) [10]	NM	NM	NM
	Cost of Funds (%) [11]	10.29%	9.83%	10.24%
Asset Quality	Gross NPA (%) [12]	5.50%	5.71%	3.46%
	Provision Coverage Ratio (%) [13]	NA	71.26%	75.50%
	Restructured Book as % of Advances (%) [14]	NA	NA	0.20%
	Net NPA (%) [15]	2.20%	1.71%	0.87%
Profitability	Pre-Provision Operating Profit (PPOP)[16]	277.57	393.25	712.35
	Net Profit (in INR million)	439.44	217.55	3,871.45
	Yield on Advances (%) [17]	21.48%	20.56%	22.92%
	Net Interest Margin (%) [18]	9.54%	8.66%	11.50%
	Credit Cost Ratio (%) [19]	5.73%	7.17%	2.87%
	Operating Expenses to Average Total Assets (%) [20]	4.37%	4.75%	5.34%
	Cost to Income Ratio (%) [21]	44.26%	44.26%	38.44%
	Return on Average Assets (%) [22]	0.87%	0.33%	4.65%
	Return on Average Equity (%) [23]	3.60%	1.68%	21.16%
	Basic EPS (in INR) [24]	5.56	2.67	43.29

Source: CRISIL MI&A
(1) *Number of banking outlets represents aggregate number of banking outlets (including Business Correspondent run outlets) as of the last day of the relevant year.*
(2) *AUM represents Advances under Management and is calculated as sum of gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which the company continues to hold collection responsibilities.*
(3) *AUM growth represents growth in AUM as of the last day of the relevant fiscal year over AUM as of the last day of the previous fiscal year.*
(4) *Deposits growth represents the percentage increase in deposits as of the last day of the relevant fiscal year over deposits as of the last day of the previous fiscal year.*
(5) *CASA Ratio represents current account deposits and savings account deposits (together, "CASA") to total deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(6) *CASA + Retail Term Deposits Ratio represents CASA and retail term deposits (term deposits of less than Rs. 20 million) to total deposits as of the last day of the relevant fiscal year, expressed for the period as a percentage.*
(7) *Net worth represents the sum of equity share capital and reserves and surplus as of the last day of the relevant fiscal year.*
(8) *CRAR (%) as of the last day of the relevant fiscal year as reported by the company.*
(9) *Tier 1 Capital Ratio (%) of the last day as of the last day of the relevant fiscal year as reported by the company.*
(10) *Cost of Deposits represents interest expense on deposits for the relevant fiscal year to the average deposits as of the last day of the relevant fiscal year, expressed as a percentage.*
(11) *Cost of funds represents total interest expense for the relevant fiscal year to the average of sum of deposits and borrowings as of the last day of the relevant fiscal year, expressed as a percentage.*
(12) *Gross NPA (%) as reported by the company represents Gross NPAs to gross advances as of the last day of the relevant fiscal year.*

(13) *Provision Coverage Ratio (%) – Provision Coverage Ratio represents the ratio of NPA provision including Technical Write off and Gross NPA, including Technical write off.*
(14) *Restructured book as % of advances represents standard restructured book to net advances as of the last day of the relevant fiscal year, expressed as percentage.*
(15) *Net NPA disclosed by the company as of the last day of the relevant fiscal year.*
(16) *Pre-Provision Operating Profit represents difference of total income and expenses including interest expense and operating expenses for the period.*
(17) *Yield on Advances represents the ratio of interest income on loan assets for the relevant fiscal year to the average net advances as of the last day of the relevant fiscal year, expressed as a percentage.*
(18) *Net Interest Margin represents net interest income for the relevant fiscal year to the average total assets for the relevant fiscal year, represented as a percentage.*
(19) *Credit Cost Ratio is calculated as the ratio of total provisions and contingencies (excluding provision for tax) to the company's average net advances for the relevant fiscal year, expressed as a percentage.*
(20) *Operating Expenses to Average Total Assets represents operating expenses for the relevant fiscal year to the average total assets for the relevant fiscal year, expressed as a percentage.*
(21) *Cost to Income Ratio represents operating expenses for the relevant fiscal year to the sum of Net Interest Income (interest earned minus interest expended) and other income for the relevant fiscal year, expressed as a percentage.*
(22) *Return on Average Assets is calculated as the net profit for the relevant fiscal year to average total assets for the relevant fiscal year, expressed as a percentage.*
(23) *Return on Average Equity is calculated as the net profit for the relevant fiscal year to Average Net Worth for the relevant fiscal year, expressed as a percentage.*
(24) *Basic EPS: Basic EPS as reported by the company represents EPS as computed in accordance with Indian Accounting Standard 20.*

11. Price per share of the Bank (as adjusted for corporate actions, including split, bonus issuances) based on primary issuances of Equity Shares or convertible securities (excluding Equity Shares issued under the ESOP Schemes and issuance of Equity Shares pursuant to a bonus issue) during the 18 months preceding the date of this Draft Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Bank in a single transaction or multiple transactions combined together over a span of rolling 30 days ("Primary Issuances")

Our Bank has not issued any Equity Shares or convertible securities during the 18 months preceding the date of this Draft Red Herring Prospectus, where such issuance is equal to or more that 5% of the fully diluted paid-up share capital of our Bank (calculated based on the pre-Offer capital before such transaction(s) and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days.

12. Price per share of the Bank (as adjusted for corporate actions, including bonus issuances) based on secondary sale or acquisition of equity shares or convertible securities (excluding gifts) involving any of the Selling Shareholders or other shareholders with rights to nominate directors during the 18 months preceding the date of filing of the DRHP/ RHP, where the acquisition or sale is equal to or more than 5% of the fully diluted paid-up share capital of our Bank (calculated based on the pre-Offer capital before such transaction/s and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days ("Secondary Transactions")

There has been no secondary sale/ acquisitions of Equity Shares or any convertible securities ("**Security(ies)**"), where the Selling Shareholders or Shareholder(s) having the right to nominate Director(s) on our Board are a party to the transaction (excluding gifts), during the 18 months preceding the date of this Draft Red Herring Prospectus, where either acquisition or sale is equal to or more than 5% of the fully diluted paid up share capital of our Bank (calculated based on the pre-Offer capital before such transaction/s and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days.

Since there are no such transaction to report to under K and L, the following are the details basis the last five primary or secondary transactions (secondary transactions where Promoters or members of the Promoter Group or Selling Shareholders or Shareholder(s) having the right to nominate Director(s) on our Board, are a party to the transaction), not older than three years prior to the date of this Draft Red Herring Prospectus irrespective of the size of transactions:

Date of allotment	Number of equity shares transacted	Face value of equity shares (₹)	Offer price per Equity share	Nature of allotment	Nature of consideration	Total consideration (₹)
March 31, 2021	1,236,664	10	75	Private Placement	Cash	93,999,825

13. The Floor Price is [●] times and the Cap Price is [●] times the weighted average cost of acquisition at which the Equity Shares were issued by our Bank, or acquired or sold by our Promoters, the Promoter Group or other shareholders with rights to nominate directors in the last 18 months preceding the date of this Draft Red Herring Prospectus are disclosed below:

Past Transactions	Weighted average cost of acquisition (in ₹)^	Floor Price (in ₹)*	Cap Price (in ₹)*
WACA of Equity Shares that were issued by our Bank	[●]	[●] times	[●] times
WACA of Equity Shares that were acquired or sold by way of Secondary Transactions	[●]	[●] times	[●] times

14. Justification for Basis of Offer Price

The following provides an explanation to the Cap Price being [●] times of weighted average cost of acquisition of primary issuances price and secondary transactions price of equity shares (as disclosed above) along with our Bank's KPIs and financial ratios for the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021 and in view of external factors, if any

[●]*

**To be included on finalisation of Price Band*

15. The Offer price is [●] times of the face value of the Equity Shares

The Offer Price of ₹[●] has been determined by our Bank and the Selling Shareholders, in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

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 29, 157, 319, and 262, respectively, to have a more informed view. The trading price of the Equity Shares could decline due to the factors mentioned in the "*Risk Factors*" and you may lose all or part of your investments.

STATEMENT OF SPECIAL TAX BENEFITS

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO ESAF SMALL FINANCE BANK LIMITED ("THE BANK") AND THE SHAREHOLDERS OF THE BANK UNDER THE DIRECT AND INDIRECT TAX LAWS IN INDIA

The Board of Directors
ESAF Small Finance Bank Limited
Building No. VII/83/8
ESAF Bhavan, Mannuthy
Thrissur – Palakkad National Highway
Thrissur – 680 651
Kerala, India

Dear Sirs,

Sub: Statement of possible Special Tax Benefits available to the Bank and its shareholders under the direct and indirect tax laws

We refer to the proposed initial public offering of equity shares (the "**Offer**") of ESAF Small Finance Bank Limited) (**"ESAF" or** the **"Bank"**). We enclose herewith the statement (the "**Annexure**") showing the current position of special tax benefits available to the Bank and to its shareholders as per the provisions of the Indian direct and indirect tax laws including the Income-tax Act, 1961 ("**Act**") as amended by the Finance Act 2023, i.e. applicable for the Financial Year 2023-24 relevant to the Assessment Year 2024-25, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017 (collectively the "**GST Act"**)-, the Customs Act, 1962 ("**Customs Act**") and the Customs Tariff Act, 1975 ("**Tariff Act**") (collectively the "**Taxation Laws**") including the rules, regulations, circulars and notifications issued in connection with the Taxation Laws, as presently in force and applicable to the assessment year 2024-25 relevant to the financial year 2023-24 for inclusion in the Draft Red Herring Prospectus (**"DRHP"**) for the proposed initial public offering of shares of the Bank as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**ICDR Regulations**").

Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Taxation Laws. Hence, the ability of the Bank or its shareholders to derive these direct and indirect tax benefits is dependent upon their fulfilling such conditions.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Bank. This statement is only intended to provide general information to guide 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 their own tax consultants, with respect to the specific tax implications arising out of their participation in the Offer particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. We are neither suggesting nor are we advising the investors to invest or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

- The Bank or its shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

This statement is provided solely for the purpose of assisting the Bank in discharging its responsibilities under the ICDR Regulations. We hereby give our consent to include this report and the enclosed Annexure regarding the tax benefits available to the Bank and its shareholders in the DRHP for the proposed initial public offer of equity shares which the Bank intends to file with the Securities and Exchange Board of India and the National Stock Exchange of India Limited and BSE Limited (the "**Stock Exchanges**") where the equity shares of the Bank are proposed to be listed, as applicable, provided that the below statement of limitation is included in the DRHP.

LIMITATIONS

Our views expressed in the enclosed Annexure are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank and the existing provisions of taxation laws in force in India and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors and third parties who may or may not invest in the initial public offer relying on the statement. This statement has been prepared solely in connection with *the proposed initial public offering of equity shares of the Bank under the ICDR Regulations.*

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXQCA9402

Place: Mumbai
Date: July 06, 2023

For **Abarna & Ananthan**
Chartered Accountants
(Firm's Registration No.000003S)

Mohan Rao G
Partner
Membership No. 203737
UDIN: 23203737BGZDEG8031

Place: Bengaluru
Date: July 06, 2023

ANNEXURE TO THE STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO ESAF SMALL FINANCE BANK LIMITED ("BANK") AND BANK'S SHAREHOLDERS ("SHAREHOLDERS")

The information provided below sets out the possible special direct and indirect tax benefits available to the Bank and the Shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares of the Bank, under the current tax laws presently in force in India. Several of these benefits are dependent on the Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business / commercial imperatives a Shareholder faces, may or may not choose to fulfil. We do not express any opinion or provide any assurance as to whether the Bank or its Shareholders will continue to obtain these benefits in future. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

The statement below covers only relevant special direct and indirect tax law benefits and does not cover benefits under any other law.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE TAX IMPLICATIONS OF AN INVESTMENT AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THE SECURITIES, PARTICULARLY IN VIEW OF THE FACT THAT CERTAIN RECENTLY ENACTED LEGISLATION MAY NOT HAVE A DIRECT LEGAL PRECEDENT OR MAY HAVE A DIFFERENT INTERPRETATION ON THE BENEFITS, WHICH AN INVESTOR CAN AVAIL IN THEIR PARTICULAR SITUATION.

STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE BANK AND SHAREHOLDERS

A. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE BANK

The statement of tax benefits enumerated below is as per the Act as amended from time to time and applicable for financial year 2023-24 relevant to assessment year 2024-25.

Lower Corporate tax rate under section 115BAA of the Act

- As per section 115BAA of the Act inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 an option is granted to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided the company does not avail specified exemptions/incentives and complies with other conditions specified in section 115BAA of the Act. Further, a company availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB of the Act.

  However, such company will not be eligible to avail specified exemptions / incentives under the Act and will also need to comply with the other conditions specified in section 115BAA of the Act. Also, if a company opts for section 115BAA of the Act, the tax credit (under section 115JAA of the Act), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available. Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives. Further, once a company opts to be taxed under section 115BAA of the Act in a particular financial year, it cannot withdraw from the option subsequently.

  The **Bank** has exercised the aforesaid option to be taxed at the reduced rate of 25.17% (including surcharge and cess).

Deduction in respect of inter-corporate dividends – Section 80M of the Act

- Dividend is taxable in the hands of the Shareholders, hence, the Bank shall be required to deduct tax at source at applicable rates specified under the Act, subject to Double Taxation Avoidance Agreement, in case of Shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement.

- As per the provisions of section 80M of the Act, a domestic company ("**Resident Corporate Shareholder**") can claim a deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the Resident Corporate Shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

Deduction under section 80JJAA of the Act

- As per the provisions of Section 80JJAA of the Act, where the gross total income of an assessee, to whom provisions of section 44AB of the Act 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.

Deduction for Bad and doubtful debts

- 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"(computed before making any deduction under this section and Chapter VI-A). 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) of the Act shall be reduced to the extent of deduction already allowed under section 36(1)(viia) of the Act. Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

Other deductions

- 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" (computed before making any deduction under this section). 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.

- In terms of section 43D of the Act, and subject to the conditions specified therein interest income of a bank and certain other specified financial institutions on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

B. SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- The Bank would be required to deduct tax at source on the dividend paid to the Shareholders, at applicable rates specified under the Act, subject to Double Taxation Avoidance Agreement, in case of Shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement. In case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, if the income exceeds INR 1 crore. However, if the income is between INR 50 lakhs to INR 1 crore, surcharge at the rate of 10% shall apply. The Shareholders would be eligible to claim the credit of such tax in their return of income.

- As per the provisions of section 80M of the Act, a Resident Corporate Shareholder can claim deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the Act.

- As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share[1], or a unit of an equity-oriented fund[2] or a unit of a business trust[3] shall be taxed at 10% (plus applicable surcharge and cess) (without indexation) of such capital gains subject to fulfilment of prescribed conditions under the Act as well as per Notification No. 60/2018/F.No.370142/9/2017-TPL dated 1 October 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed INR 1,00,000.

- As per Section 111A of the Act, short term capital gains arising from transfer of a listed equity share, or a unit of an equity-oriented fund or a unit of a business trust shall be taxed at 15% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions under the Act.

- Non-resident shareholders can offer the income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any, subject to eligibility and furnishing of requisite documents such as tax residency certificate, electronically filed Form 10F, No Permanent Establishment Certificate, etc. (as may be applicable) Further, non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the

[1] Where Securities Transaction Tax (STT) was paid on the acquisition and transfer of such share

[2] Where STT was paid on the transfer of such unit

[3] Where STT was paid on the transfer of such unit

shareholder is the resident. Shareholders being Individual and HUF can opt to be taxed as per the new tax rates mentioned under section 115BAC of the Act.

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

STATEMENT OF POSSIBLE SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK AND SHAREHOLDERS OF THE BANK

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as "**Indirect tax laws**")

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK

- As per the GST law (vide GST notification no 12/2017- Central Tax (Rate) dated 28 June 2017), income earned out of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount is exempted from payment of GST. Thus, interest income earned by Banks is exempted from payment of GST.

- Further, in accordance to the provisions of the GST law, every registered person is required to reverse input tax credit attributable to the exempt income (arrived by determining the ratio of exempt income over total income). However, Banks are given an option to reverse merely 50% of their total eligible input tax credit.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

- There are no possible special indirect tax benefits available to the Shareholders.

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

The industry and market data used in this section have been derived from the CRISIL MI&A Report, which was prepared and released by CRISIL MI&A in connection with the Offer and commissioned and paid for by us pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023. The CRISIL MI&A Report is subject to the disclaimer set out in "Certain Conventions, Currency of Presentation, Use of Financial Information – Industry and Market Data" on page 25. Except as noted otherwise, all forward looking statements, estimates and projections in this section are CRISIL MI&A's forward-looking statements, estimates and projections. For risks in relation to the CRISIL MI&A Report, see "Risk Factors – External Risks – Statistical and industry data in this Draft Red Herring Prospectus are derived from the CRISIL MI&A Report commissioned and paid for by us for such purpose. The CRISIL MI&A Report is not exhaustive and is based on certain assumptions, parameters and conditions. The data and statistics in the CRISIL MI&A Report may be inaccurate, incomplete or unreliable." on page 67.

The use of the letter "E" after a number means it is an estimated number and the use of the letter "P" after a number means it is a projected number. The use of the symbol "~" means approximately.

Macroeconomic scenario

Global economy is witnessing tightening of monetary conditions

The global economy is witnessing tightening of monetary conditions in most regions. As per the IMF (World Economic Outlook Update – April 2023), global growth prospects are estimated to fall from 3.4% in 2022 to 2.8% in 2023 and then witness an increase in 2024 to 3.0%, the impact of which is expected to be witnessed in the Indian economy as well. Global trade is estimated to have reached a record level of approximately US$32 trillion in 2022, but its growth had turned negative during the second half of 2022. The trade outlook for 2023 is expected to be negatively impacted because of geopolitical frictions, persisting inflation and lower global demand. Further, deceleration in domestic growth could lead to some softening in imports.

The US economy grew by an annualised 1.1% in the first quarter of 2023, slowing compared with the previous quarter (2.6%). The United Kingdom's (UK) economy grew at 0.1% quarter-on-quarter in the first quarter of 2023, but the latest data for March 2023 shows that its gross domestic product (GDP) contracted 0.3% month-on-month. At the same time, manufacturing activity in China contracted for the first time since the country reopened after ending its zero-COVID policy. Inflation hardened in the eurozone in April 2023, while it eased only marginally in the US. Inflation remains high in several key economies prompting central banks to continue with rate hikes. The US Federal Reserve (Fed), Bank of England and European Central Bank (ECB) all hiked interest rates at their May 2023 policy meetings.

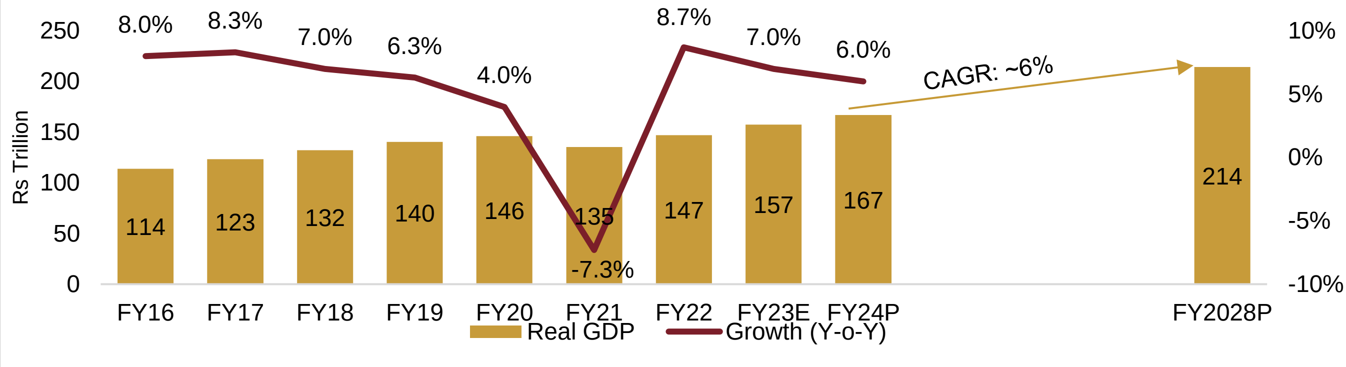
However, financial conditions in India eased in April 2023 after the Reserve Bank of India (RBI) paused on rate hikes in its monetary policy, keeping the repo rates at 6.5%. While the RBI indicated its readiness to move if inflation surprised on the upside, incoming headline inflation print, based on the consumer price index (CPI), eased to 5.7% in March – below the Monetary Policy Committee's (MPC's) upper threshold of 6%. Moreover, bond yields eased significantly as investors factored in a pause in rate hikes. FPIs increased their investment in the Indian markets as global risk sentiment revived with the US banking turmoil staying largely under control. Equity markets also gained amid the pause in rate hike and rising FPI inflows.

External risks remain high because of the possible impact of elevated interest rates in advanced economies on the leveraged market segments. However, CRISIL Market Intelligence & Analytics, a division of CRISIL Limited (CRISIL MI&A), expects India's macroeconomic fundamentals to improve in Fiscal 2024, which should cushion its vulnerability to global shocks. This, coupled with a pause on rate hikes by the RBI and US Federal Reserve, should limit tightening of domestic financial conditions going ahead.

India is expected to remain one of the fastest growing economies amid global slowdowns

CRISIL MI&A expects growth outlook for Fiscal 2024 to be fettered with multiple risks including sluggish exports and lagged impact of rate hikes manifested fully into the economy. Nevertheless, India is expected to remain the fastest growing economy in the world with GDP growth of 6.0% projected in Fiscal 2024 as per CRISIL MI&A.

India's economy to grow at 6.0% in Fiscal 2024



Note: FY24 is projected based on CRISIL estimates FY25-FY28 is projected based on IMF estimates; P: Projected; E: Estimated
Source: CRISIL MI&A, IMF World Economic Outlook – April 2023

Macroeconomic outlook for Fiscal 2024

Macro variables	FY23E	FY24P	Rationale for outlook
GDP (year-on-year)	7.0^%	6.0%	Slowing global growth is likely to weaken India's export in Fiscal 2024. Domestic demand could also come under pressure as Reserve Bank of India (RBI) rate hikes are transmitted to consumers.
Consumer price index (CPI) inflation (year-on-year)	6.7%	5.0%	Lower commodity prices, base effect, expectation of softer food prices and cooling off domestic demand is likely to help in moderating inflation in Fiscal 2024.
10-year Government security yield (Fiscal-end)	7.4%	7.0%	A moderate increase in gross market borrowings is budgeted for Fiscal 2024. This, coupled with lower inflation and the RBI's rate outs, is likely to moderate yields in Fiscal 2024.
CAD (Current account balance)/GDP (%)	-2.5%	-2.0%	Lower crude prices and cooling of domestic demand is expected to lead to moderation of trade deficit in Fiscal 2024
Rs/$ (March average)	82.3	83.0	While a lower current account deficit (CAD) will support the rupee, challenging external financing conditions will continue to exert pressure in the next Fiscal.

Note: (^): NSO second advance estimates , E- Estimated, P – Projected;
Source: Reserve Bank of India (RBI), National Statistics Office (NSO), CRISIL MI&A

Positive government measures to aid economic growth

Going forward, CRISIL MI&A expects India's gross domestic product (GDP) growth to decelerate to 6.0% in Fiscal 2024 from 7.0% in Fiscal 2023 due to a global slowdown, monetary policy impact and a volatile geopolitical scenario. However, some optimism can be seen in the form of moderating consumer inflation, capital and productivity increases aided by better physical and digital infrastructure. CRISIL MI&A expects this growth to be supported by the following factors:

- Production linked incentive (PLI) scheme, which aims to incentivise local manufacturing by giving volume-linked incentives, has been launched by the government for six of the India's top 10 export verticals, which is likely to propel incremental exports. In Fiscal 2024, PLI-driven exports will be the lone growth driver for India, helping improve the overall export growth by 2-4%.

- Focus on investments rather than consumption push enhancing the productive capacity of the economy. Policy push and new age opportunities to lead capex growth in Fiscal 2024.

- Policies aimed towards greater formalisation of the economy, which are bound to lead to an acceleration in per capita income growth.

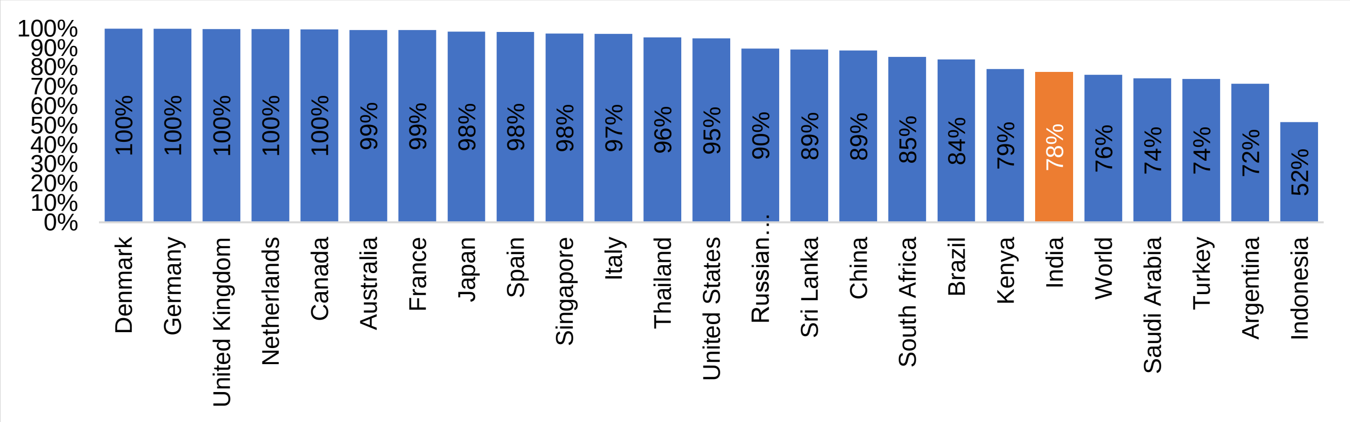
Despite the mark-down in near-term growth, CRISIL MI&A expects India to remain a growth outperformer over the medium term. Stronger domestic demand is expected to drive India's growth premium over peers in the medium term. Investment prospects are optimistic given the government's capex push, progress of Production-linked Incentive ("PLI") scheme, healthier corporate balance sheets, and a well-capitalised banking sector with low non-performing assets ("NPA"s). India is also likely to benefit from the China-plus-one policy as global supply chains get reconfigured with shifting focus from efficiency towards resilience and friend-shoring. World Economic Forum defines friend-shoring as the rerouting of supply chains to countries perceived as politically and economically safe of low-risk, to avoid disruption to the flow of business. Private consumption (which was approximately 58% of GDP as of March 31, 2023) will play a supportive role in raising GDP growth over the medium term.

Financial Inclusion on a fast path in India

Overall literacy in India is at 77.7% as per the results of recent NSSO survey conducted from July 2017 to June 2018, which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey

(NCFE-FLIS) 2019, only 27% of Indian population is financially literate indicating huge gap and potential for financial services industry. The survey defines financial literacy as combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. According to the World Bank's Global Findex Database 2021, the global average percentage of adult population with an account opened with a bank, financial institution or mobile money provider, was approximately 78% in calendar year 2021. India's financial inclusion has improved significantly over calendar years 2014 to 2021 as adult population with bank accounts increased from 53% to 78% (Source: Global Findex Database) due to the Indian government's efforts to promote financial inclusion and the proliferation of supporting institutions.

Adult population with a bank account (%): India vis-à-vis other countries

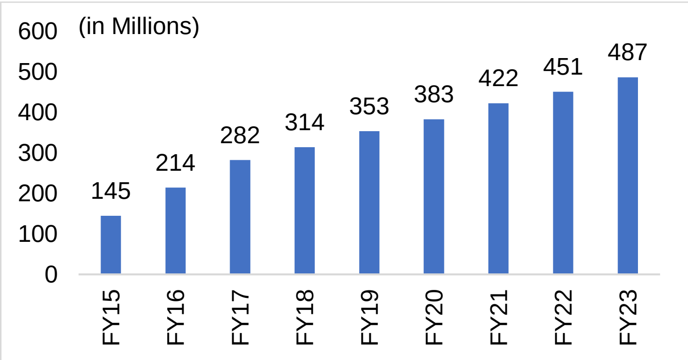


Notes: 1. Global Findex data for India excludes northeast states, remote islands and selected districts. 2. Account penetration is for the population within the age group of 15+, Source: World Bank – The Global Findex Database 2021, CRISIL MI&A

The two key initiatives launched by the Government to promote financial inclusion are the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Under the PMJDY, the Government's aim is to ensure that every household in India has a bank account which they can access from anywhere and avail of all financial services such as savings and deposit accounts, remittances, credit and insurance affordably.

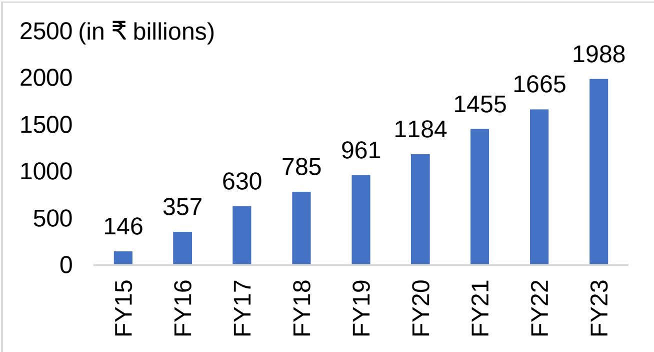
As at March 31, 2023, 487 million PMJDY accounts had been opened, of which 67% were in rural and semi-urban areas, with total deposits of ₹1,988 billion. (*Source: Pradhan Mantri Jan-Dhan Yojana: Progress Report*)

Number of PMJDY accounts



Note: As at the end of each Fiscal.
Source: PMJDY; CRISIL MI&A

Total balance in PMJDY accounts



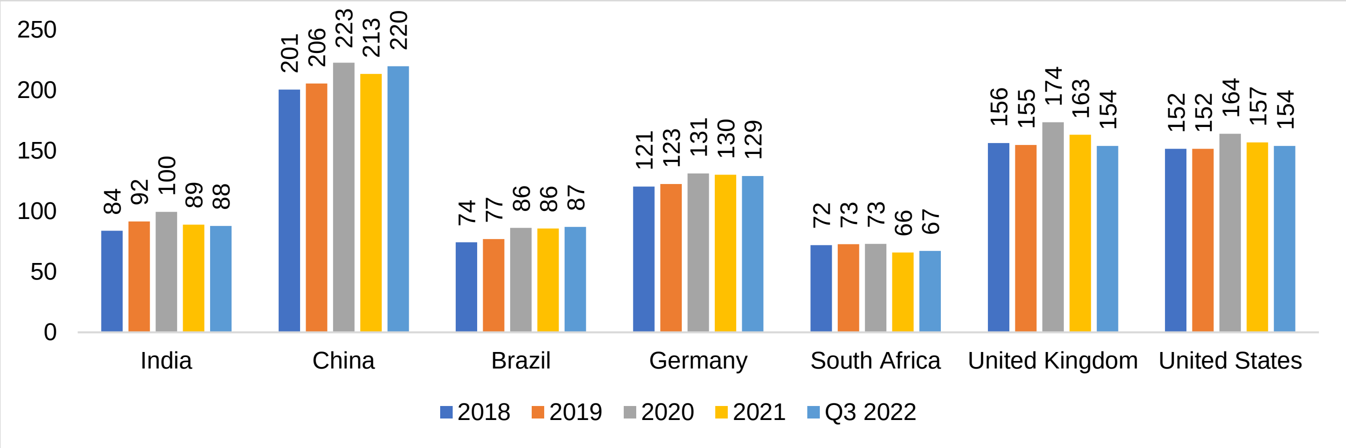
Note: As at the end of each Fiscal.
Source: PMJDY; CRISIL MI&A

PMJJBY is a one-year life insurance scheme that offers a life cover of ₹ 0.2 million at a premium of ₹ 330 per annum per member, which can be renewed every year. The Government has also launched the Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is an accident insurance policy and offers an accidental death and full disability cover of ₹ 0.2 million at a premium of ₹ 12 annually. According to the Ministry of Finance, 162 million and 342 million cumulative enrolments have been done under PMJJBY and PMSBY, respectively, as of 26th April 2023. (*Source: Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) complete 8 years of providing social security cover*)

Credit penetration is lower in India compared to other countries

In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China, indicating the potential that can be tapped.

Credit to GDP ratio (%)



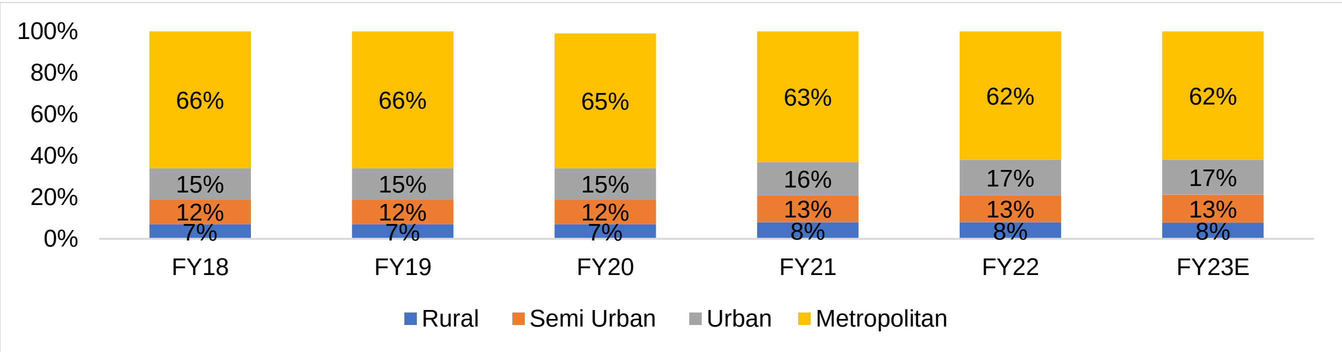
Note: Credit from all sectors to private non-financial sector;
Source: Bank of International Settlements, CRISIL MI&A

Rural India – Under penetration and untapped market presents a huge opportunity for growth

Credit to metropolitan areas has decreased over the past few years with its share decreasing from 66% as at March 31, 2018 to 62% as at March 31, 2023. Between the same period, credit share has witnessed a marginal rise in rural and urban areas. For semi-urban areas, credit share has gone up from 12% as of March 31, 2018 to 13% as of March 31, 2023.

As at March 31, 2022, rural areas, which accounted for 47% of GDP, received just 8% of the overall banking credit, which shows the vast market opportunity for banks and NBFCs to lend in these areas. With increasing focus of government towards financial inclusion, rising financial awareness, increasing smartphone and internet penetration, CRISILMI&A expects delivery of credit services in rural area to increase. Further, usage of alternative data to underwrite customers will also help the financiers to assess customers and cater to the informal sections of the society in these regions.

Share of rural and semi-urban credit has increased marginally between March 31, 2018 and March 31, 2023



Note: As at the end of each Fiscal. E – estimated.
Source: RBI, MOSPI, CRISIL MI&A

Indian Banking Industry

Bank credit to move marginally faster than systemic credit

Over the past decade, banking credit growth lagged systemic credit growth for several years as NBFCs grew at a much faster pace. However, the NBFCs suffered a blow after IL&FS defaulted in September 2018. NBFCs, not having the advantage of size, rating and/or parentage, had to grapple with a liquidity crisis and as raising funding became difficult. Initially, post the IL&FS crisis, banks were expected to fill the space left out by NBFCs. However, with slower economic growth and muted private capex, banking credit growth remained low at ~6.8% in Fiscal 2020.

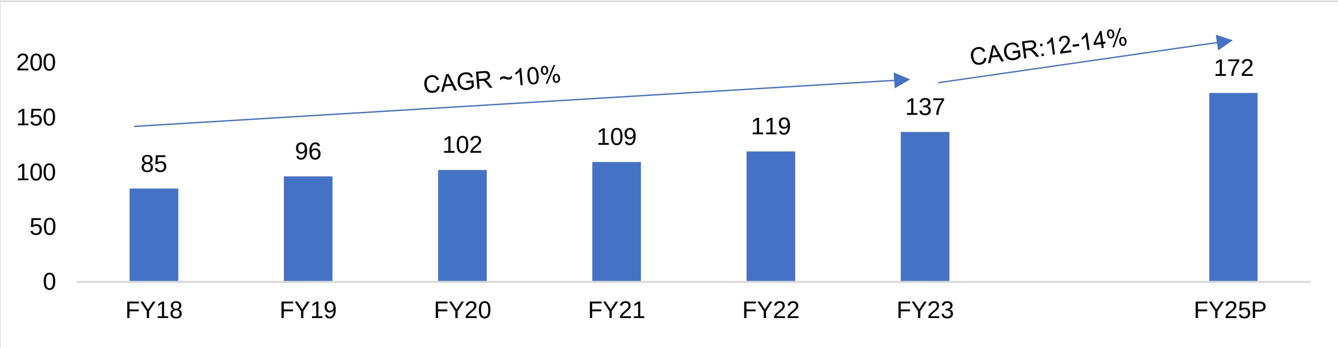
In the fourth quarter of Fiscal 2020 and the first quarter of Fiscal 2021, with the outbreak COVID-19 pandemic, challenges had intensified for both banks and NBFCs. NBFCs were hit harder in terms of demand, and they also turned cautious as they lend to borrowers with relatively weaker credit profile. In the second half of Fiscal 2021, the Indian economy showed signs of improvement, the effect of which was seen in the credit growth.

At the end of Fiscal 2021, the banking credit grew by ~5% on year while NBFCs witnessed a growth of 7.3% during the same period. In Fiscal 2022, the second wave of the COVID-19 pandemic led to weak demand for credit in the first quarter of the year. However, the pace of credit has now recovered, with overall credit growing by 8.4% and retail credit increasing by 11.6% year-on-year as of March 2022. Further, high frequency indicators point out that economic activity and consumer spending is returning to pre-COVID-19 levels. With the effect of COVID-19 waning, vaccination coverage progressively improving, the situation and growth has improved further.

Due to COVID-19 pandemic, demand for credit reduced drastically on account of economic activity coming down to standstill due to lockdown led sharp fall in disbursements. However, there has been a pickup in disbursements since the second half of Fiscal 2022, a trend that continued in Fiscal 2023. The bank credit demand was broad based in Fiscal 2023 growing at 15% year on year. There was strong retail credit demand from segments like personal loans, consumer durables, credit card, vehicle loans etc.

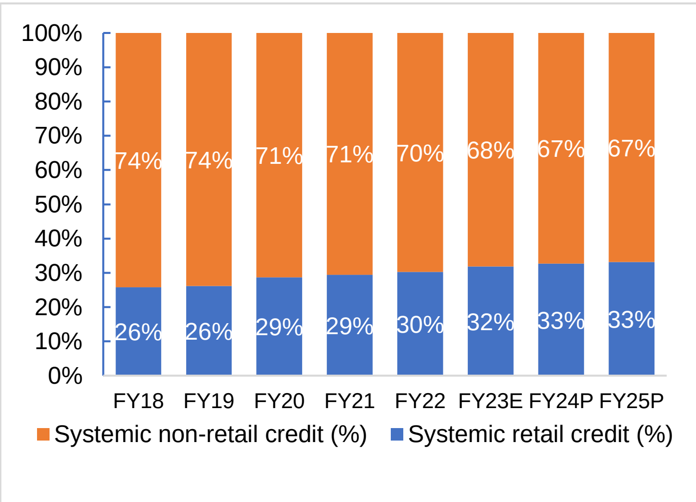
Going forward, credit to the overall retail segment is expected to lead the growth of the banking sector, supported by healthy growth in housing, consumer durable, gold and other personal loans segments. CRISIL MI&A expects bank credit to grow at 12-14% CAGR between Fiscal 2023 and Fiscal 2025.

Bank credit to clock a CAGR of 12-14% through Fiscal 2023 to Fiscal 2025

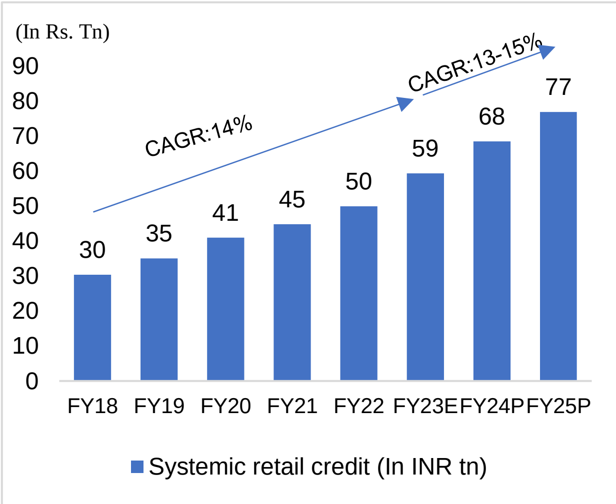


Note: P: Projected; As at the end of each Fiscal.
Source: RBI, CRISIL MI&A

Retail segment is estimated to account for 32% of overall systemic credit as of March 31, 2023



Retail credit growth to continue a strong footing in Fiscal 2024



Note: E: Estimated; P = Projected. As at the end of each Fiscal.
Source: RBI, CRISIL MI&A

Bank deposits to grow 11-12% in Fiscal 2024

In Fiscal 2018, deposit growth rate fell to its lowest in over 55 years to ~7%, as the effect of demonetisation subsided, and households moved their savings from deposits to other lucrative instruments such as shares and debentures. However, in Fiscal 2019, deposit growth picked up and clocked 11%, in the wake of capital market volatility and higher deposit rates offered by the banks. In addition, inclusion of more people under the formal financial services channel improved deposit mobilisation as players continued to expand in the underbanked areas. Banking deposit growth was higher in semi-urban areas as compared to urban and rural areas, which witnessed similar growth.

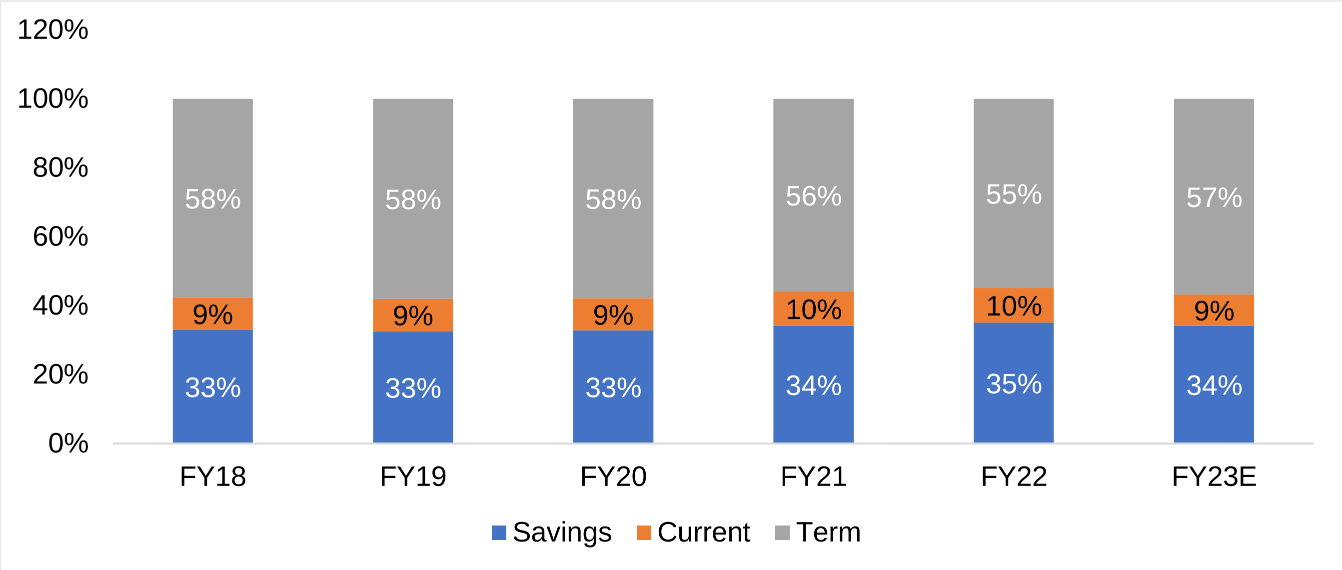
In Fiscal 2020, with slowdown in the economy, deposits grew at a moderate ~9%. The banking sector witnessed movement of deposits from private sector banks to public sector banks as one of the private sector banks gross NPAs spiralled. Towards the end of Fiscal 2020, Yes Bank was put under moratorium for 30 days, wherein withdrawal of deposits was restricted before a management change was effected by the regulator and the central Government. Earlier, in 2019, the RBI had imposed operational restrictions and restrictions on withdrawals from Punjab and Maharashtra Co-operative Bank Limited after finding financial irregularities. Fiscal 2020 also saw deposit rates coming down with lending linked to an external benchmark and interest rate cycle on a downward scenario, resulting in banks reducing deposit rates to preserve their spread.

With the outbreak of COVID-19 in the last quarter of Fiscal 2021, conserving money became a priority and households reduced their private consumption, leading to a 11% deposit growth in Fiscal 2021.

The weighted average domestic term deposit rate declined 80 bps from 6.07% as of April 30, 2020 to 5.28% as of March 31, 2021. (*Source: CRISIL MI&A*). With the RBI maintaining its accommodative stance with policy rates unchanged for the entire Fiscal 2022, the weighted average term deposit rate declined a further 25 bps to 5.03% as of March 31, 2022. RBI hiked the policy rates by 40 bps in May 2022, 50 bps in each of June 2022, August 2022 and September 2022, 35 bps in December 2022 and 25 bps in February 2023 taking the repo rate to 6.50% as of February 2023. With this, the weighted average term deposit rate moved upwards to 5.90% as of January 31, 2023. Further, the incremental credit to deposit ratio rose to more than 100% during the second quarter of Fiscal 2023 and deposit growth continued to lag credit growth.

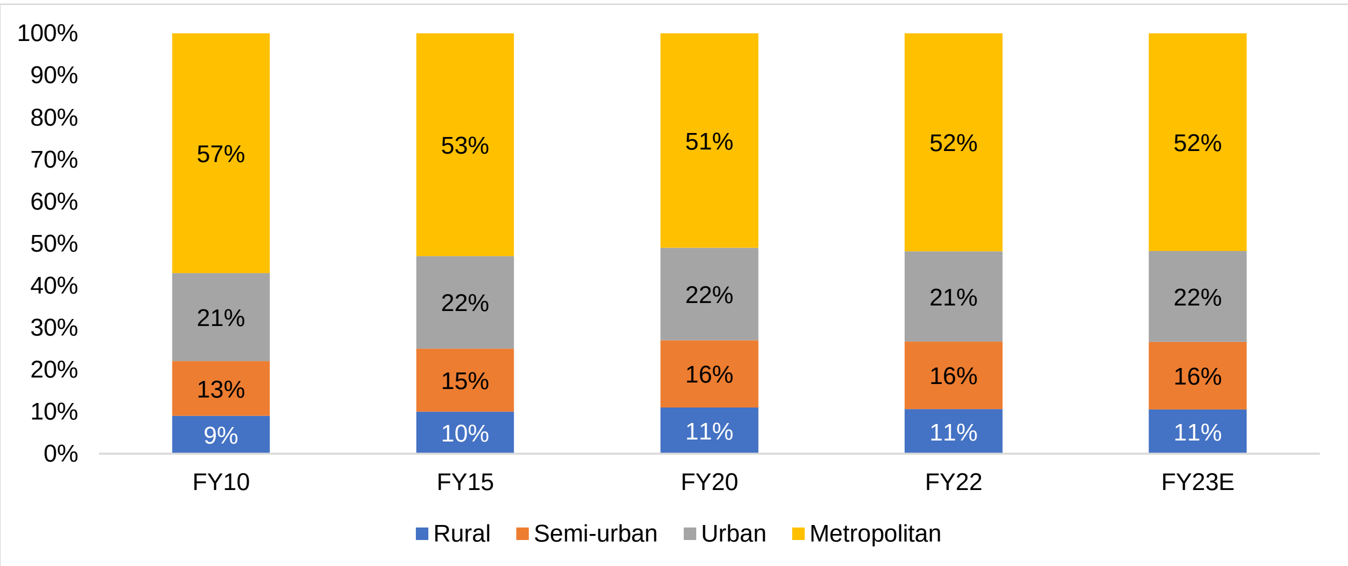
CRISIL MI&A expects deposits rate to inch up with increase in competition and to support the credit growth. However, the increase in Fiscal 2024 might be at a slower pace on account of new taxation rule that will come into effect from April 1, 2023, which will take away tax advantage from most debt mutual funds and will give edge to bank fixed deposits. Hence, the deposits are expected to grow by 11-12% in Fiscal 2024.

Share of current and savings deposits decreased as of March 31, 2023



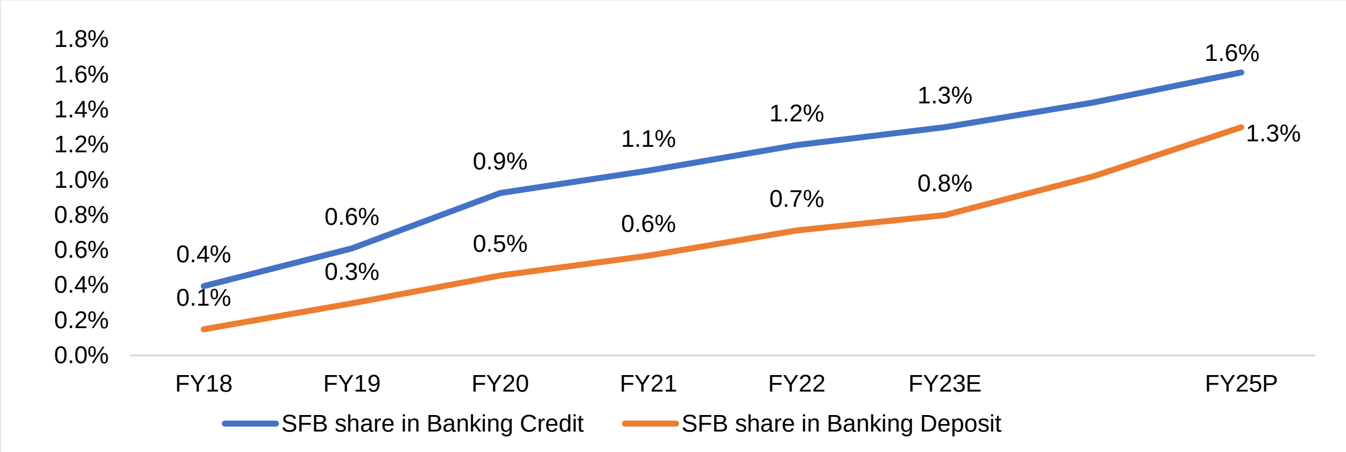
Note: As at the end of each Fiscal. Data includes data for banking deposits of public sector banks, private sector banks, regional rural banks, foreign banks and small finance banks. Fiscal 2023 estimates based on December 2022 numbers.
Source: RBI, CRISIL MI&A

Share of bank deposits in rural and semi-urban areas has increased over the last decade



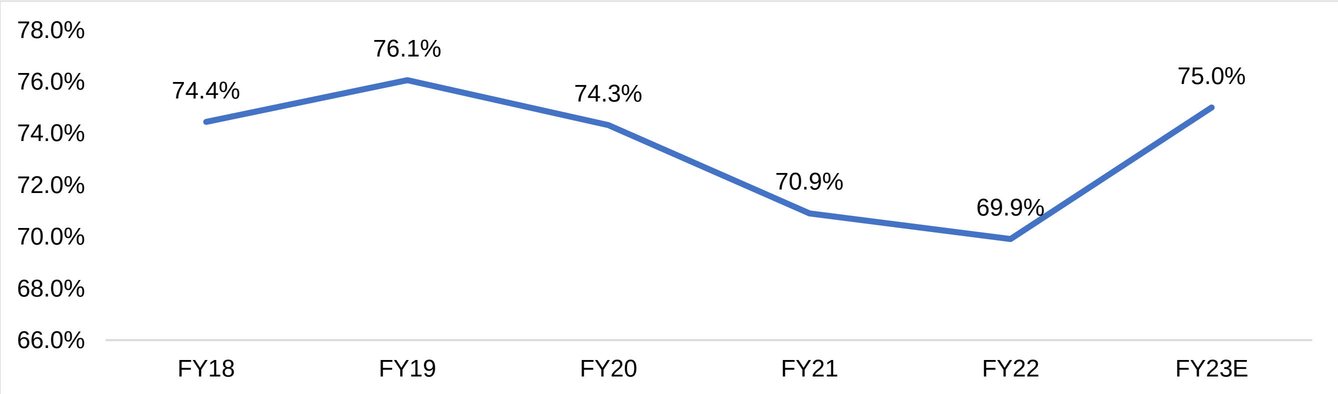
Note: As at the end of each Fiscal, Fiscal 2023 estimates based on December 2022 numbers.
Source: RBI, CRISIL MI&A

SFBs share in overall banking credit and banking deposit at 1.3% and 0.8% respectively as of March 31, 2023



Note: As at the end of each Fiscal. P: Projected
Source: RBI, CRISIL MI&A

Credit-to-deposit ratio



Note: As at the end of each Fiscal; Source: RBI, CRISIL MI&A

GNPA of banks is expected to improve further to 3.8-4.0% in Fiscal 2024

The pandemic resulted in one of the worst economic declines in decades. Airlines, hospitality, travel, gems and jewelry, auto dealers, and real estate were hit the hardest, given the discretionary nature of these sectors. Both collections and disbursements were impacted significantly in the first half of Fiscal 2021. However, with measures taken by the government and the RBI assisting in containing the deterioration in asset quality, overall GNPA ended Fiscal 2021 at 7.4%.

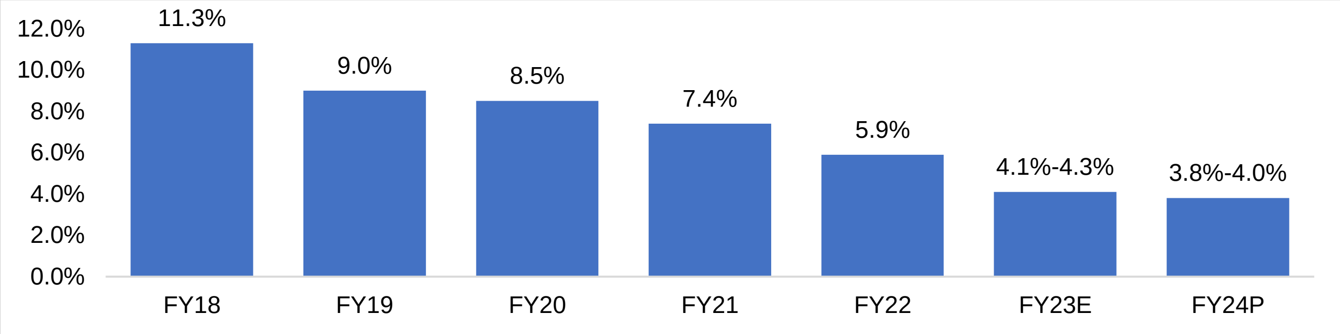
About 0.9% of the total credit outstanding was restructured by the RBI as of March 2021 under the one-time restructuring framework 1.0, which was significantly lower than earlier estimates. In the case of public banks, the majority of the restructurings come from the corporate sector. In the case of large and mid-size private sector banks, the proportion of retail assets in total restructuring (invoked + implemented) was relatively high.

On May 5, 2021, the RBI announced the restructuring framework 2.0 to protect individuals and MSMEs from the adverse impact of the second wave. The resolution facility was applicable for accounts classified as ‘Standard’ as at March 31, 2021, wherein individuals and MSMEs having an aggregate loan exposure of up to ₹250 million who have not availed restructuring under any of the earlier restructuring frameworks and who were classified as ‘Standard’ as on March 31, 2021 were allowed to restructure their loans. Restructuring under the proposed framework was able to be invoked up to September 30, 2021 and had to be finalised and implemented within 90 days after invocation of the resolution process (with the last date to implement the restructuring for banks being December 31, 2021). This framework saw better response from corporate borrowers. CRISIL MI&A estimates the overall restructuring (1.0 and 2.0) at ~1.4% of the loans outstanding as of March 2023. However, the stress on account of slippages from this portfolio remains to be monitored.

GNPA of both private and public banks improved in Fiscal 2022 on account of reduction in fresh slippages and improvement in upgrades and recoveries. GNPA of scheduled commercial banks stood at a six-year low of ~5.9% as of March 2022. CRISIL MI&A estimates the GNPA of scheduled commercial banks to have declined further in Fiscal 2023 on account of lower slippages, higher recoveries and expectation of recoveries via the NCLT and National Asset Reconstruction Company Ltd (NARCL) route.

Going forward, CRISIL MI&A expects GNPA of banks to improve to 3.8%-4.0% in Fiscal 2024 due to robust collections, upgrades for large corporate accounts and lower slippages.

GNPAs of banks to improve to 3.8-4.0% in Fiscal 2024



Note: As at the end of each Fiscal. *E: Estimated, P – Projected*
Source: RBI, Company Reports, CRISIL MI&A

Profitability to improve in Fiscal 2024

The Reserve Bank of India cut the repo rate by ~225 bps (including 40 bps cut in Fiscal 2021) since March 2019. Since the RBI perceived that banks tend to transmit interest rates more rapidly in a rising rate scenario than in reducing interest rate regime, the RBI introduced new guidelines on external benchmark linking rates (EBLR; linked to repo rate), mandating banks to link all new personal or retail floating rate loans, and micro, small and medium enterprises floating rate loans to the external benchmark effective October 1, 2019.

As a result, interest earned as a percentage of total assets declined ~40 basis points (bps) to 6.6% in Fiscal 2021 with lowering of the repo rate. However, with interest expended as a % of total assets reducing ~60 bps, Net Interest Income rose ~20 bps. The apex bank-maintained status quo on the repo rate at 4% in Fiscal 2022 and, hence, interest expended as a percentage of total assets declined further to 3.2%.

In Fiscal 2023, to tackle inflation RBI started increasing policy repo rate rating by 40 bps in May 2022 and 50 bps in June, August and September 2022, 35 bps in December 2022 and 25 bps in February 2023, taking policy repo rate to 6.50%. With faster increase in repo rates the yield on loans are expected rise quicker as compared to historical trend due to implementation of new guidelines on EBLR linking of loans and cost of deposits to rise at a slower pace since banks will be benefitted by lower cost of funds during Fiscals 2023 and 2022.

During Fiscal 2023, CRISIL MI&A estimates interest earned as a percentage of total assets to have risen by ~80 bps and interest expended as a percentage of total assets to have risen by ~40%, resulting in an improvement in Net Interest Income to total assets at 3.3%.

Operating profitability of banks to improve in Fiscal 2024

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. Also, a few microfinance companies, a local area banks and an NBFC as well as one urban co-operating bank have received permission to set up small finance banks (SFBs). The RBI awarded SFB licences to 12 players keeping in with the government's focus on financial inclusion and inclusive banking.

Growth drivers for small finance banks

Customized products aided by technology and information availability

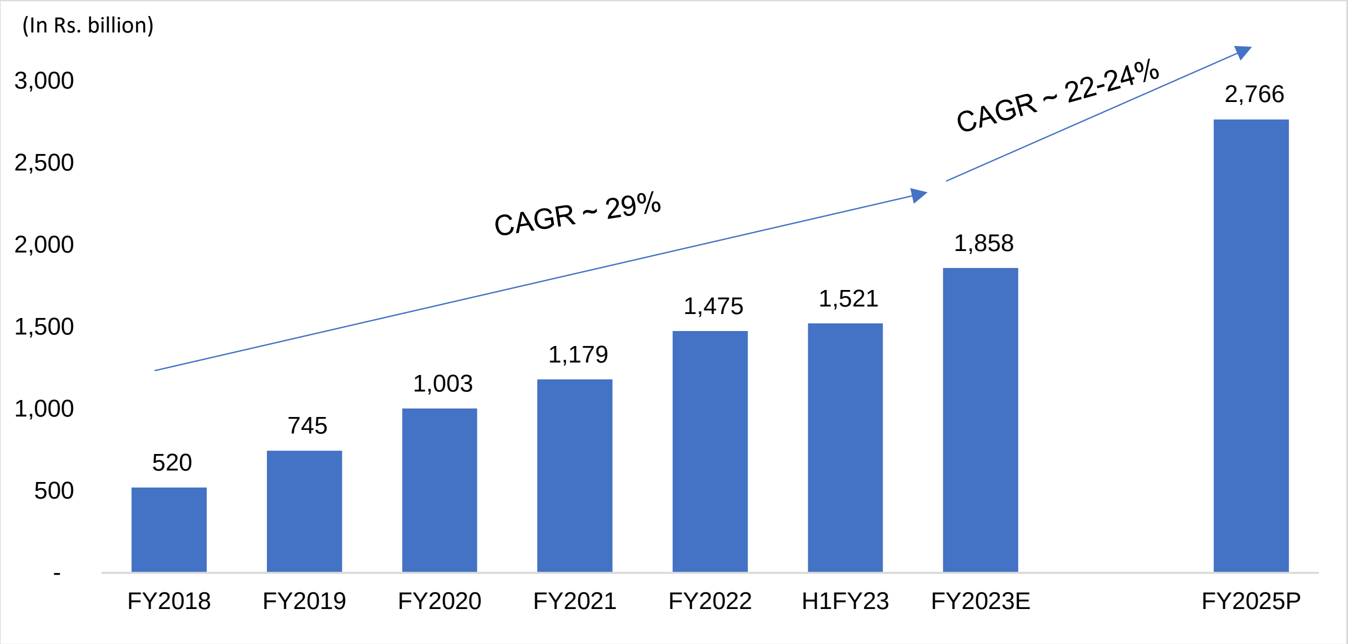
Greater use of technology is enabling lenders to provide customised products, that too at much lower turnaround time. Multiple data points are available for lenders that is facilitating quick decision making. In fact, they can take lending decisions within minutes using data-driven automated models. These models would help in supply of credit to small business units and the unorganised sector at low cost. Technology also helps these players expand their reach to under penetrated population in remote areas at a lower operating cost.

Availability of funds at cheaper rates

CASA and other retail deposits are a cheap source of funds for SFBs, which help them expand their product portfolio. They can provide lower rates in the market to compete with NBFCs. With SFBs expanding in the underserved regions further, their deposit base is expected to further widen. The CASA deposits for SFBs is estimated to have grown at 66% CAGR from Fiscal 2018 to Fiscal 2023. This will give them an advantage over NBFCs and help expand their asset book.

Industry growth and outlook

Huge opportunity to support growth over next three years (AUM)



Note: E: Estimated; P: Projected; The amounts are as of the end of the period/Fiscal indicated.
Source: Company reports, CRISIL MI&A

The small finance banks' advances under management (which is gross advances plus off-balance sheet advances ("AUM") is estimated to have clocked 29% CAGR from March 31, 2018 to March 31, 2023. CRISIL MI&A estimates that the top three SFBs accounted for ~62% of the aggregate AUM as of March 31, 2023, up from 55% as of March 31, 2017 indicating the rising concentration and expansion of players within the SFBs. CRISIL MI&A also estimates that the top six players accounted for ~89% of the market share as of March 31, 2023. In Fiscals 2021 and 2022, new loan origination remained low as SFBs turned cautious and selective in disbursals due to the pandemic. However, as economy revived and business operations normalised, SFBs' AUM witnessed strong growth post pandemic. As of March 31, 2023, SFB AUM is estimated to have crossed ₹1,800 billion, growing at 26%-27% year on year. CRISIL MI&A expects SFB's AUM to be ~22-24% CAGR between March 31, 2023 and March 31, 2025, as most of the SFBs have completed the transition phase and are likely to benefit from their operating leverage.

Growth in SFB AUM will be driven by following factors:

Huge market opportunity in the rural segment – Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains fairly low at ~9-10% of the overall credit outstanding as of March 31, 2022. This provides a huge market opportunity for SFBs and other players present in the segment

Presence of informal credit channels – In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population. SFBs have an opportunity to tap this market

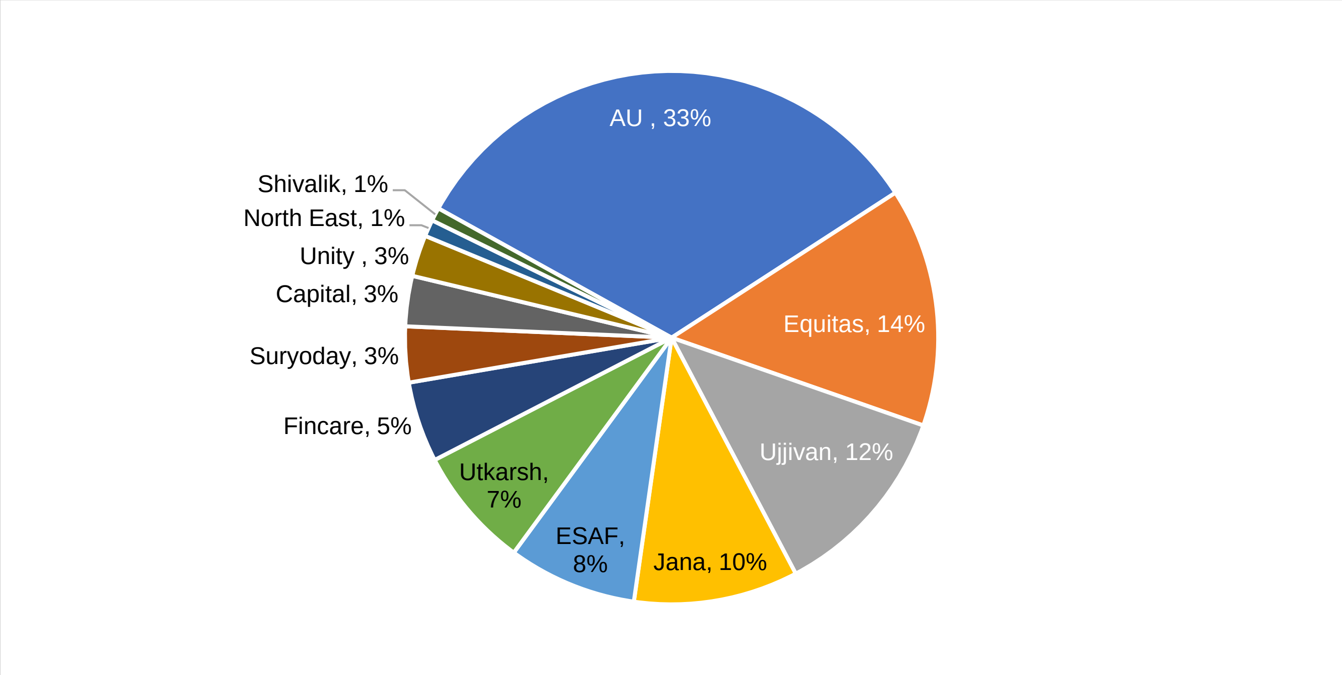
Geographic diversification – With increased focus on diversifying their portfolio and expanding their reach, SFBs are expected to log higher growth as they tap newer geographies

Loan recovery and control on aging NPAs – SFBs are experienced in collection and monitoring of default risk. This will help them keep asset quality under check

Ability to manage local stakeholders – With their microfinance experience, SFBs have the ability to manage local stakeholders and maintain operational efficiency

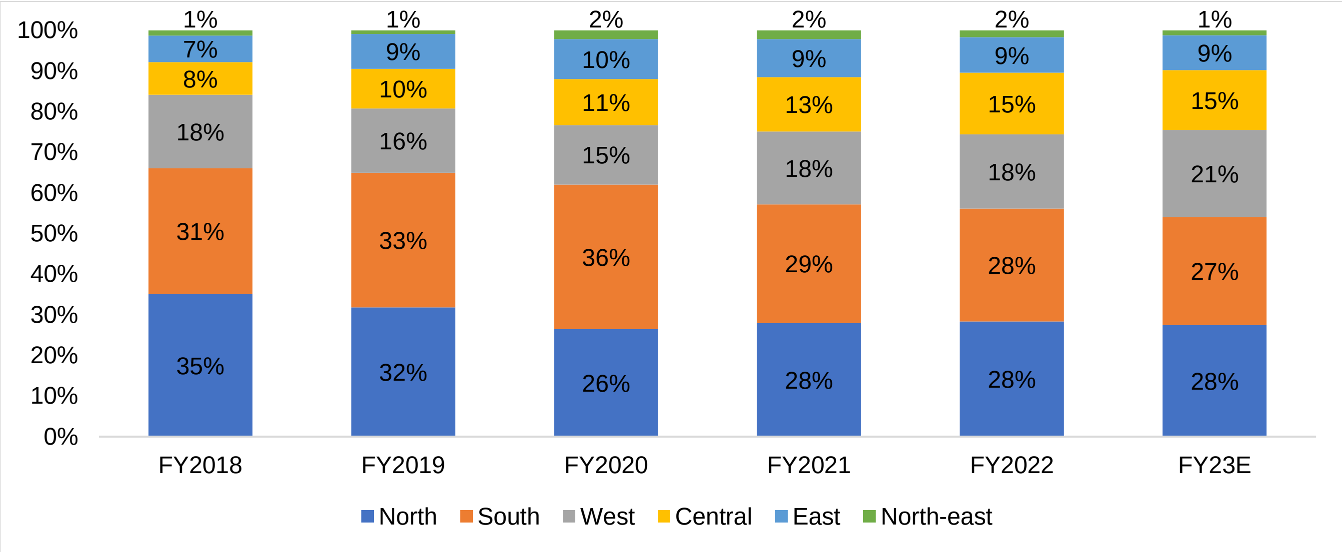
Access to low-cost funds & huge cross sell opportunity– SFBs' cost of funds is low substantially as they are allowed to raise CASA deposits. This will also help them lend at more reasonable rates to its customers, hence enhancing their cross-sell opportunity in terms of asset products, insurance etc.

Top six players accounted for 84% of industry AUM as of March 31, 2023



Note: The market share is estimated as of March 31, 2023.
Source: Company reports; CRISIL MI&A

Gross advances across regions for SFBs as of March 31, 2023



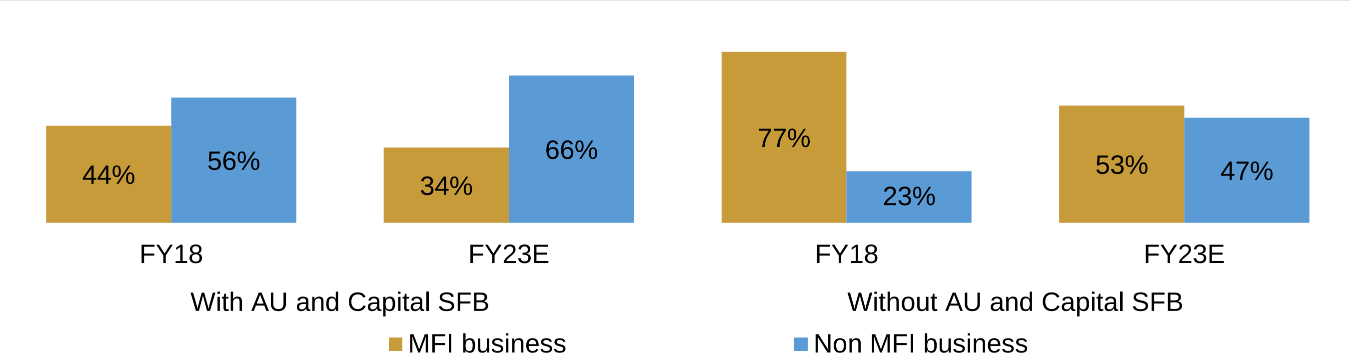
Note: The percentages are as of the end of the Fiscal indicated.
Source: RBI, CRISIL MI&A

SFBs continue to diversify their portfolio beyond microfinance business

Eight of the 10 firms that got SFB licences in the initial phase were MFIs and for most of them, microfinance is the central product. The microfinance segment is estimated to account for 34% (including Capital and AU SFB) of the overall business of SFBs as of March 31, 2023.

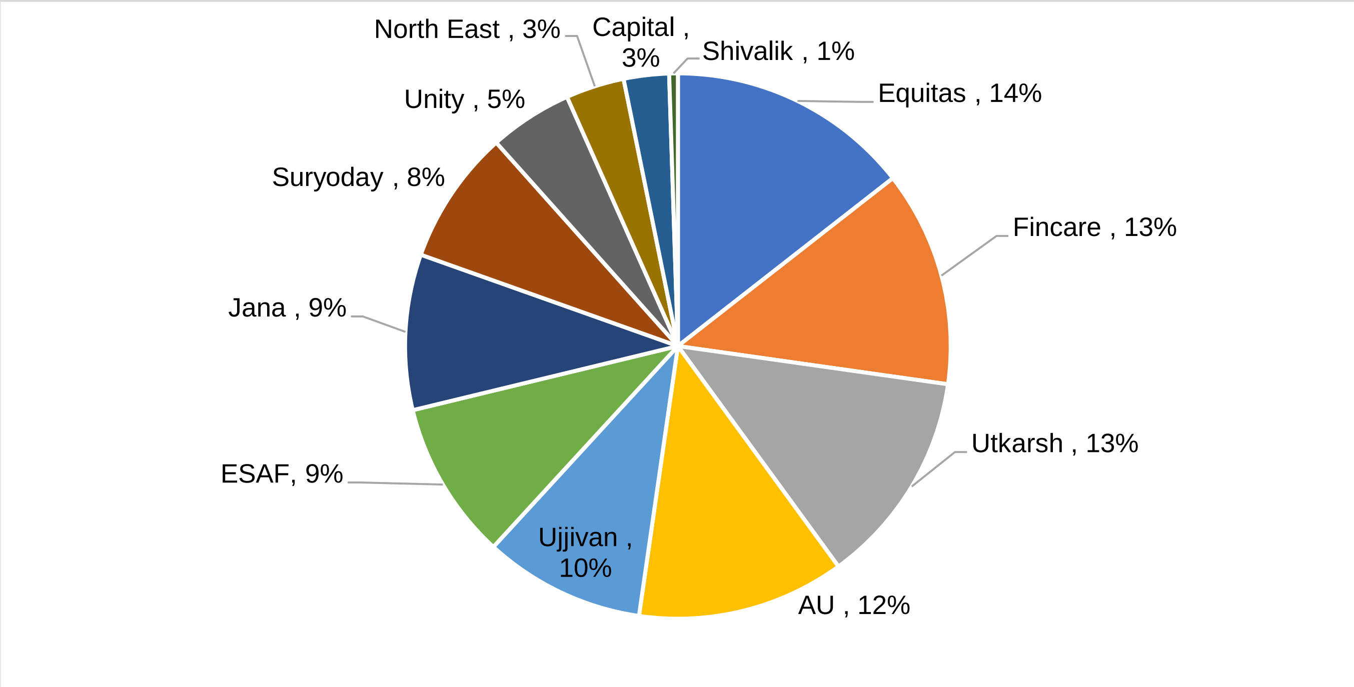
In fact, SFBs have shifted their focus from microfinance to other products. But their core customer base is unlikely to have changed much because of the regulatory norms. After the conversion of NBFC-MFIs to SFBs, the focus is now on diversifying the product portfolio. As a result, the share of their MFI portfolio in total advances reduced to 34% as of March 31, 2023 from 90-95% as of March 31, 2016. Going forward, SFBs will have to focus on small-ticket size lending to financially under-served and un-served segments (loans below ₹2.5 million will have to form at least 50% of their loan portfolio (gross advances)). CRISIL MI&A expects MFIs that converted to SFBs to further diversify and focus on allied segment loans, such as MSME loans, affordable housing finance, gold loans, CV/non-CV loans and two-wheeler loans, which will reduce the dominance of microfinance in their overall loan portfolio.

Advances mix for small finance banks



Notes: E: Estimated, 1) Capital and AU SFB are excluded as they mostly deal with non-MFI business, 2) Portfolio mix calculated on best available information 3) Data includes data for 12 SFBs. The percentages are as of the end of the Fiscal indicated.
Source: Company reports, CRISIL MI&A

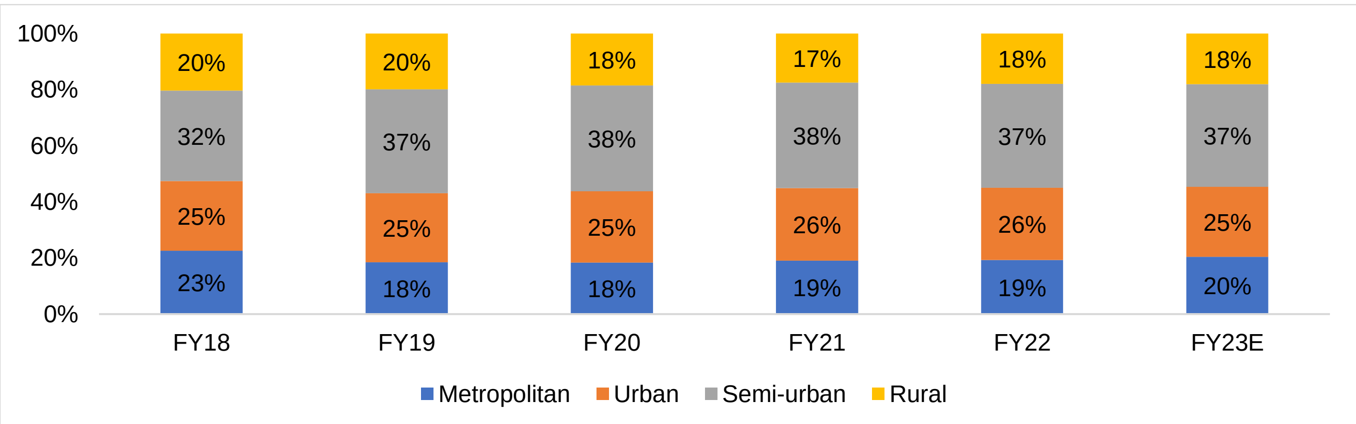
Top three players estimated to account for 40% of the total functioning offices as of March 31, 2023



Note: Fiscal 2023 estimates based on December 2022 numbers
Source: RBI; CRISIL MI&A

CRISIL MI&A estimates that the top three players accounted for 40% of the total number of functioning offices as of March 2023. Expansion of functioning offices has also helped diversification of loan portfolios and overcome geographic concentration.

Share of semi-urban branches and rural branches constant as of March 31, 2023



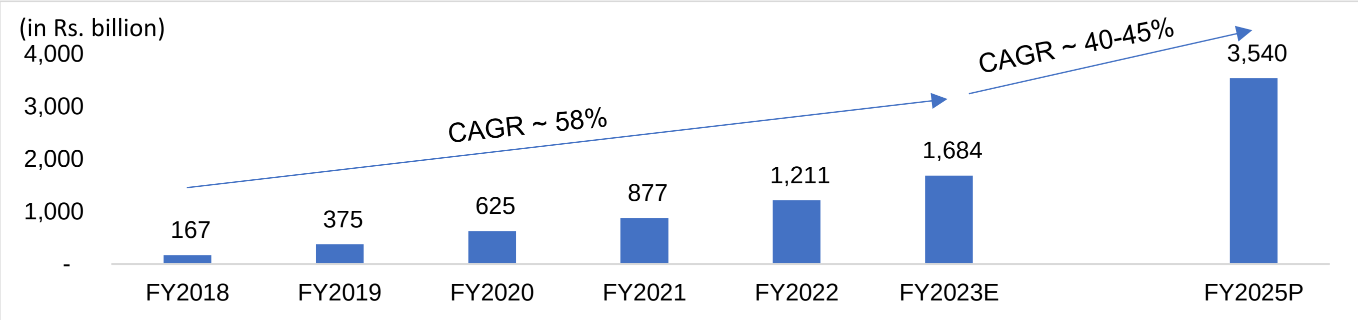
Note: Rural: Population less than 10,000, Semi urban: 10,000 <=Population <0.1 million, Urban: 0.1 million <=Population <1 million, Metropolitan: Population 1 million and above. The percentages are as of the end of the Fiscal indicated.
Source: RBI, CRISIL MI&A

SFB deposits to grow faster than private and public-sector banks

SFBs have a significant growth potential as most of them were functioning as NBFCs/MFIs previously. Immediately after commencement of their operation, all SFBs focused on increasing their deposit base. Their overall deposit base doubled to around ₹375 billion as of March 31, 2019. Further, the proportion of CASA deposits is estimated to have shot up from nearly ~20% as of March 31, 2020 to ~36% as of March 31, 2023. The increase could be attributed to the higher interest rates they offer and the increase in their branch network.

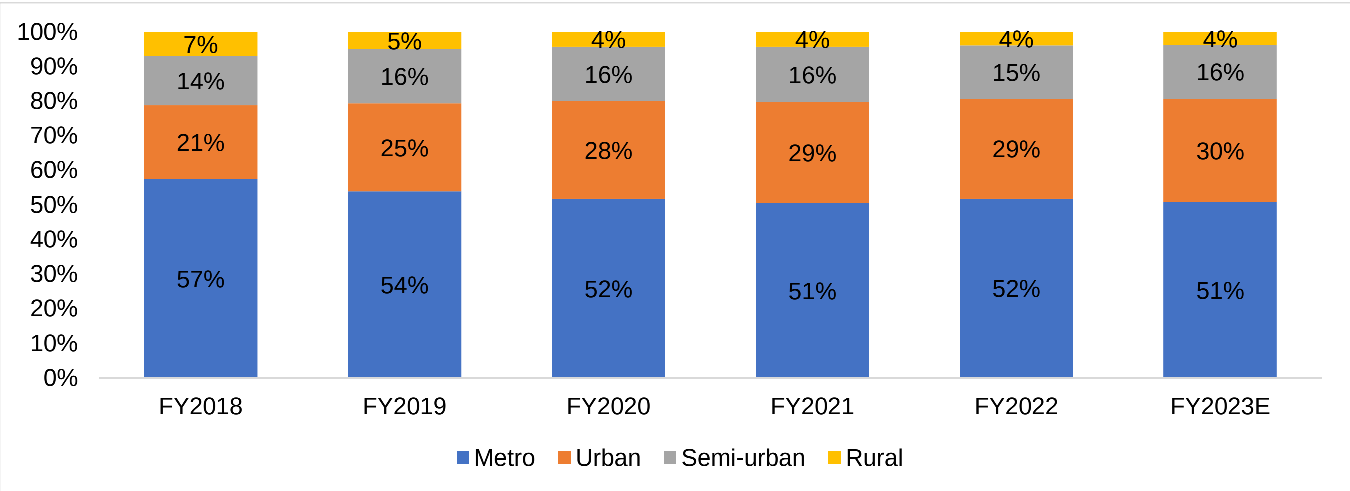
Deposit growth for SFBs is estimated to have grown at a strong pace of 39% year-on-year as of March 31, 2023 and is estimated to have reached ₹1,684 billion at the end of FY 2023. Going forward, CRISIL MI&A expects SFBs' deposit to grow at 40-45% CAGR over Fiscals 2023-2025 as players focus on popularizing convenient banking habits to cover the last mile and widen financial inclusion by deepening their penetration in untapped geographies.

SFB deposits to grow robustly



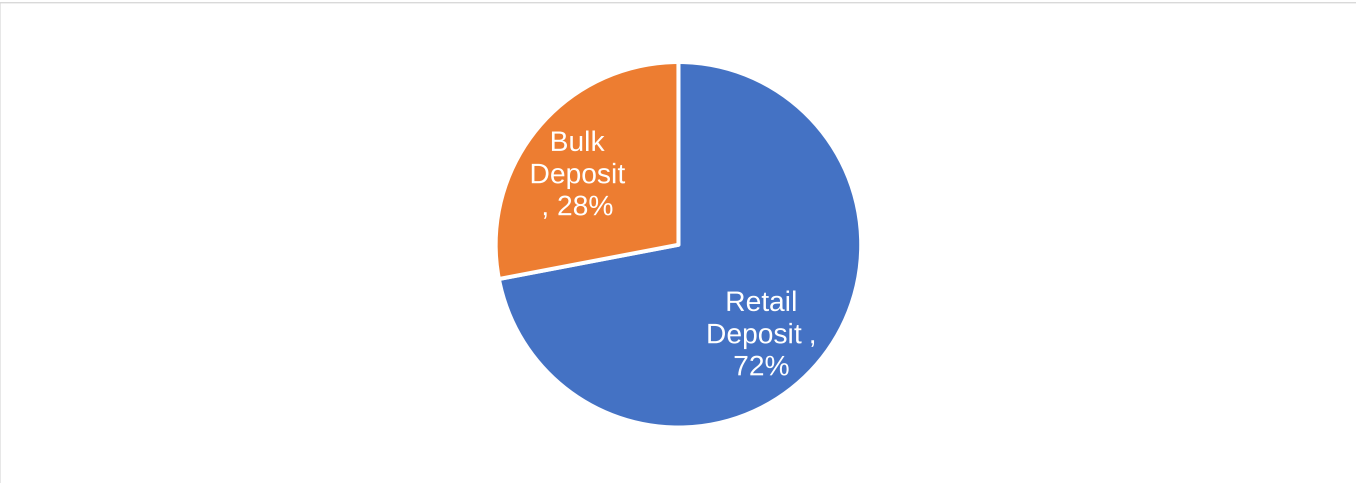
Note: Amounts are as at the end of the Fiscal indicated; P: Projected.
Source: Company reports, CRISIL MI&A.

Around 80% deposits is from metropolitan and urban regions for SFBs



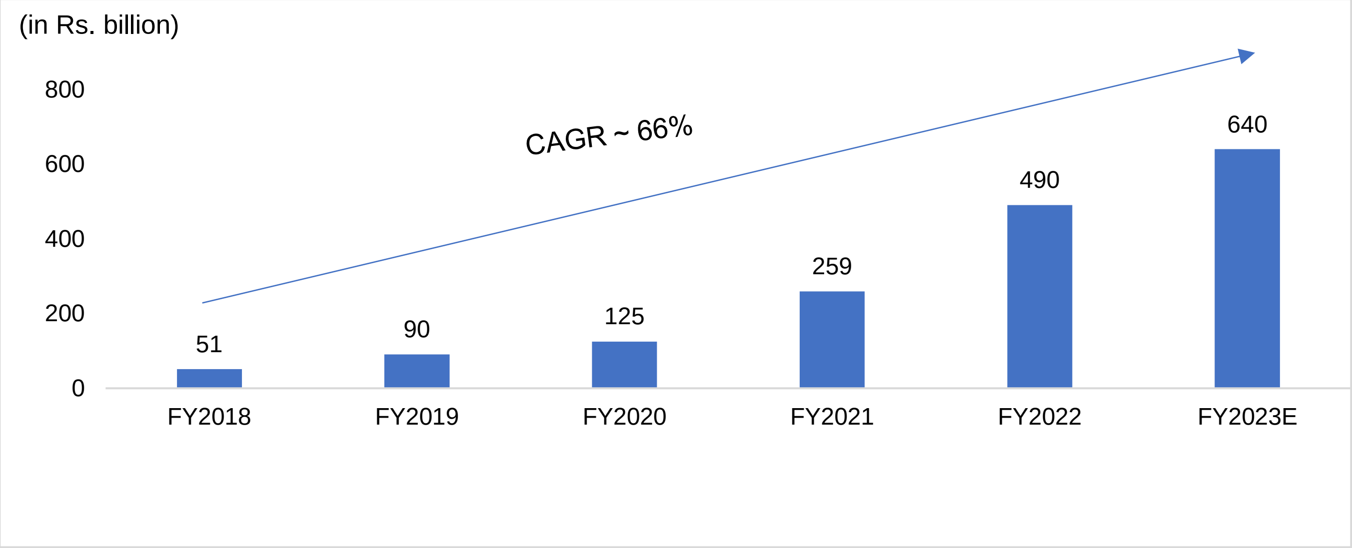
Note: As at the end of each Fiscal. Rural: Population less than 10,000, Semi urban: 10,000 <=Population <0.1 million, Urban: 0.1 million <=Population <1 million, Metropolitan: Population 1 million and above
Source: RBI, CRISIL MI&A

Share of retail deposits to total deposit for SFBs is estimated at 72% as at March 31, 2023



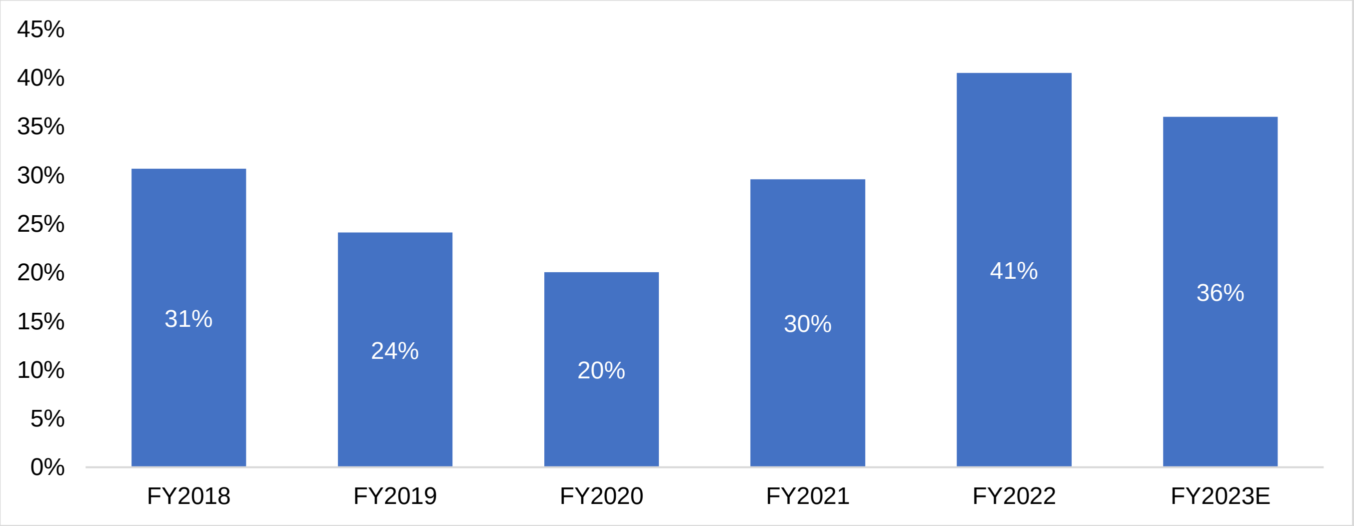
Note: Retail deposit include CASA and Retail term deposits; Data excludes data for Jana and North East SFB;
Source: Company reports, CRISIL MI&A

CASA Deposits for SFBs is estimated to have reached ₹ 640 billion as at March 31, 2023



Note: E- Estimated. The amounts are as of the end of the Fiscal indicated
Source: RBI, CRISIL MI&A

CASA Ratio for small finance banks



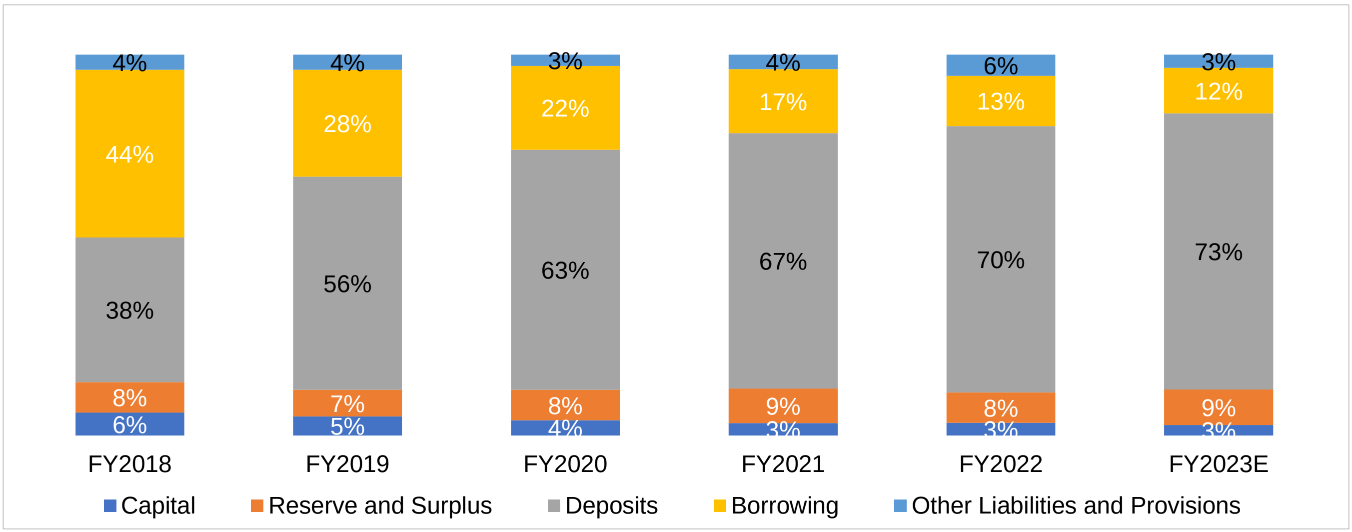
Note: As at the end of each Fiscal.
Source: RBI, Company Reports, CRISIL MI&A

Over the next couple of years, CRISIL MI&A expects SFBs to focus on gradually building their banking business and complying with tougher regulatory norms. In addition, transformation into SFBs will provide access to stable and granular public deposits over the long run, which will bring down their cost of funds.

Transformation in Resource profile of SFBs

The resource profile of SFBs has completely transformed in the last two to three years owing to a decrease in share of borrowings from 44% as of March 31, 2018 to 12% as of March 31, 2023 and a rise share of deposits from 38% to 73% during the same period. In Fiscal 2023, the deposit rate lagged the credit growth rate. Further, CRISIL MI&A expects the deposits rate to inch up with increase in competition and to support the credit growth. Their asset-liability management (ALM) profile remains comfortable owing to conservative liquidity policy, mobilisation of deposits and shorter tenure loans. Their liquidity profile is also supported by regulatory requirements such as higher requirement of minimum net owned funds ensuring capital adequacy and mandatory maintenance of CRR/SLR ratio, which provides access to call money market and provide better cushion than other NBFCs.

Rapid ramp-up in deposits for SFBs



Note: E = Estimated; the percentages are as at the end of the Fiscal indicated.
Source: Company reports, CRISIL MI&A

Profitability for SFBs bounced back in Fiscal 2023

In Fiscal 2020, the return on assets (RoA) of SFBs increased by 20-30 bps. However, outbreak of COVID-19 followed by the nationwide lockdown in the month of March 2020, caused a rise in Credit Costs for SFBs who made special COVID-19 provisioning, in addition to standard provisioning as of March 31, 2020. In Fiscal 2022, the industry RoA declined sharply to 0.7% from 1.5% in Fiscal 2021 and 1.9% in Fiscal 2020 largely due to increased provisioning made by many players in the industry, considering the likely impact of COVID-19 on asset quality. Players who had adequate capital went for front loading of Credit Costs in Fiscal 2021 itself, while players who had lower margins and higher operating costs spread out the increased provisioning over the course of Fiscal 2021 and Fiscal 2022.

In Fiscal 2023, to tackle inflation, RBI started increasing policy repo rating by 40 bps in May 2022, 50 bps in June, August and September 2022, and an additional 25 bps increase in February 2023. With faster increase in repo rates, yields on loans rose quickly. Moreover, interest earned for SFBs increased at a faster pace than interest expended, which resulted in an improvement in Net Interest Margins (NIM). As at March 31, 2023, the Net Interest Income ratio is estimated to reach 7.6% from 6.8% in Fiscal 2022. Improvement in profitability is estimated to increase return on assets (RoA) of SFBs to 1.8% in Fiscal 2023 from 0.7% in Fiscal 2022.

Going forward, increasing interest earned coupled with a reduction in Opex Ratio and Credit Cost because of improved collection efficiency is expected to augment profitability for small finance banks.

Increasing Credit Cost amid COVID-19 pandemic weighed on profitability of SFBs

RoA tree (SFB)	FY19	FY20	FY21	FY22	FY23E
Interest earned	14.1%	14.5%	12.9%	11.8%	12.7%
Interest expended	6.6%	6.7%	6.0%	5.0%	5.1%
Net Interest Income	7.5%	7.8%	6.9%	6.8%	7.6%
Opex ratio	6.1%	5.8%	4.9%	5.3%	5.5%
Other income	2.0%	1.7%	2.1%	1.6%	1.5%
Credit Cost	0.9%	1.3%	2.2%	2.3%	1.2%
RoA	1.6%	1.9%	1.5%	0.7%	1.8%

Note: E: Estimated. Data excludes Jana, Northeast SFB and Shivalik SFB
Source: Company reports, CRISIL MI&

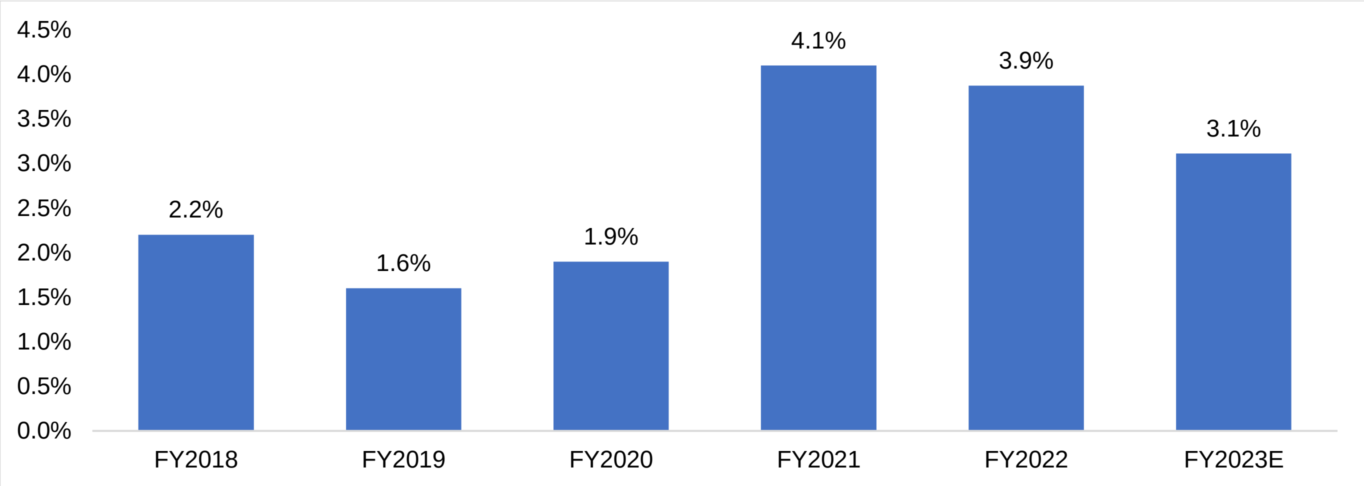
Asset quality for SFBs to marginally improve after pandemic related stress

GNPA of SFBs improved to 1.6% as of March 31, 2019 from 2.2% as of March 31, 2018 which was majorly impacted by demonetization and residual asset quality issues. This could be attributed to diversification of product mix into relatively less risky assets, write-off of legacy loans and reduction in microfinance loans due to better collection mechanism and deep understanding of their local geographies and customers. In Fiscal 2021, SFBs faced severe asset quality issues, as near-term collections saw disruptions on account of COVID-19. However, RBI in March 2020 announced the moratorium on term loans/ working capital for instalments falling due between March 1, 2020 and May 31, 2020. This was subsequently extended in May 2020 by another three months to August 31, 2020. A stand-still in asset classification for accounts availing the moratorium was provided from March 1, 2020 to August 31, 2020. For all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, was to be excluded by the lending institutions from the number of days past-due for the purpose of asset classification.

Despite government measures, the lockdown impacted the low- and middle-income segments the most. They also happened to be the target audience of SFBs. While banks offered moratorium period to borrowers, SFBs' asset quality deteriorated due to difficulties faced by their borrowers. As of March 31, 2022, the GNPAs improved marginally to 3.9%. In Fiscal 2023, the asset quality of SFBs improved on account of lower slippages, writing offs and improved collection efficiencies. GNPA for SFBs is estimated at 3.1% at March 31, 2023.

Going forward, the asset quality of SFBs is expected to improve further, however, it will vary depending on efficiency in credit underwriting, monitoring and collection over the long term.

GNPA trend of overall SFB Industry



Note: E= Estimated; Data excludes data for Jana SFB and North-east SFB. Percentages are as of the end of the Fiscal.
Source: Company reports, CRISIL MI&A

Peer Comparison

In this section, CRISIL MI&A compared ESAF SFB with all its peers in India based on the latest available data for Fiscals 2021, 2022 and 2023. Capital SFB, North East Small Finance Bank and Shivalik Small Finance Bank are not considered as peer banks as these banks are comparatively smaller in terms of scale. CRISIL MI&A also looked at large listed NBFC-MFI players like Credit Access Grameen, Fusion Microfinance and Spandana Sphoorty since many SFBs were present in this space before switching to SFB. CRISIL MI&A has also analysed the performance of Bandhan Bank which was a former MFI before obtaining a banking license.

ESAF SFB reported the highest AUM growth over Fiscals 2021 to 2023 among the compared SFBs

ESAF SFB was the fifth largest SFB in India in terms of AUM as on March 31, 2023. Among the compared SFBs, ESAF posted the fastest AUM CAGR of 39% over Fiscals 2021 to 2023. Among all the compared peers, Equitas SFB, ESAF SFB, Ujjivan SFB and Fincare SFB reported the fastest year-on-year AUM growth of 35.2%, 34.6%, 32.3% and 32.1% respectively as of March 31, 2023.

(Rs. Billion)	AUM (FY2021)	AUM (FY2022)	AUM (FY2023)	AUM year-on-year growth (FY2022)	AUM year-on-year growth (FY2023)	AUM CAGR (FY21-23)
SFBs						
AU SFB	377	478	592	27%	24%	25%
Equitas SFB	179	206	279	15%	35%	25%
Ujjivan SFB	151	182	241	20%	32%	26%
Jana SFB	132	148	178$	12%	20%	18%
ESAF SFB	**84**	**121**	**163**	**44%**	**35%**	**39%**
Utkarsh SFB	84	106	140	26%	32%	29%
Fincare SFB	61	75	99	24%	32%	27%
Suryoday SFB	42	51	61	20%	20%	21%
NBFC-MFIs						
CreditAccess Grameen Ltd.	113	137	176	21%	28%	25%
Fusion Microfinance Pvt. Ltd.	46	68	93	46%	37%	42%
Spandana Sphoorty Financial Ltd.	82	66	85	-19%	29%	2%
Banks-MFI						
Bandhan Bank	870	993	1091	14%	10%	12%

Note: 1) Players are arranged in descending order of AUM as of March 31, 2023. 2) ($) Net advances. Net advances are gross advances less provisions for NPAs and are the advances shown on a balance sheet. Net advances are also referred to as the loan book. Amounts/percentages are as of the end of the Fiscal.
Source: Company reports, CRISIL MI&A

ESAF SFB posted the fourth highest deposit growth over Fiscals 2021 to 2023 amongst the compared peers

ESAF SFB reported fourth highest deposit growth of 28% over Fiscals 2021 to 2023 among the compared peers including banks-MFI, with Ujjivan SFB reporting the highest deposit growth of 40% over Fiscal 2021-23. This is followed by AU SFB, which reported 39% deposit growth over the same period. Ujjivan SFB reported the fastest deposit growth year-on-year of 40% in Fiscal 2023.

Comparison of deposit growth

(Rs. Billion)	Deposits (FY2021)	Deposits (FY2022)	Deposits (FY2023)	Deposits year-on-year growth (FY2022)	Deposits year-on-year growth (FY2023)	Deposits CAGR (FY21-23)
SFBs						
AU SFB	360	526	694	46%	32%	39%
Equitas SFB	164	190	254	16%	34%	24%
Ujjivan SFB	131	183	255	39%	40%	40%
Jana SFB	124	135	163	9%	21%	15%
ESAF SFB	**90**	**128**	**147**	**42%**	**15%**	**28%**
Utkarsh SFB	75	101	137	34%	36%	35%
Fincare SFB	53	65	80	21%	24%	23%
Suryoday SFB	33	39	52	18%	34%	25%
Banks – MFI						
Bandhan Bank	780	963	1081	24%	12%	18%

Note: Amounts/percentages are as of the end of the Fiscal.
Source: Company reports, CRISIL MI&A

ESAF SFB has the highest proportion of retail deposits in total deposits as of March 31, 2023

ESAF SFB had the highest retail deposits as a percentage of total deposits at 90.8% as of March 31, 2023. Also, ESAF SFB was third in deposits to net advances (loan book) at 105.3% and fifth in deposits to overall borrowings at 81.4% among the compared SFBs as of March 31, 2023. This reflects greater granularity in ESAF SFB's deposits base.

As of March 31, 2023	Deposits to net advances (loan book) (%)	Deposits to total borrowings (%)	Retail Deposits to total deposits (%)	CASA to total deposits (%)	Retail Term Deposits to total deposits (%)	Bulk Deposits to total deposits (%)
SFBs						
AU SFB	118.7%	91.7%	68.8%	38.4%	30.3%	30.3%
Equitas SFB	98.4%	89.5%	77.5%	42.3%	35.2%	22.5%
Ujjivan SFB	120.0%	90.6%	66.0%	26.4%	39.6%	33.1%
Jana SFB	92.0%	72.2%	NA	20.9%	NA	NA
ESAF SFB	**105.3%**	**81.4%**	**90.8%**	**21.4%**	**69.5%**	**9.2%**
Utkarsh SFB	104.9%	85.4%	61.6%	20.9%	40.7%	35.9%
Fincare SFB	99.5%	74.3%	79.8%	33.1%	46.7%	20.2%
Suryoday SFB	85.9%	65.1%	73.1%	17.1%	56.0%	26.9%
Banks-MFI						
Bandhan Bank	103.2%	81.4%	71.2%	39.3%	31.9%	28.8%

Notes: 1) Retail Deposits comprises CASA and Retail Term Deposits, which are term deposits of less than Rs. 20 million. 2) CASA to total deposits (CASA ratio) is calculated based on total deposits excluding certificates of deposits (CoD) 3) Bulk Deposits are term deposits of Rs. 20 million or more. .
Source: Company reports, CRISIL MI&A

ESAF SFB has the second highest growth rate of banking outlets year on year as of March 31, 2023

As of March 31, 2023, ESAF SFB has the second highest growth rate of banking outlets among its peers growing by 21.7% year on year. Fincare SFB has the highest growth rate among compared peers at 33.9% as of March 31, 2023.

	No. of banking outlets			Banking outlets year-on-year growth	
	FY2021	FY2022	FY2023	FY2022	FY2023
SFBs					
AU SFB	744	919	1,027	23.5%	11.8%
Equitas SFB	861	869	922	0.9%	6.1%
Ujjivan SFB	575	575	629	0.0%	9.4%
Jana SFB	585	NA	NA	NA	NA
ESAF SFB	**553**	**575**	**700**	**39.8%**	**21.7%**
Utkarsh SFB	558	686	830	22.9%	21.0%
Fincare SFB	806	919	1,231	NA	33.9%
Suryoday SFB	556	565	577	1.6%	2.1%
NBFC-MFIs					
CreditAccess Grameen Ltd.	964	1,164	1,786#	20.7%	53.4%
Fusion Microfinance Pvt. Ltd.	725	934	1,086	28.8%	16.3%

	No. of banking outlets			Banking outlets year-on-year growth	
	FY2021	**FY2022**	**FY2023**	**FY2022**	**FY2023**
Spandana Sphoorty Financial Ltd.	1,062	1,120	1,227	6.5%	9.6%
Banks-MFI					
Bandhan Bank	5,310	5,639	5,723	6.2%	1.5%

Note: 1) Banking Outlets includes physical outlets of the respective bank as well as its business correspondents where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided, 2) NA – Not available, 3) (#) On a consolidated basis. 4) (^) As of September 2022. Except as noted, amounts/percentages are as of the end of the Fiscal.
Source: MFIN, Company reports, CRISIL MI&A

ESAF SFB is highly concentrated in rural and semi-urban region

ESAF SFB's portfolio is largely concentrated in rural and semi-urban region as compared to other SFBs. Its portfolio share of 63% from rural and semi-urban is the second highest among the compared SFBs as on March 31, 2023. ESAF SFB has 72% branches present in rural and semi-urban region as on March 31, 2023.

As of March 31, 2023	No. of states and UTs	Share of rural + semi-urban branches	Share of rural + semi-urban portfolio	Portfolio Concentration of states	
				Top state	**Top 3 states**
SFBs					
AU SFB	24	75%^	64%^	35%	54%
Equitas SFB	18	NA	NA	25%^^	51%^^.
Ujjivan SFB	25	NA	34%	16%	41%
Jana SFB	NA	NA	NA	15%**	39%**
ESAF SFB	**23**	**72%**	**63%**	**43%**	**73%**
Utkarsh SFB	22	63%	NA	31%	69%
Fincare SFB	19	80%	58%	18%	50%
Suryoday SFB	15	NA	NA	40%	68%
NBFC-MFIs					
CreditAccess Grameen Ltd.	15	NA	NA	33%	74%
Fusion Microfinance Pvt. Ltd	20	93%	NA	NA	NA
Spandana Sphoorty Financial Ltd.	18^	NA	82%^	NA	42%$
Banks-MFI					
Bandhan Bank	34	72%	NA	NA	61%^

Note: 1) NA – Not available, 2) NM – Not meaningful, 3) (**) Data as of September 2020 4) (^) Data as of March 2022 5) (^^) Data as of March 2021, 6) ($) Data as of June 2022.
Source: MFIN, Company reports, CRISIL MI&A

ESAF SFB had the highest AUM per employee and highest business per employee among SFBs as of March 31, 2023

ESAF SFB had the highest AUM per employee as of March 31, 2023 and the highest business per employee among the compared SFBs as of March 31, 2023. ESAF SFB's retail deposit per employee is also the second best among the compared SFBs as of March 31 2023.

As at March 31, 2023	Number of employees	AUM per employee (in Rs. Mn)	Business^^ per employee (in Rs. Mn)	Retail Deposits per employee (in Rs. Mn)
SFBs				
AU SFB	28,320	20.9	45.1	16.8
Equitas SFB	20,563	13.5	24.9	9.6
Ujjivan SFB	17,870	13.5	26.2	9.4
Jana SFB**	16,212	11.0	21.0	3.2
ESAF SFB	**5,034**	**32.4**	**56.8**	**26.5**
Utkarsh SFB	15,424	9.0	17.4	5.5
Fincare SFB	14,804	6.7	10.9	43.3
Suryoday SFB	6,025	10.1	18.6	6.3
NBFC-MFIs				
CreditAccess Grameen Ltd.	16,759	10.5	11.4	NM
Fusion Microfinance Pvt. Ltd	9,456^	9.8	8.5	NM
Spandana Sphoorty Financial Ltd.	10,016	8.5	7.7	NM
Banks-MFI				
Bandhan Bank	69,702	15.7	30.5	11.0

Note: 1)^^Business comprises net advances and deposits. 2) (**) For Jana SFB, number of employees and Retail Deposits data is as of March 31, 2023, advances and business data are as of March 31, 2023, net advances as at March 31, 2023 used as AUM. 3) (^) Number of employees data as of December 2022.
Source: MFIN, Company reports, CRISIL MI&A.

ESAF SFB has the third highest yield on advances among compared SFBs for Fiscal 2023

For Fiscal 2023, ESAF SFB ranked third highest in yield on advances among the compared SFBs, with Fincare SFB having the highest yield on advances at 21.0% followed by Jana SFB at 20.0%.

FY2023	Yields on advances	Cost of borrowing	NIM	Opex ratio	Cost to income ratio	Credit Cost Ratio	RoE	RoA
SFBs								
AU SFB	13.1%	5.6%	5.6%	4.3%	63.0%	0.3%	15.5%	1.8%
Equitas SFB	16.7%	6.5%	8.2%	6.6%	63.4%	1.8%	12.2%	1.9%
Ujjivan SFB	19.7%	6.1%	9.5%	6.3%	54.8%	0.1%	31.8%	3.9%
Jana SFB	20.0%$	7.0%	7.2%	5.6%	56.2%	4.8%	17.1%	1.1%
ESAF SFB	**19.8%**	**6.0%**	**9.7%**	**6.5%**	**57.9%**	**3.8%**	**19.4%**	**1.6%**
Utkarsh SFB	19.6%	6.8%	8.9%	5.8%	54.1%	2.6%	22.6%	2.4%
Fincare SFB	21.0%	6.5%	9.3%	7.5%	66.4%	4.1%	8.3%	0.9%
Suryoday SFB	19.0%	6.1%	8.3%	5.6%	60.0%	4.4%	5.0%	0.9%
NBFC-MFIs								
CreditAccess Grameen Ltd.	19.4%	8.3%	10.8%	4.2%	37.5%	2.4%	17.8%	4.2%
Fusion Microfinance Pvt. Ltd	22.9%	10.2%	11.5%	5.3%	38.4%	2.9%	21.2%	4.6%
Spandana Sphoorty Financial Ltd.	19.2%	12.9%	10.0%	5.6%	44.8%	8.2%	0.4%	0.2%
Banks-MFIs								
Bandhan Bank	13.9%	5.3%	6.3%	3.1%	39.5%	4.2%	11.9%	1.5%

Note: 1) ($) Yield on advances calculated as total interest earned to average interest-earning assets.
Source: Company reports, CRISIL MI&A

Product mix of all SFBs (as of March 31, 2023)

Except for AU SFB all of the compared SFBs were pure MFI turned SFB, resulting in a huge concentration in MFI products. Equitas' relatively lower concentration in MFI products is due to its diversification into other businesses. With SFBs' focus on portfolio diversification, CRISIL MI&A expects the product mix across SFBs to be distributed into multiple asset classes in the coming years.

Product mix	MFI	Vehicle loans	Mortgage loans	MSME	Large and mid-corporate loans	Gold loans	Agriculture	Others
SFBs								
AU SFB	-	32%	7%	31%	22%	-	-	8%
Equitas SFB	19%	25%	-	51%	4%	-	-	1%
Ujjivan SFB	72%	-	14%	7%	-	-	-	7%
ESAF SFB	**75%**	**-**	**-**	**1%**	**-**	**-**	**4%**	**20%**
Utkarsh SFB	66%	4%	4%	11%	11%	-	-	4%
Fincare SFB	61%	0%	12%	16%	2%	9%	-	1%
Suryoday SFB	61%	6%	11%	6%	-	-	-	16%

Source: Company reports, CRISIL MI&A

ESAF SFB had the second best asset quality as of March 31, 2023

ESAF SFB had the second best asset quality among compared peers as of March 31, 2023. AU SFB had the best asset quality among compared SFBs as of March 31, 2023. ESAF SFB's capital adequacy ratio, which is the ratio of capital to risk weighted assets and current liabilities, as at March 31, 2023 was 19.8%.

	Provision Coverage Ratio	GNPA (%)	NNPA (%)	Restructured Book %	CRAR	Tier 1 Ratio
SFBs						
AU SFB	75%	1.66%	0.42%	1.2%	23.6%	21.8%
Equitas SFB	57%	2.76%	1.21%	1.0%	23.8%	23.1%
Ujjivan SFB	98%	2.88%	0.04%	0.9%	25.8%	22.7%
Jana SFB	NA	5.72%^	3.22%^	NA	15.8%^	13.8%^
ESAF SFB	**57%**	**2.49%**	**1.13%**	**0.9%**	**19.8%**	**18.1%**
Utkarsh SFB	88%	3.23%	0.39%	0.2%	20.6%	18.3%
Fincare SFB	92%	3.25%	1.30%	0.9%	20.0%	18.6%
Suryoday SFB	52%	3.13%	1.55%	NA	33.7%	30.8%
NBFC-MFIs						
CreditAccess Grameen Ltd.	NA	1.21%	0.35%	NA	23.6%	22.7%
Fusion Microfinance Pvt. Ltd	76%	3.46%	0.87%	0.2%	27.9%	NA
Spandana Sphoorty Financial Ltd.	70%	1.95%	0.58%	NA	36.9%	NA
Banks-MFIs						
Bandhan Bank	NA	4.87%	1.17%	NA	19.8%	18.7%

Note: 1) NA – Not available 2) (^) As of December 2022
Source: Company reports, CRISIL MI&A

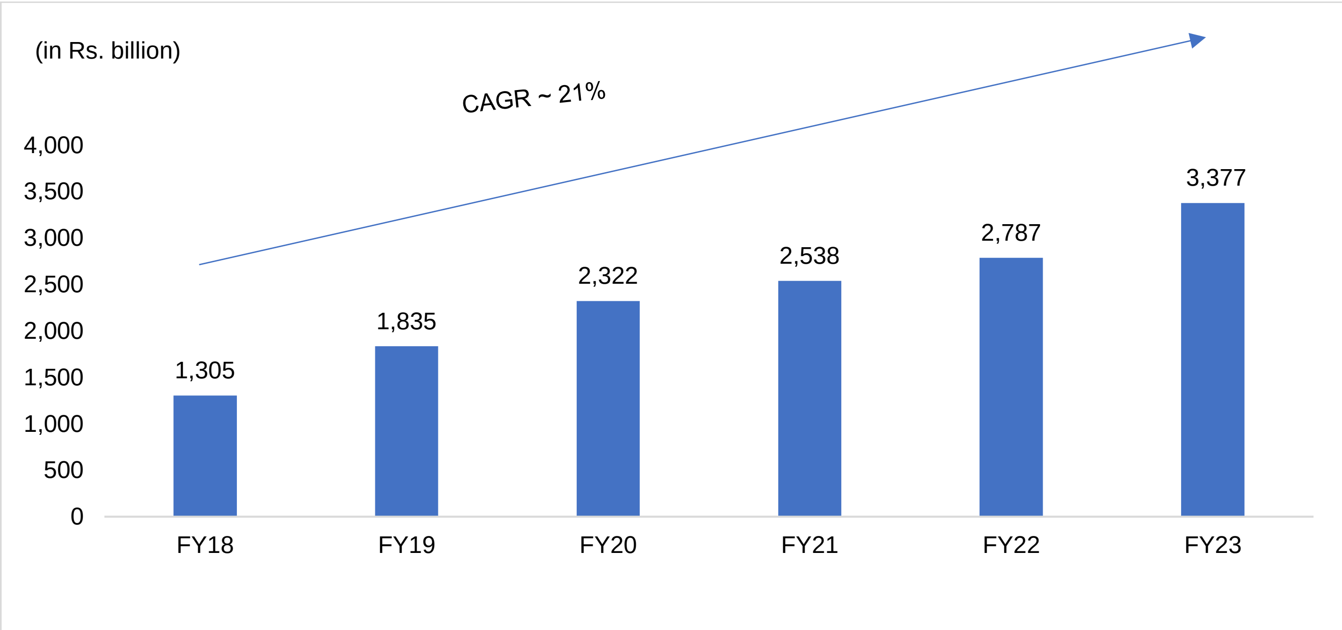
Microfinance

Industry AUM surged at 21% CAGR from March 31 2018 to March 31, 2023

The microfinance industry (JLG portfolio) has recorded healthy growth in the past few years. The industry's AUM increased at a CAGR of 21% since March 31, 2018 to reach ~₹3.38 trillion as of March 31, 2023.

In Fiscal 2021, the industry had been adversely impacted due to the onset of the COVID-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they picked up subsequently. Disbursements reached to the pre-COVID levels for NBFC-MFI in the third and fourth quarter of Fiscal 2021. The second wave of COVID-19 led to a slow start in Fiscal 2022, however, the situation improved from the second half, as number of cases declined, and collections started improving. The revised regulation by the RBI, applicable from October 1 of 2022 (post revision), would give more flexibility to NBFC-MFIs and is expected to gain share from banks. The overall microfinance industry grew by 21% year on year in Fiscal 2023 on account of improved collection efficiency, steady demand and lower GNPA levels. Going forward, the overall microfinance industry will continue to see strong growth on back of government's continued focus on strengthening the rural financial ecosystem, strong credit demand, and higher ticket sized loans disbursed by microfinance lenders.

AUM clocked 21% CAGR between March 31, 2018 to March 31, 2023



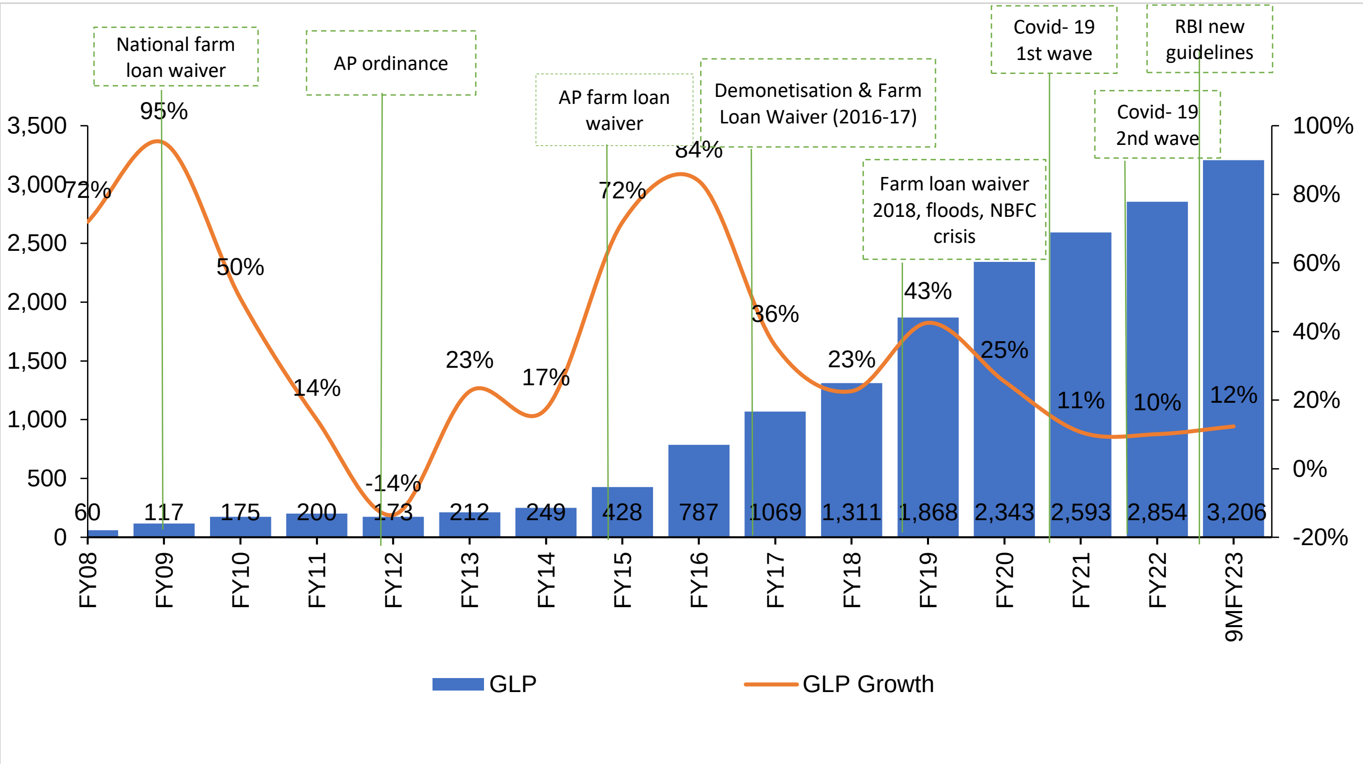
Note: Data includes data for banks lending through joint liability group ("JLG"), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks lending through the Self Help Group model ("SHG"). Self Help Groups are informal and unregistered groups engaged in promoting saving habits among their members. The amounts are as at the end of the Fiscal.
Source: CRIF Highmark, CRISIL MI&A

Industry resilient despite major setbacks and changing landscape

The industry's growth has been regardless facing various headwinds in the past decade – national farm loan waivers (2008), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), and farm loan waiver across some more states (2017 and 2018). Of these events, the Andhra Pradesh crisis of 2010 had a lasting impact on the industry. Some players had to undertake corporate debt restructuring and found it difficult to sustain business. Since then, however, no other event has affected a complete state to such a degree. While demonetisation of ₹500 and ₹1,000 denomination banknotes in November 2016 hurt the industry, the impact was not as serious as the Andhra Pradesh crisis and limited to certain districts. Portfolio at risk (PAR) data as of September 2018 indicates that the industry has recovered fairly strongly from the aftermath of demonetisation. Furthermore, collections of loan disbursements since September 2017 have been healthy. The liquidity crisis in 2018, however, has had a ripple effect on microfinance lending as smaller NBFC-MFIs with capital constraints and lenders relying on NBFCs for funding slowed down disbursements.

NBFC- MFIs faced initial hiccups at the start of Fiscal 2021 due to the COVID-19 pandemic on account of uncertainty over collections and aversion by lenders to extend further funding to them; however, the situation improved gradually and most NBFC-MFIs, with the exception of a few, were able to improve the liquidity buffers during the course of the year by raising funds and support from various government schemes. While the resurgence of COVID-19 again led to a fresh bout of uncertainty in respect of collections in first quarter of Fiscal 2022, the impact was not as pronounced as in the early part of the previous Fiscal. The industry gradually rebounded in Fiscal 2022 on account of increased disbursements. The industry grew in Fiscal 2023 on account of change in RBI guidelines, higher consumption demand and lower slippages.

MFI industry has shown resilience over the past decade



Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of fiscal year and as the end of quarter for the third quarter of Fiscal 2023.
Source: MFIN, CRISIL MI&A

Impact of COVID-19 pandemic

The extended nationwide lockdown to contain the spread of COVID-19 affected the income-generation ability and the savings of borrowers accessing MFIs, who typically have weaker credit profiles compared with other borrowers. About 50-60% of the Micro Loans were under moratorium as of August 2020. Also, because of the nationwide lockdown, and several state-imposed lockdowns thereafter, normal operations of MFIs – loan origination and collections – were a challenge, especially during the first few months post-COVID-19. This had an adverse impact on MFIs as their operations are field-intensive, involving high personal interactions, such as home visits and physical collection of cash.

Prior to the lockdown, many MFIs had managed to shore up their liquidity by March-end in Fiscal 2020, by which the majority of the collection had already happened before the lockdown was announced. In fact, collection efficiency was largely intact at 98-99%. The MFIs also drew down bank loans for the purpose of on-lending in the last week of March, which is typically a period marked by high business activity. However, planned disbursements did not happen on account of the lockdown. Disbursements reached to the pre-COVID-19 level in the third and fourth quarters of Fiscal 2021 led by rural and semi-urban regions as the COVID-19 impact was relatively lower.

The growth of microfinance industry was again impacted at the beginning of Fiscal 2022 due to the onset of second wave of COVID-19 pandemic. But the industry recovered faster as there was no stringent complete national lock down as was done during the first wave and commercial operations related to essential services were allowed to be operational. The RBI also allowed MFIs branches to operate. Moreover, based on their experience from the first wave of COVID-19, lenders were better prepared to handle the second wave by making extensive use of technology and third-party tie-ups to facilitate disbursements and collections.

Key reforms proposed by the government for microfinance to counter COVID-19 crisis

Reducing debt servicing burden through moratorium period: The RBI initially permitted lending institutions to allow a moratorium of three months on repayment of instalments for term loans outstanding as on March 1, 2020 and defer interest payments due on working capital facilities outstanding. The moratorium was further extended by another three months till August 31, 2020. However, the banks were instructed to provide 10% additional provisioning for availing of this benefit which could be later adjusted against the provisioning requirements for actual slippages. These measures are intended to boost confidence in the economy and provide relief to the borrowers.

Refinance support from RBI: In April 2020, the RBI announced refinancing support of ₹250 billion to NABARD, which provides support to NBFC-MFIs, RRBs and co-operative banks.

Loan interest subvention scheme: Under this scheme, the government has provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans are up to a ticket size of ₹50,000 and are primarily given by NBFC-MFIs catering to low-income groups.

On May 5, 2021, the RBI announced that fresh lending by Small Finance Banks to NBFC – MFIs with asset size less than ₹ 500 Crore for on-lending to individual borrowers will be classified under Priority Sector Lending. Extending the priority-sector lending eligibility to NBFC – MFIs with asset size up to₹ 500 crores will encourage flow of credit to smaller MFIs, which have been facing relatively bigger funding-access challenges. The facility to SFBs will be available up to March 31, 2022.

The RBI had announced special long term repo operation (SLTRO) programme for SFB amounting to ₹ 100 billion to soften the impact of the second pandemic wave. The first auction will take place on May 17, 2021, and on subsequent month till the amount is fully utilised. The amount borrowed from this scheme should be utilised to lend to small business units and other unorganised sectors.

On June 28, 2021, the finance minister announced the Credit Guarantee scheme through micro finance institutions (MFIs) for the first 2.5 million customers for a maximum tenure of 3 years. The 75% of guarantee will be provided to scheduled commercial banks for ticket size up to₹ 1.25 lakh to new or existing NBFC-MFIs. This is likely to address the severe cash flow distress caused by the 2nd wave of the pandemic to the individuals and small businesses.

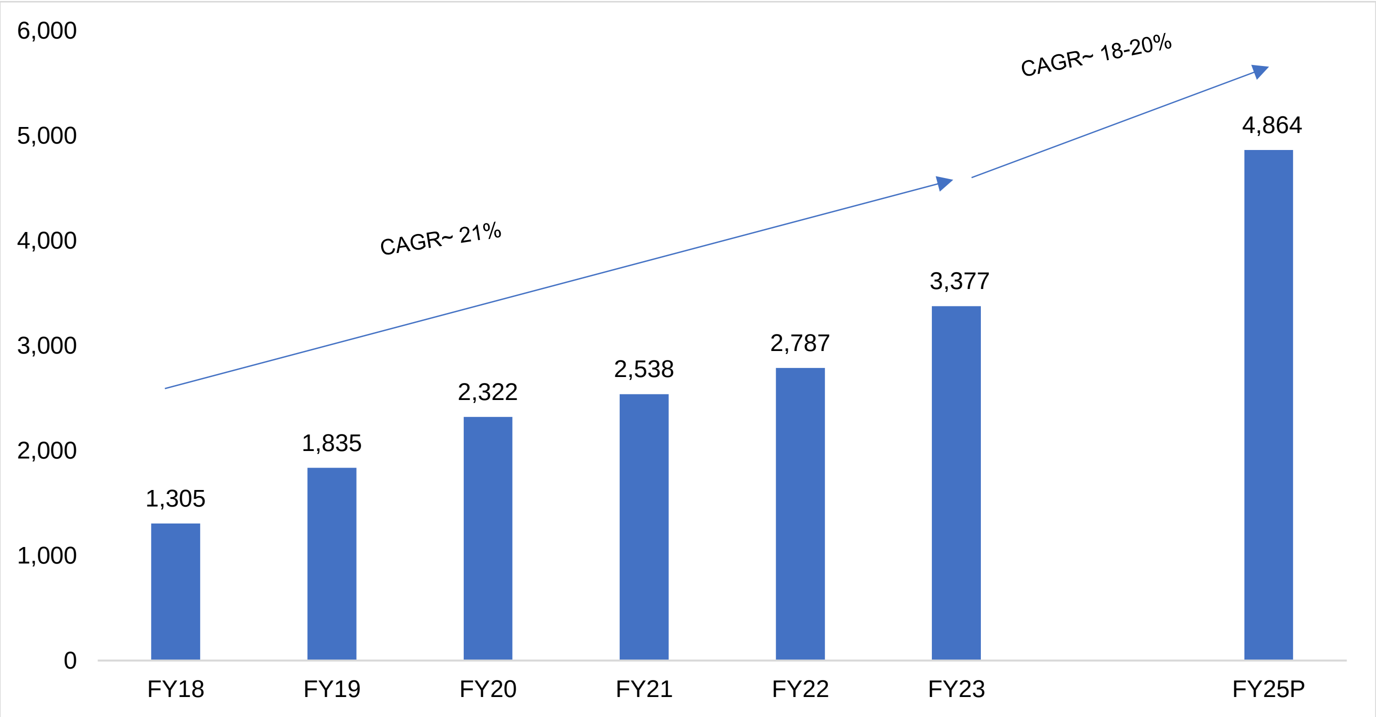
Rising penetration to support continued growth of the industry

Although India's household credit penetration on MFI loan has increased, the penetration is still on the lower side which suggests that there is huge untapped market available for MFI players. The domestic microfinance industry has shown resilience towards external shocks in the past and is expected to gain momentum in the next two Fiscals with pickup in economic growth and improved capital availability for players who are able to wade through the challenges created by COVID-19.

Between Fiscals 2023 and 2025, CRISIL MI&A expects the MFI loan portfolio to clock 18-20% CAGR. Growth would be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas. SFBs witnessed a double-digit growth of 13% over Fiscal 2018-23 as they continue to diversify their portfolio to other asset classes including mortgage loan, MSME and vehicle loan.

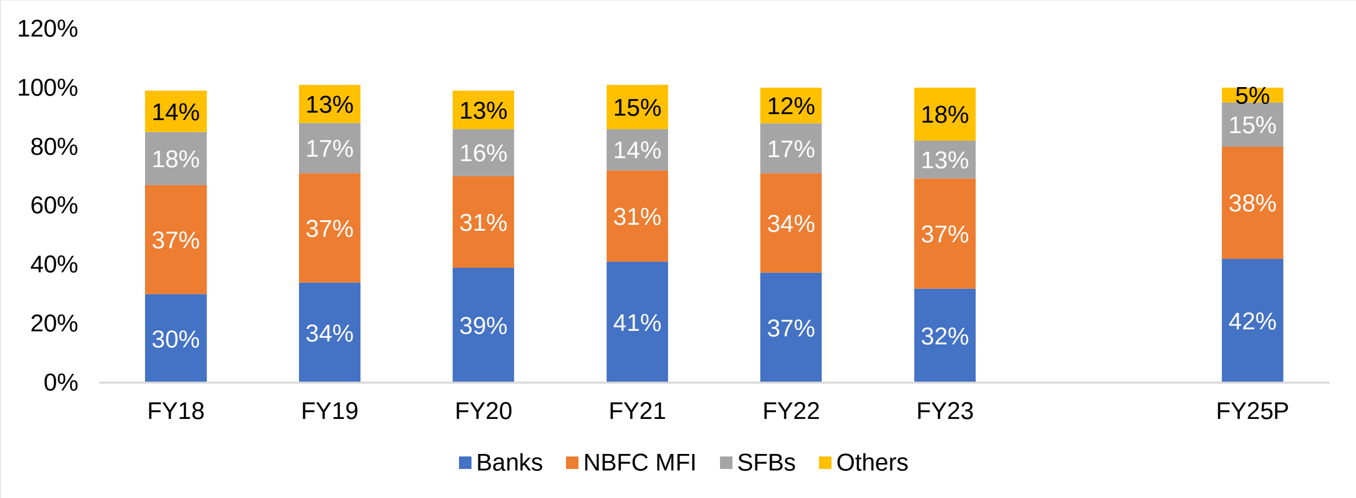
There has seen a significant jump in the number of MFIs operating in Assam, Bihar, Odisha, and West Bengal. The total number of branches in these states have more than doubled since Fiscal 2017, leading to a similar jump in AUM for these states. The availability of borrower credit related data from credit information companies ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

MFI Industry AUM to grow at 18-20% CAGR over Fiscals 2023-25



Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of the fiscal.
Source: CRIF Highmark, CRISIL MI&A

SFB's market share is projected to increase from 13% in Fiscal 2023 to 15% in Fiscal 2025



Note: P: Projected, Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of the Fiscal,
Source: CRIF Highmark, CRISIL MI&A

Competitive dynamics

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 disburse microfinance loans directly or through BCs to meet their priority-sector lending targets.

Key participants in the MFI lending business are:

- Banks-SHGs, which refers to banks who provide microcredit under the SHG programme
- Banks (direct and indirect through BCs) includes portfolios for direct and indirect lending (through BCs) by banks; private banks are key constituents
- NBFC-MFIs includes MFIs exclusively focused on the microfinance business, and accordingly registered as NBFC-MFIs with the RBI. Major players in this category include Satin Creditcare Network Ltd., CreditAccess Grameen Ltd (formerly Grameen Koota Financial Services Ltd) and Fusion Micro Finance Ltd.
- SFBs: This category includes 12 players (AU, Capital, ESAF, Equitas, Fincare, Jana, North East, Suryoday, Ujjivan, Shivalik, Unity and Utkarsh), which were formerly NBFC-MFIs/NBFCs, but have now converted into SFBs
- NBFCs include ASA, Fullerton, L&T Finance, and Reliance Commercial Finance Ltd, each of which has a microcredit lending business, in addition to other lending businesses
- Non-profit MFIs refers to MFIs registered as not-for-profit organisation, such as Cashpor

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 change in the landscape. However, after commencement of operations, SFBs with microfinance business started looking at other asset classes, such as affordable housing, SMEs, and vehicle finance, to provide buoyance to the loan book.

Comparison of different participants in microfinance lending business

	Scheduled Commercial Banks	Small Finance Bank	MFI
Priority sector lending			
Targeted lending to sectors	• 40% for priority sector lending of their Adjusted Net Bank Credit (ANBC) or equivalent off-balance sheet exposure (whichever is higher) ○ 18% of ANBC to Agriculture	• 75% for priority sector lending of their Adjusted Net Bank Credit (ANBC) ○ 18% of ANBC to Agriculture ○ 7.5% of ANBC to micro-enterprises	• 75% of loans should be qualifying micro-finance assets ○ Income generation loans > 50% of total loans

	Scheduled Commercial Banks	Small Finance Bank	MFI
	○ 7.5% of ANBC to micro-enterprises ○ 10% of ANBC to weaker sections	○ 10% of ANBC to weaker sections • At least 50 per cent of loan portfolio should constitute loans and advances of up to ₹ 2.5 million	
Prudential norms			
Capital adequacy framework	• Minimum Tier 1 capital: 7% • Minimum capital adequacy ratio: 9%	• Minimum Tier 1 capital: 7.5% • Minimum capital adequacy ratio: 15%	• Tier 1 capital > Tier 2 capital • Minimum capital adequacy ratio: 15%
Margin cap	• No Margin Cap	• No Margin Cap	• No Margin Cap
CRR / SLR	• Maintenance of CRR/SLR ratio mandatory	• Maintenance of CRR/SLR ratio mandatory	• No such requirement
Leverage ratio	• Minimum leverage ratio of 4%	• Minimum leverage ratio of 4%	• No such requirement
LCR (liquidity coverage ratio)/ NSFR (net stable funding ratio)	• Mandatory requirement to maintain liquidity coverage ratio	• Minimum liquidity coverage ratio of 100% by Jan 1, 2021 • NSFR will be applicable to SFBs on par with scheduled commercial banks as and when finalized	• No such requirement
Funding			
Deposits	• Primarily rely on deposits for funding requirements	• Primarily rely on deposits for funding requirements • Deposit ramp-up will take time	• Cannot accept deposits
Bank loans / market funding	• Access to broader array of market borrowings	• Access to broader array of market borrowings • No access to bank loans	• Diversified funding sources including bank loans, short term and long term market borrowings. Funding from NABARD, MUDRA loans etc.
Products			
Products offered	• Full spectrum of banking, savings, investment and insurance products	• Can offer savings and investment products apart from credit products / loans • Can act as Corporate Agent to offer insurance products • Cannot act as Business Correspondent to other banks	• Can act as Business Correspondent to another bank and offer savings, deposits, credit and investment products • Can act as Corporate Agent to offer insurance products

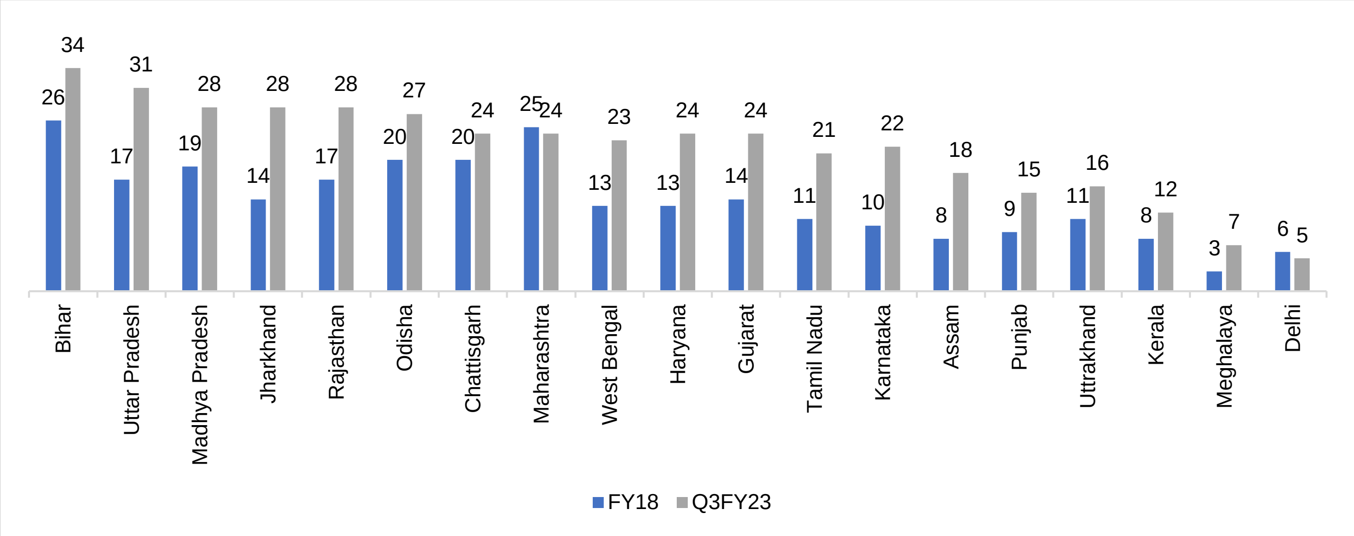
Source: RBI, CRISIL MI&A

Players tapping newer states and districts to widen client base

In the last few years, many MFIs have opened branches in untapped districts, thus increasing their penetration in geographies with underserved population. States including Himachal Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Kerala, Punjab and West Bengal have highly penetrated as these states have at least one branch for 90,000 people. In states where the presence of MFIs and banks is strong, CRISIL MI&A has witnessed an increase in ticket size as well. Going forward, CRISIL MI&A expects penetration to deepen, which will further drive growth.

Uttar Pradesh, Gujarat, and Himachal Pradesh are the few states with the large number of population unserved and, hence, provides an opportunity for existing players to improve their penetration and market share.

Number of MFIs in each state as of March 31, 2018 and December 31, 2022



Source: MFIN, CRISIL MI&A. The amounts are as at the end of the Fiscal/period,

Rural segment to drive NBFC-MFI business

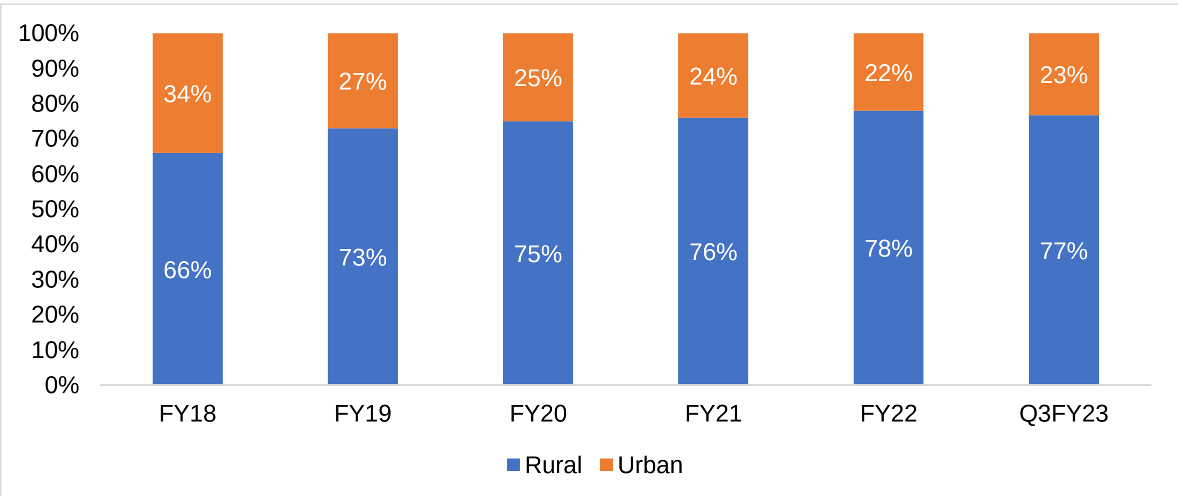
CRISIL MI&A expects the share of rural segment in MFIs' business to remain higher, with burgeoning demand expected from this segment. Despite 2/3rd of population, 47% of GDP contribution and 2/3rd of two-wheeler demand; the rural segment's share in credit remains fairly low at 10% of the overall credit outstanding, thereby opening up a huge opportunity for savings and loan products.

Under the Digital India program, the government also proposed to provide free-high speed Wi-Fi in 2,500 cities and towns, at an estimated investment of₹ 70 billion. Under the plan, the government aims to set up 50,000-60,000 Wi-Fi hotspots across the country. CRISIL MI&A expects on completion these projects will help catalyse the growth of digital services to the rural masses, and especially to the lower category of the population.

Compared to banks, MFIs have higher focus on rural areas. Going forward as well, for MFIs, rural clientele is expected to remain high in the range of 55-60% compared to urban clientele. CRISIL MI&A believes that establishing a good relationship with rural customers and engaging with them regulalry leads to longer and more loyal customer relationship, which can be further leveraged to cross-sell other products.

With the government's focus on financial inclusion and financial institutions opening up branches in the unbanked areas, CRISIL MI&A has seen that demand for loan is higher in rural areas. As of December 31, 2022, the rural share has increased to 77% of the NBFC-MFI portfolio from 66% in Fiscal 2018 due to less competition, lower credit penetration and less migration in rural areas. It also benefitted from overall better credit behaviours and, in turn, lower delinquency rates. The significant under-penetration of credit in rural areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, microfinance institutions are well placed to address this demand which is currently being met by informal sources such as local money lenders.

Rural accounts for ~77% share in overall NBFC-MFI portfolio outstanding as of December 2022



Note: The percentage are as at the end of the Fiscal/period,
Source: MFIN, CRISIL MI&A

Advantages in rural focused business

Huge market opportunity in the rural segment – Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains fairly low at 10% of the overall credit outstanding. This provides a huge market opportunity for MFI players present in the segment

Less competition – In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population with low competition. MFI players are better placed to tap this market.

Geographic diversification – With increased focus on diversifying their portfolio and expanding their reach, MFI players are expected to log higher growth as they tap newer geographies.

Ability to manage local stakeholders – With their microfinance experience, have the ability to manage local stakeholders and maintain operational efficiency.

Lower delinquency rates: Asset quality of rural region is better than urban and semi urban region since Fiscal 2017 due to better risk profile of customer and better credit discipline than the urban and semi-urban region.

Loan recovery and control on aging NPAs – MFI players are experienced in collection and monitoring of default risk. This will help them keep asset quality under check.

Challenges in rural-focused business

The microfinance industry mainly caters to the poorer section of society, because of which there are some inherent challenges faced by the institutions, especially in rural areas:

High cost of reaching customer: Providing microfinance loans in rural India requires reaching people in remote and sparsely populated regions, where deploying manpower and requisite infrastructure for disbursing loans and for recovery can often be expensive. The high cost of reaching out, and the small volume and ticket size of transactions elongates the breakeven period. Therefore, players need to focus on optimising costs and delivery model, especially in the initial stages of operations.

Lack of financial awareness: Lack of financial and product awareness is a major challenge for institutions in rural areas. They are faced with the task of educating people about the benefits of financial inclusion, about the product and services offered by them, and establish trust before selling the product.

Vulnerability of household's income to local developments: Uncertainty and unpredictability faced by low-income households, and vulnerability of their incomes to local developments can make it difficult for the borrowers to make repayments on time.

High proportion of cash collections: Despite having a large proportion of loans disbursed through the cashless mode, the collection process in unbanked and rural areas is still done through cash. This leads to increased time spent on reconciliation, risk involved in handling cash, and higher TAT from the financier's perspective.

However, the rural economy has been resilient in the last year, amidst the COVID-19 pandemic. India has witnessed above normal, timely and largely well distributed monsoon, benefitting the agriculture industry and rural India. Further, increase in the agriculture credit target and allocation of infrastructure fund for development of Agriculture Produce and Livestock Market Committee (APMC) reiterates government's commitment to provide a thrust to rural India.

Regulations

New regulatory regime for MFI loans levels the playing field and benefits NBFC-MFIs

The RBI, in its master directions on microfinance loans, released in March 2022, has done away with the interest rate cap applicable on loans given by NBFC-MFIs. Entities providing microfinance loans will have to put in place a Board approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans.

The RBI's move levels the playing field, with both NBFC-MFIs and banks/SFBs providing microfinance loans now being subject to the same rules, which was not the case in the earlier regime. This move is expected to positively impact NBFC-MFIs. The increase in the annual household income cap for micro finance borrowers (to ₹300,000 in both urban and rural areas), removal of the two-lender norm for lending by NBFC-MFIs and allowing NBFC-MFIs greater flexibility to offer non-MFI loans (MFI loans required to account for 75% of total assets for NBFC-MFIs, as per then new regulations) would increase the market opportunity available to MFIs and enable them to create a more balanced portfolio.

On the flip side, the increase in annual household income threshold could increase the maximum permissible indebtedness limit of borrowers from the old level of ₹125,000. While the limit on the loan repayment obligation would act as a safeguard against excessive leveraging, the increased permissible debt limit and possibility of divergences in household income assessment criteria across lenders still pose risks. Proper data infrastructure would be required to analyse and estimate household incomes, especially in rural areas.

Subsequent to the RBI's revised regulations for MFI loans, effective October 1, 2022, some MFIs have increased interest rates for borrowers, especially those who are credit untested. CRISIL MI&A expects the rates to slowly settle down as MFIs begin to adapt to the new regime and put in place processes for household income, leverage and risk capture, given the new guidelines. Competitive forces would prevent a substantial spurt in rates for MFI customers, especially those with a good repayment track record and credit behaviour.

Area of regulation	Existing regulations		Revised regulations (effective from April 01, 2022)
	For NBFC-MFIs	**For Banks and SFBs**	**For all Regulated Entities***
Loan pricing	Margin cap at 10% for large MFIs (loan portfolios > ₹1 billion); 12% for small MFIs (loan portfolios <Rs. 1 billion)	No restrictions for Banks and SFBs	No pricing cap; underwriting of loans will be done on a risk-based analysis, and a risk premium will be charged based on the borrower. Board approved policy for pricing of loans to be put in place. The policy should include the interest rate model, range of spread of each component for categories of borrowers, and ceiling on interest rate and all other charges on MFI loans.
Processing fees	Not more than 1% of gross loan amount		
Qualifying criteria	85% loans unsecured	Have to meet the target set for priority sector loans (PSL)	The minimum requirement of microfinance loans for NBFC-MFIs revised to 75% of the total assets. The maximum limit on microfinance loans for NBFCs other than NBFC-MFIs revised to 25% of the total assets from 10% earlier
Household income	Rural areas: ₹125,000 per annum Urban areas: ₹200,000 per annum	No restrictions for Banks and SFBs	Annual household income: Up to ₹300,000 in urban as well as rural areas (This amount is higher than what was stated in the consultation paper issued in June 2021 – up to ₹125,000 for rural areas and ₹200,000 for urban and semi-urban areas) Board-approved policy for assessment of household income
Ticket size of loans	₹75,000 in the first cycle and ₹125,000 in the subsequent cycles		
Tenure of loans	Not to be less than 24 months for loan amount in excess of ₹30,000		
Lending to the same borrower	Not more than 2 lenders allowed per borrower	More than 2 banks can lend to same borrower	Limit on Maximum Loan Repayment Obligation of a household towards all loans: 50% of monthly household income
Overall borrower indebtedness	Should not exceed ₹125,000	No restrictions for Banks and SFBs	

*Note: Regulated entities**: All Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks) excluding Payments Banks, All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks, All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies)*
Source: RBI, CRISIL MI&A

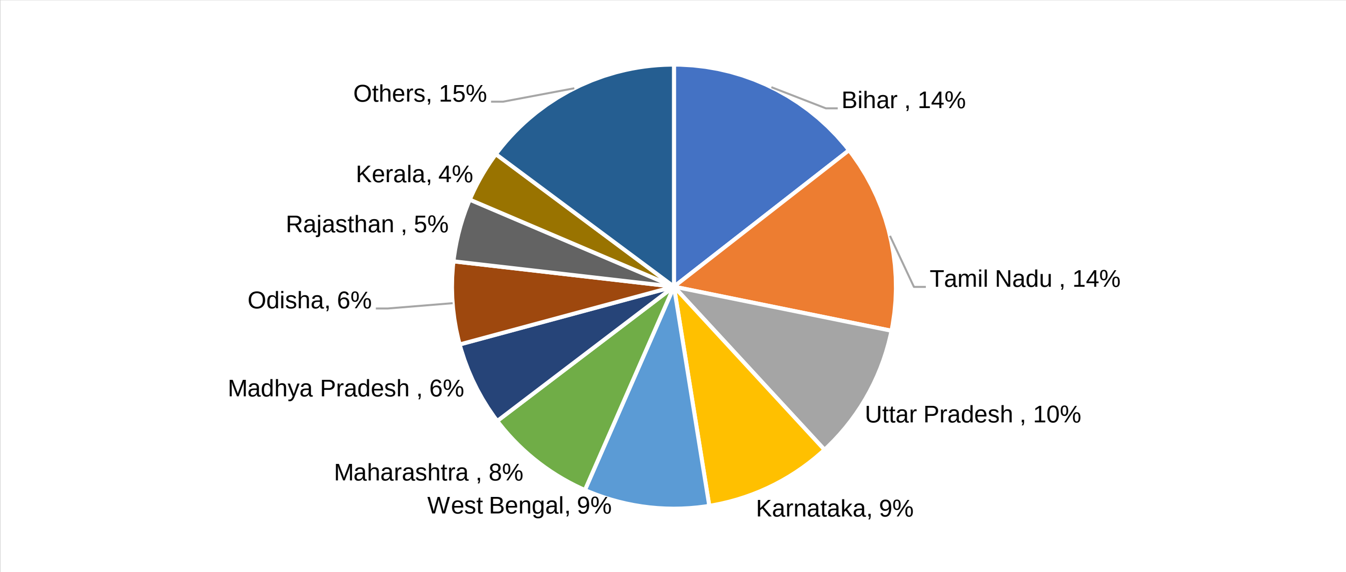
The revised regulation likely to have a level playing field with same set of rules for all player categories including banks and SFBs.

State wise analysis

Top 10 states contribute over 85% of MFI loans as of March 2023

Over 85% of the AUM is concentrated in the top 10 states with Bihar (14%), Tamil Nadu (14%) and Uttar Pradesh (10%), recording the highest shares as of March 31, 2023. Assam asset quality is the weakest at 45.0%, it is followed by Maharashtra (17.1%) and West Bengal (16.2%) as of March 31, 2023.

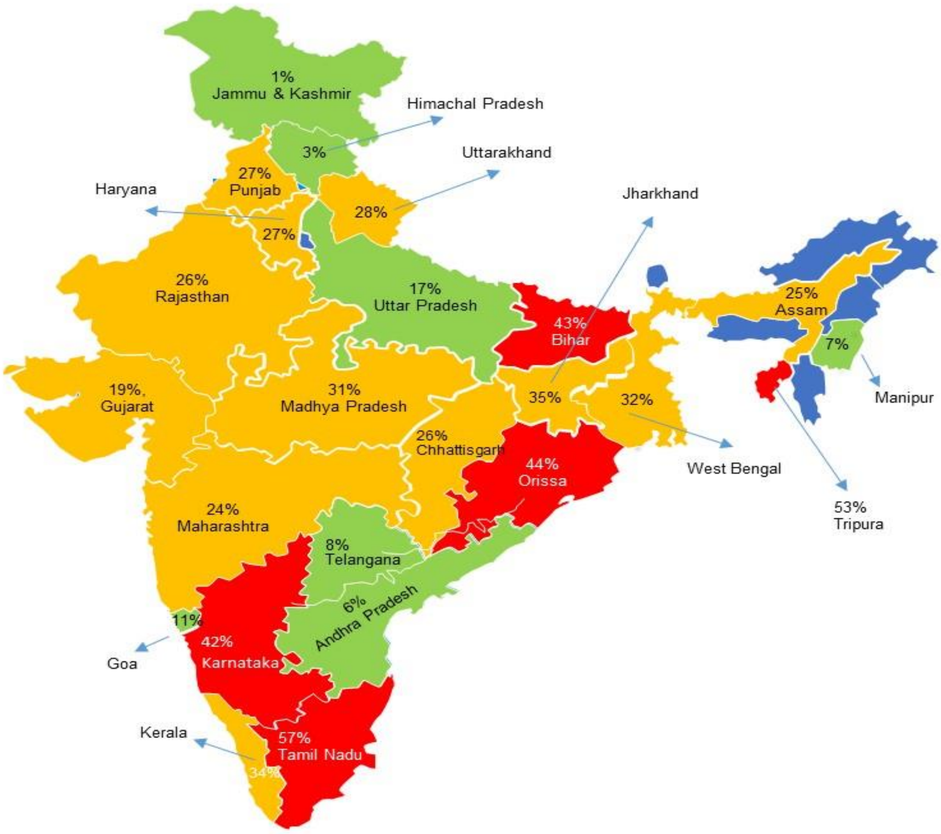
State-wise distribution of MFI portfolio outstanding as of March 31, 2023



Note: Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG.
Source: CRIF High Mark, CRISIL MI&A

Underpenetrated states to drive growth for MFI in the coming years

CRISIL MI&A expects growth in the MFI portfolio to come from states that have a relatively lower penetration. Thus, CRISIL MI&A expects underpenetrated states like Uttar Pradesh, Andhra Pradesh and Manipur to drive future growth along with some of the moderately penetrated states, such as Rajasthan, Gujarat, Maharashtra and Madhya Pradesh.



Underpenetrated states (up to 17%)
Moderately penetrated states (17-36%)
Highly penetrated states (>36%)

Source: MFIN, CRISIL MI&A
Notes:1) Penetration has been computed by dividing number of unique MFI borrowers by estimated number of households in December 2022.
2) Pan-India penetration has been determined based on the analysis of 24 states.

3) *Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. The amounts are as at the end of December 31, 2022.*

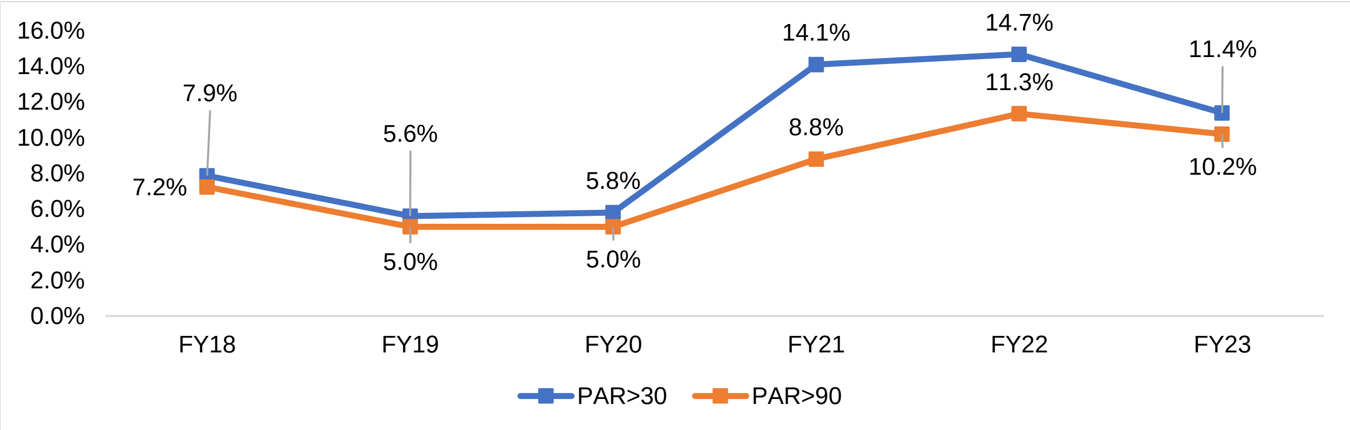
Asset quality

Portfolio at risk (PAR), the primary indicator of risk for the sector, equals the percentage of loans overdue. Asset quality deteriorated drastically post demonetisation, especially for MFIs. PAR>30 and PAR>90 for MFIs jumped post demonetisation. However, banks and MFIs invested significantly in educating borrowers, which gradually improved collection efficiency and reduced their overall PAR. Furthermore, since Fiscal 2018, collection efficiency of fresh loans disbursed has been strong. Therefore, the PAR for MFIs as well as the industry had been trending downward till Fiscal 2020.

The nationwide lockdown imposed in March 2020 to control the spread of COVID-19 and the subsequent moratorium granted by the RBI adversely impacted collections and repayments from MFI borrowers leading to a sharp rise in NPAs in Fiscal 2021.

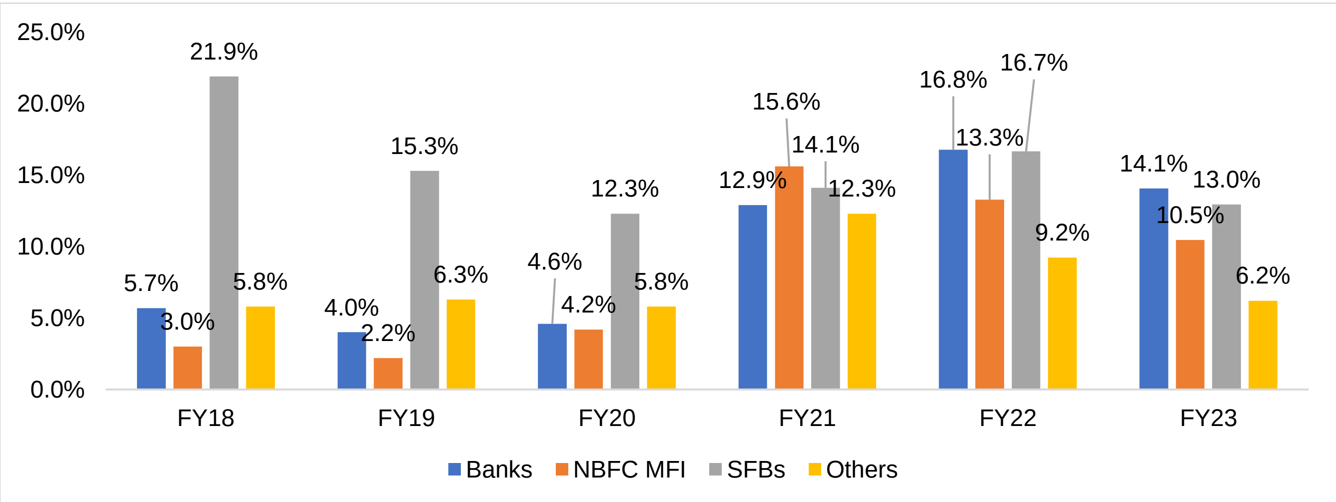
The PAR>30 and PAR>90 for the industry shot up to 14.1% and 8.8% respectively as of March 2021. In the first quarter of Fiscal 2022, PAR>30 for the industry further deteriorated mainly due to fall in collection efficiencies experienced in months of May and June 2021 in the aftermath of the second COVID-19 wave. Pressure on asset quality was higher as a result of the second wave as compared to the first wave, as borrowers do not have a blanket moratorium this time while their cash flows have been impacted by the second wave. The collections started to improve from July 2021 onwards owing to relaxations in COVID-19 restrictions across the country and economic activity picking pace. Nevertheless, in Fiscal 2022, asset quality remained under some pressure, on account of strain on MFI borrowers' earning capabilities. By the end of Fiscal 2023, PAR>90 and PAR>30 reached 10.2% and 11.4% respectively on account of lower stress. CRISIL believes that going forward, timely recoveries and controlling incremental slippages would be critical for the MFIs to keep their asset quality under check.

Asset quality trend over the years



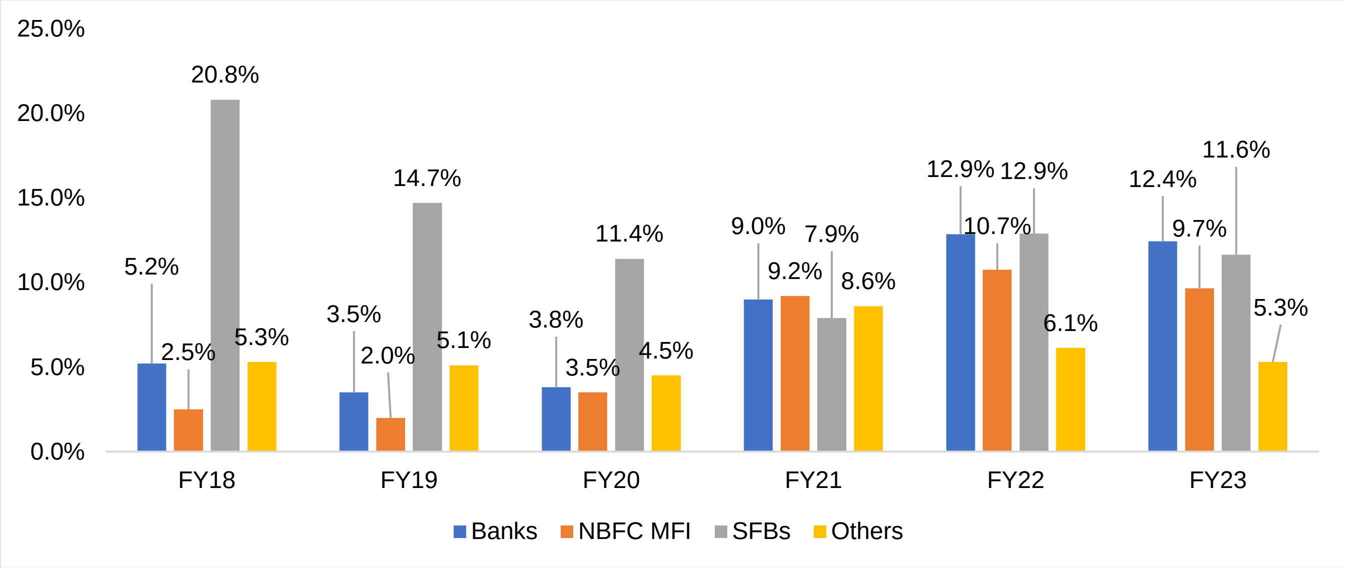
Note: PAR>30 and PAR>90 include delinquency beyond 180 days of microfinance industry. Percentages are as of the end of the Fiscal,
Source: CRIF High Mark, CRISIL MI&A

Portfolio at risk for player groups in microfinance industry (PAR>30 days)



Note: PAR>30 includes delinquency beyond 180 days of MFI industry, Percentages are as of the end of the Fiscal,
Source: CRIF Highmark, CRISIL MI&A

Asset quality of player groups in microfinance industry (PAR>90 days)



Note: PAR>90 includes delinquency beyond 180 days of MFI industry. Percentages are as of the end of the Fiscal.
Source: CRIF Highmark, CRISIL MI&A

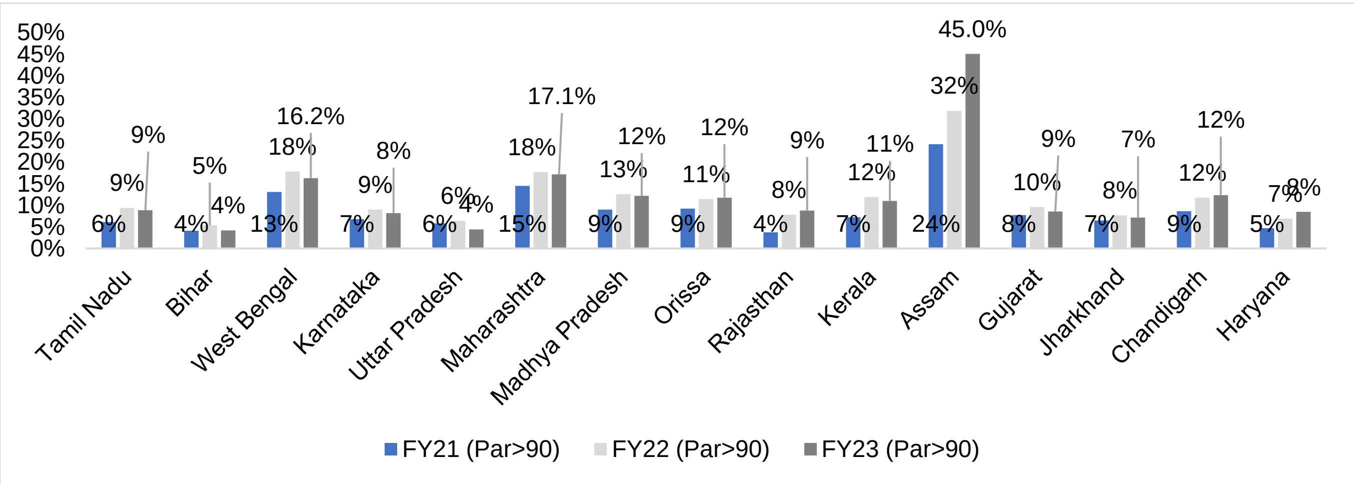
The nationwide lockdown imposed in March 2020 to control the spread of COVID-19 and the subsequent moratorium granted by the RBI adversely impacted collections and repayments from MFI borrowers leading to a sharp rise in NPAs in Fiscal 2021. However, with phase-wise unlock of the nation, the collection efficiency has improved to 90-93% in December 2020. Many of the lenders have provided enhanced flexibility in the form of increased tenure and have informed the borrowers the impact of moratorium on interest outgo. The lenders have also started disbursing to existing customers. Also, out of the existing customers, lenders are disbursing to those customers who are making on-time payments. Since microfinance borrowers highly depend on the source of credit for their daily livelihood, they have started making payment thus increasing the overall collection efficiency, which we further expect to improve.

GNPAs for NBFC MFI in Fiscal 2022 rose, due to the fall in collection efficiency in May and June, owing to outbreak of second wave of COVID-19. However, restrictions began to ease in second half of 2022 causing the asset quality to improve substantially in Fiscal 2023. In Fiscal 2024, CRISIL expects GNPAs to moderate, as economic activity picks up and industry bounces back to normal collections and disbursements.

Asset quality improved across states in Fiscal 2023

Asset quality had worsened across states due to the COVID-19 pandemic. Assam had seen a sharp deterioration in asset quality, the PAR 90+ increased by 13% to 45% by Fiscal 2023 as compared to Fiscal 2022. Chandigarh and Haryana witnessed increase in PAR 90+ by 1 and 2 percentage points respectively by Fiscal 2023 as compared to Fiscal 2022.

Asset quality of top 15 states



Note: 1) Data includes data for Banks lending through joint liability group (JLG), SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for Banks lending through SHG. 2) The amounts are as at the end of Fiscal year. 3) PAR>90 includes delinquency beyond 180 days. 4) Top 15 states as per MFI loans portfolio as on Fiscal 2022 have been considered. Percentages are as of the end of the Fiscal.
Source: CRIF Highmark, CRISIL MI&A

Gold loans

Gold loans are typically small ticket, short duration, convenient and instant credit. Though moneylenders and pawn brokers understand the psyche of local borrowers and offer immediate liquidity without any documentation formalities, customers are left vulnerable to exploitation, due to the absence of regulatory oversight. Such players also give lower loan-to-value ratio compared with organized ones while charging exorbitant interest.

As banks and NBFCs aggressively moved in to seize this vast untapped market, they cornered a significant market share from unorganized lenders, growing at a compounded annual growth rate (CAGR) of 76% between Fiscals 2009 and 2012. Sustained increase in gold price till 2012 also supported the gold loan business boom in India. In such a scenario, customers would be offered higher and higher loan amounts on their gold, while lenders would benefit by price increases acting as a natural hedge, in the event of default. Gold prices in India, rose at a rapid rate until 2013 following which it decreased in line with global prices. Gold prices declined in India until 2015-2016 following which the gold prices have seen a continuous uptrend resulting in the overall gold loan market growing at a CAGR of 8% between Fiscal 2015 and Fiscal 2020.

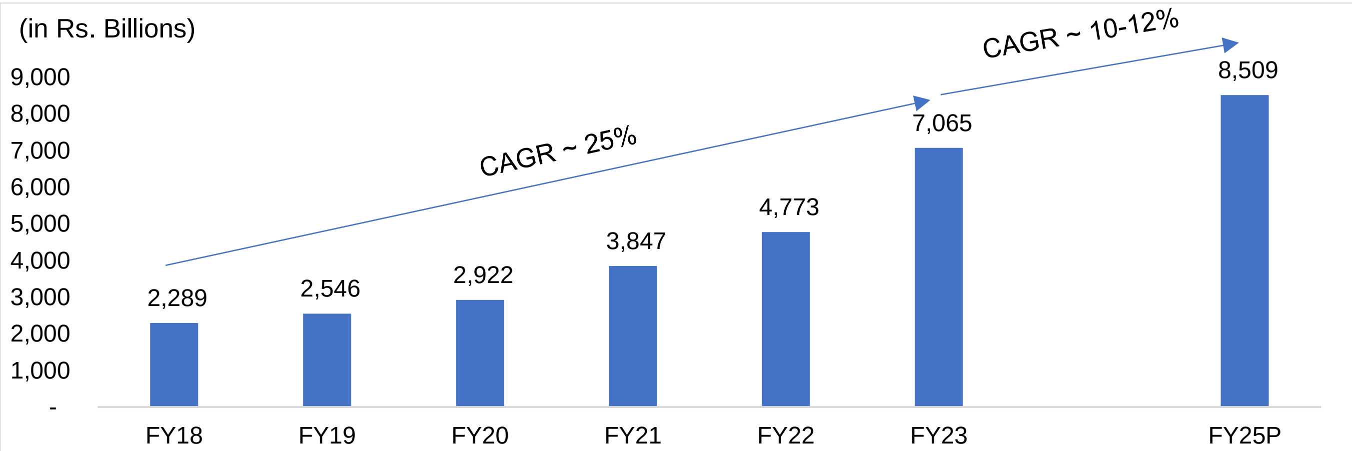
Gold loans AUM is expected to grow at 10-12% CAGR between Fiscal 2023 and 2025

In Fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew ~15% YoY to reach ₹2.9 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by ~19% in Fiscal 2020.

In Fiscal 2021, the demand for gold loan finance witnessed a massive surge with AUM shooting up from ₹2.9 trillion as at March 31, 2020 to ₹3.8 trillion as at March 31, 2020, as India's economy coped with the devastating effect of the global pandemic and consumers availed of gold loans to meet their consumption and emergency funding needs. Many consumers, who had gold stock and ornaments lying with them, considered gold loans as an option to meet their credit requirements during this period. The demand for gold loans was also supported by a consistent surge in gold price, liquidity crunch in the immediate aftermath of the pandemic and lenders' hesitancy to give unsecured loans due to risk aversion. The RBI also revisited its guidelines for banks' lending gold loans by increasing the maximum LTV allowed to 90% from existing 75% for non-agricultural gold loans extended during August 2020 to March 2021 to help stressed borrowers to unlock more value. The growth was also supported by players continued focus to wean away consumers from the unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels.

In Fiscal 2022 as well, the gold loan market continued to witness strong growth, with industry AUM increasing by 24% year-on-year to reach ₹4.7 trillion as of March 2022. By the end of March 2023, gold loans market crossed ₹7 trillion mark. Increase in AUM can be attributed to factors such as high gold prices, strong demand and increased promotion by financiers to acquire unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels. Financiers also were very aggressive in tapping new customers during the year with some of them running campaigns offering gold loans at a lower interest rate for short tenures. For instance, Manappuram Finance introduced low interest rate, for retail customers with a tenure of 3 months.

Going forward, CRISIL MI&A expects gold loans to grow at CAGR of 10-12% between March 31, 2023 and March 31, 2025 as demand for gold is likely to remain buoyant for it is considered as a secured asset. The transformation in the gold loan sector continues – shift from unorganised to organised and further from organised to digital and online means. Increasing focus on online gold loans in the current scenario is expected to support overall growth in the coming years.



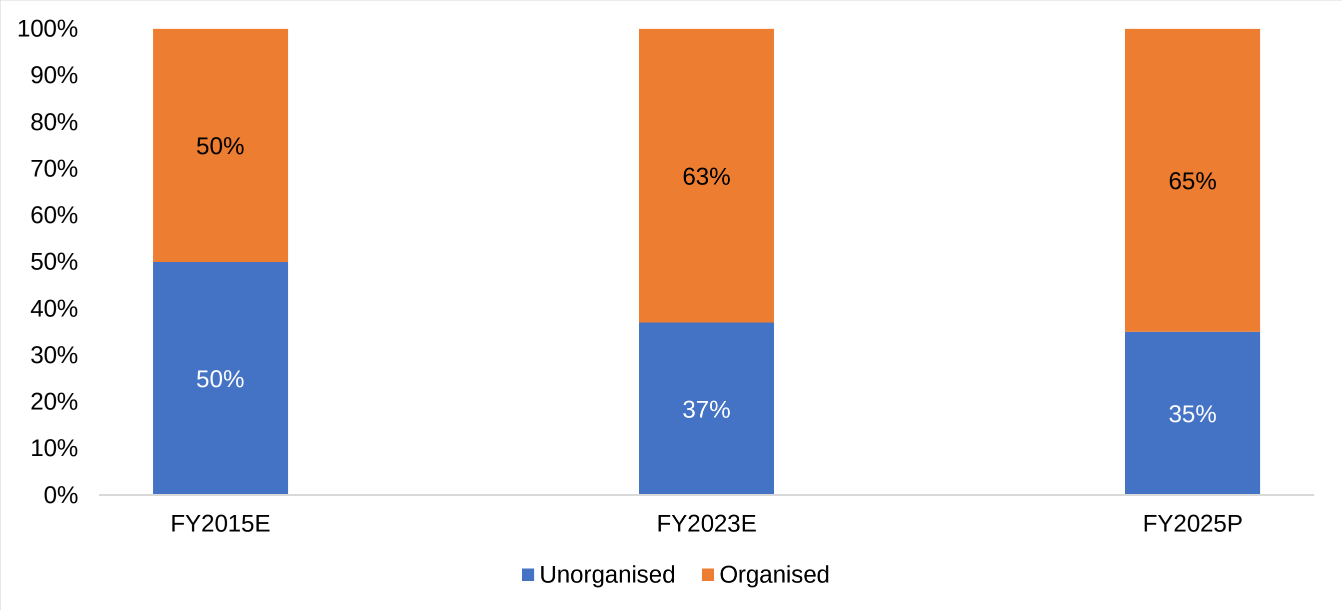
Note: Amount as at the end of the Fiscal indicated; P – Projected
Source: CRIF Highmark, CRISIL MI&A

Growth Drivers

Rising share of organised financier in gold loans

Due to increasing awareness about benefits of availing gold loans from organised segment, the share of unorganised god loan financiers has decreased from 50% in Fiscal 2015 to ~37% in Fiscal 2023. Going forward, CRISIL MI&A expects the trend to continue, and the share of organised loan market is expected to further improve from ~63% in Fiscal 2023 to ~65% in Fiscal 2025.

Share of organised players to further improve in gold loans segment



Note: As at Fiscal end. E: Estimated, P: Projected
Source: CRISIL MI&A

India has largest private gold holdings in the world

India has world's largest private gold holdings which is estimated to almost 3 times US official gold reserves and around twice the total gold held in China. The massive gold reserve can be potentially unlocked by the owners to avail funds at a short notice at the time of need.

Gold has been known to act as a hedge against inflation and is also attractive for financiers

Over the years, gold prices have shown a consistent increase, and have, in most part, increased at a pace higher than the annual rate of inflation.

The hedge against inflation provided by gold has attracted consumers to gold over the years. From a financier perspective, the yield on gold loans and minimal risk of credit losses due to security provided in the form of the gold being pledged and the additional cushion due to the loan-to-value makes gold loans a profitable product.

Greater accessibility and growing customer base to boost growth for SFBs and NBFCs

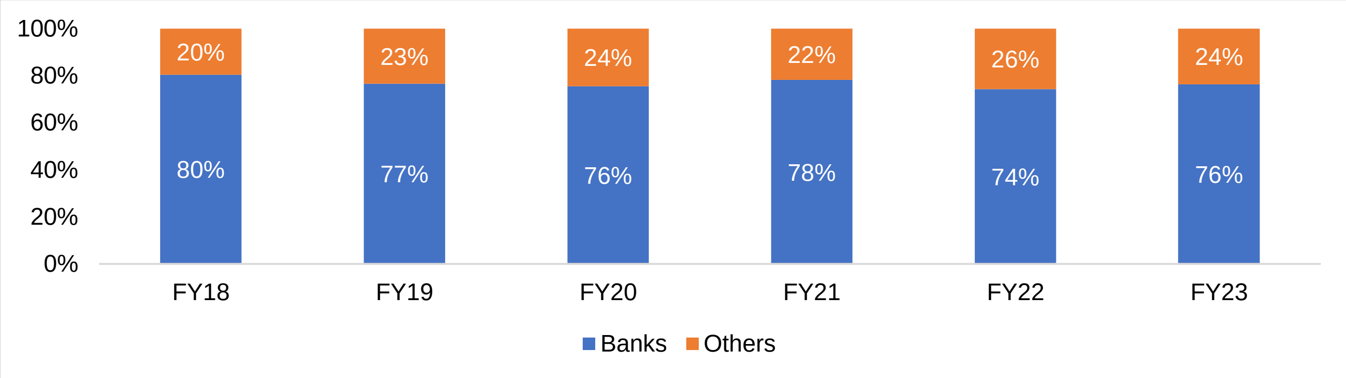
SFBs to witness strong growth due to following reasons:

- **Large customer base**: With experience in the microfinance sector over the years, SFBs have access to a 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 to customers by providing gold loans at competitive interest rates as compared to gold loans by NBFCs.

- **Greater accessibility:** SFBs will be able to better penetrate in 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. This would not only help SFBs to capture share in organised market but will also increase the share of organised financiers in the industry by catering untapped customers in remote regions.

Over the past decade, specialized gold loan NBFCs have witnessed exceptional growth amongst organized players. This growth is driven by aggressive expansion of branches, heavy expenditures on marketing and rapid acquisition of customers. NBFCs and banks approach the gold loan market differently, which is reflected in their interest rates, ticket sizes and loan tenures. NBFCs focus more single-mindedly on the gold loans business and have, accordingly, built their service offerings by investing significantly in manpower, systems, processes and branch expansion. This has helped them attract and serve more customers.

Share of Banks to remain stable in overall gold loans segment



Note: Amount as at the end of Fiscal year indicated
Source: CRIF Highmark, CRISIL MI&A

Comparison of Gold loan institutions on select business parameters

	Banks	Gold loan NBFCs	Unorganised moneylenders
Interest rate	9-18%	21-26%	25-45%
LTV	Up to 75%	Up to 75%	More than 75%
Tenure	8-12 months	2-12 months	6-12 months
Processing fee	Higher than NBFCs	No/minimal processing fees	None
Regulator	RBI	RBI	None
Documentation required	KYC Compliance	Minimal	Minimal
Product focus and customer service	Non-core product	Gold loan is core focus, excellent customer service	Gold loan is core focus
Mode of disbursements	Mainly cheque and direct transfer to account	Cash/ cheque and direct transfer to account	Mostly cash
Turnaround time	30 min – 2 hours	10 – 20 mins	10 – 20 mins
Opening hours	Banking hours	Beyond banking hours	More flexible than banks in terms of working hours

Source: CRISIL MI&A

Clearly banks offer the lowest interest rate, but gold loans being one of the numerous products that they offer, the focus on this product is not as sharp as that of NBFCs. NBFCs on the other hand, especially the gold focused NBFCs, offer far greater customized products and services and are nimble in the operations.

MSME loans

MSME loans witnessed a reasonable growth in the past

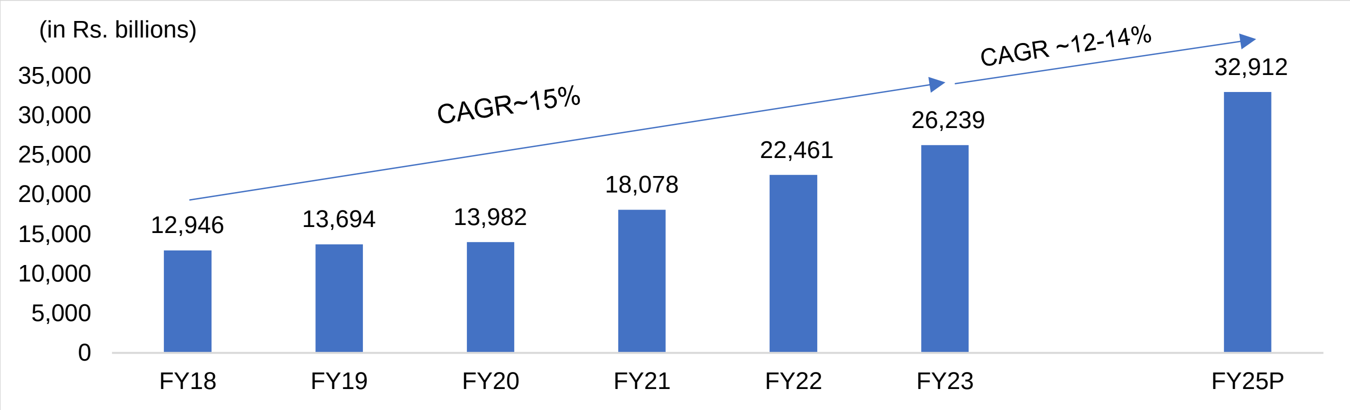
MSME loans grew at a fast pace, registering a CAGR of 15% over Fiscal 2018 and 2023. Over the years, more data availability and government initiatives like GST has led to increasing focus of lenders on the underserved segment of MSME customers as lending to this segment has become easier compared to the past. In Fiscals 2019 and 2020, however, the growth was relatively muted due to the NBFC liquidity crisis as well as cautious stance being taken while lending to MSMEs due to slower economic growth. Due to liquidity constraints for NBFCs, the growth slowed in Fiscal 2019.

In Fiscal 2021, the nationwide lockdown to contain the spread of the pandemic disrupted economic activity, hit production facilities, impacted working capital needs and supply chains along with future investments and expansions. Domestic supplies and supplies from imports also suffered, affecting both, their availability and cost. Contractual and wage labour was also hit due to more layoffs. MSMEs in the sectors such as hotels, tourism, logistics, construction, textiles and gems and jewellery suffered the most during the first half of the Fiscal year. In the second half of the Fiscal year, MSMEs started recovering with economic activity. However, in the first quarter of Fiscal 2022, owing to the second wave of pandemic, MSMEs suffered due to local lockdowns as economic activity also declined.

The first half of Fiscal 2022 was also impacted by the second wave leading to lower disbursements to these MSMEs. This led to extension of the ECLGS scheme which cushioned the impact of pandemic. As of March 2022, loans sanctioned under the scheme crossed ₹3.19 trillion (of ₹5 trillion), with about 64% of the guarantees issued for loans sanctioned to MSMEs, and the disbursement aggregated ₹2.59 trillion. In Union budget 2022-23, the allocation under ECLGS was increased from ₹4.5 trillion to ₹5.0 trillion, and the timeline for sanctions has been extended till March 2023. The enhancement of ₹500 million is earmarked exclusively for hospitality and related enterprises. Revival of economic activity, strong export and domestic support, coupled with a mild third wave, helped the segment to remain stable in Fiscal 2022, as a result of which, MSME loans grew by 24% year-on-year in Fiscal 2022.

The overall MSME loan outstanding stood at ₹26.2 trillion growing at 17% year on year in Fiscal 2023. The overall MSME loan outstanding market grew in Fiscal 2023 due to normalization of economic activities and increased revenue growth for SMEs. Going forward, CRISIL MI&A expects the MSME portfolio to grow at 12-14% CAGR over Fiscals 2023 and 2025, aided by increasing penetration of such loans, enhanced availability of data making it easier to underwrite such loans, enhanced use of technology, newer players entering the segment and continued government support.

MSME Loans to grow at 12-14% CAGR from March 31, 2023 to March 31, 2025



Note: As at Fiscal end. P-Projected.
Source: CRIF Highmark, CRISIL MI&A

Growth drivers

High credit gap in the MSME segment

Less than 15% of approximately 70 million MSMEs have access to formal credit in any manner as of March 2022. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs and self-employed individuals historically. As a result, they resort to credit from informal sources. This untapped market offers huge growth potential for financial institutions. As stated earlier, the credit gap was estimated at around 58.4 trillion as of 2017 *(Source: IFC report named Financing India's MSMEs released in November 2018)* and is estimated to have widened further to around ₹92.3 trillion as of March 31, 2023.

Government initiatives

GST to boost demand for MSME loans

CRISIL MI&A expects transparency in MSME operations to improve as GST compliance will compel them to record their transactions. This will improve the quality of their books of accounts, thus boosting their creditworthiness. For financial institutions, this will ease the credit appraisal process and lower credit risk. Due to improvement in the quality of books of accounts, financial institutions will be able to lend to MSMEs in the unorganised sector that were previously unable to get credit due to their books of accounts not being maintained properly or not maintained at all. This will open up previously untapped credit demand for financial institutions, leading to a robust expansion of the MSME loans credit market.

Credit Guarantee Fund Scheme extended to cover NBFCs

One of the major reasons why MSMEs are credit-starved is the insistence by banks or financial institutions for the provision of collateral against loans. Collaterals are not easily available with such enterprises, leading to a high risk perception and higher interest rates for these MSMEs. In order to address this issue, the Government launched the Credit Guarantee Fund Scheme under the aegis of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to make collateral-free credit available to micro and small enterprises. In January 2017, the scheme was extended to cover systemically important NBFCs as well. Key eligibility criteria for this scheme are: 1) the NBFC should have made a profit for the three preceding Fiscals at the time of enrolment; and 2) it should have long-term credit rating of at least BBB. There are a few other performance-related parameters too related to asset quality. The overall limit under the scheme has also been enhanced to ₹20 million. Over Fiscals 2019 and 2020, more than 450,000 guarantees worth ₹233 billion were approved to NBFCs.

Government initiatives addressing structural issues in the MSME market

The Government has unveiled a number of initiatives aimed at addressing some of the structural issues plaguing MSME lending segment. These include the Pradhan Mantri Mudra Yojana (PMMY), licenses for trade receivables platforms called Trades Receivables Discounting System (TReDS) and GST. The RBI has also proposed to introduce NBFC-account aggregators, which have the potential to transform the MSME finance space. These account aggregators would provide granular insights to lenders into customers' financial assets and their borrowing history based on customer consent.

Affordable housing loans (ticket size <₹ 2.5 million)

Affordable housing loans segment to log 11-12% CAGR between March 31, 2023 to March 31, 2025

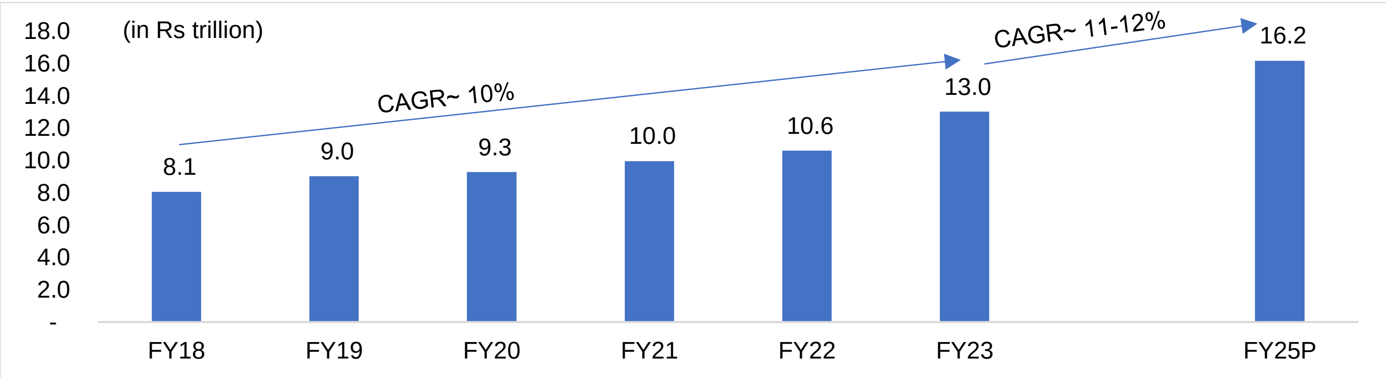
Despite the enormous unmet demand in the affordable housing finance market, the segment clocked 10% CAGR from the end of Fiscal 2018 to the end of Fiscal 2023. As at end of Fiscal 2023, outstanding loans stood at ~Rs. 13.0 trillion growing from ~Rs. 9.3 trillion from the end of Fiscal 2020.

In Fiscal 2023, affordable housing market witnessed strong growth due to increased loan disbursals. Going forward, increased disbursals supported by improvement in the economic activities for the economic weaker section and low-income group segments will aid the growth of affordable housing market. CRISIL MI&A expects the affordable housing market to grow 10-12% year on year in Fiscal 2024.

In the longer term, CRISIL MI&A expects the segment to bounce back sharply and grow at ~11-12% CAGR over Fiscals 2023-2025 on account of the following:

- Favourable government and regulatory support to promote housing loans (up to ₹2.5mn) industry
- Recovery in economic activity over the medium term
- Increased supply of affordable homes
- Rising demand for affordable homes as consumers increasingly work out of Tier 2/3/4 cities in a post-COVID-19 world
- Work from home scenario pushing purchase decision for houses
- Ease of access to finance and rise in finance penetration

Housing loan growth (up to ₹2.5 mn) to grow at a CAGR of 11-12% from March 31, 2023 to March 31, 2025

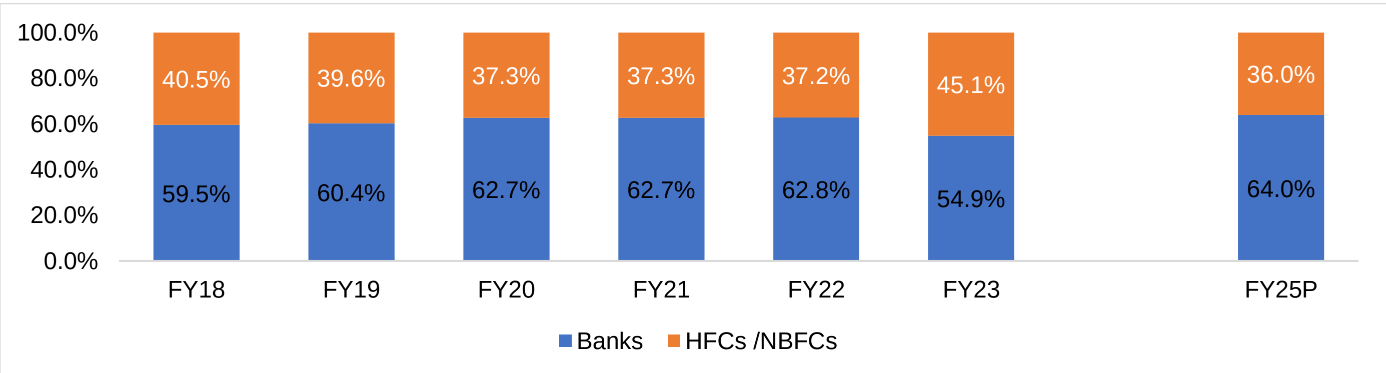


Note: As at Fiscal end. P - Projected
Source: CRIF High Mark, CRISIL MI&A

Banks to gain market share in low-ticket housing finance

CRISIL MI&A expect banks to grow at a faster pace vis-à-vis HFCs in housing loans (up to ₹2.5 mn), given their advantage in terms of cost of funds and base of deposit accounts. Despite HFCs focus on housing loans (up to ₹2.5mn), as they attempt to ward off competition from banks and protect profitability, the liquidity crisis coupled with sluggish economic activity post COVID-19 has plagued their share. CRISIL MI&A expects that SFBs will grow at a faster pace as compared to other banks and HFCs over the next two to three years, owing to its increased focus on portfolio diversification and relatively secure nature of housing loans as compared to other asset classes.

Banks to continue to increase their foothold in the segment



Note: As at Fiscal end. P - Projected
Source: CRIF High Mark, CRISIL MI&A

Key factors contributing to high competitiveness of SFBs in Low-Cost Housing will be:

- **Clear understanding of target market:** Given the target borrower's profile, players need to have a clear and deeper understanding of micro markets and develop a strong local network. The strong network helps players to source business from niche customer category by having references from their existing customers. It is observed that successful players in the segment generally focus on a few geographies where they have a good understanding and scale up gradually to manage costs and asset quality better.

- **Access to public deposits** for the SFBs gives it a pricing advantage due to lower cost of funds as compared to HFCs

- **Collection Efficiency:** Given that players in the segment typically cater to the lower income customer segment, many of whom may not be financially literate, a strong focus and understanding of SFBs on collections and monitoring risk of default at customer level will help them to keep asset quality under check.

OUR BUSINESS

To obtain a complete understanding of our Bank, prospective investors should read this section in conjunction with "*Risk Factors*", "*Industry Overview*", "*Selected Statistical Information*", "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 29, 122, 244, 262 and 319, respectively.

Unless otherwise indicated, industry and market data used in this section have been derived from the CRISIL MI&A Report, which was prepared and released by CRISIL MI&A in connection with the Offer and commissioned and paid for by us pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023. For more details on the CRISIL MI&A Report, see "*Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data*" on page 25. The CRISIL MI&A Report is available on our Bank's website at www.esafbank.com/investor-relations-info/.

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 Draft Red Herring 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 financial measures and other statistical and operational information 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 non-GAAP financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

This Draft Red Herring Prospectus contains certain forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For details, see "*Forward-Looking Statements*" on page 27.

Overview

We are a small finance bank with a focus on unbanked and under-banked customer segments, especially in rural and semi-urban areas. Our AUM grew from ₹84,259.30 million to ₹163,312.65 million as at March 31, 2021 and 2023, respectively, registering a CAGR of 39.22%, which was the highest CAGR among our peers. (*Source: CRISIL MI&A Report*). Our deposits grew from ₹89,994.26 million to ₹146,656.25 million as at March 31, 2021 and 2023, respectively, registering a CAGR of 27.66%. Our Retail Deposits Ratio as of March 31, 2023 was 90.8%, which was the highest among our peers. (*Source: CRISIL MI&A Report*).

Our Promoters have a history of more than 27 years of primarily serving the unserved and underserved, with a focus on financial inclusion. As a small finance bank, we are required to have at least 75.00% of our adjusted net bank credit to the priority sectors. Our business model focuses on the principles of responsible banking, providing customer-centric products and services through the innovative application of technology.

Our main focus is on providing loans to customers in rural and semi-urban areas. As at March 31, 2023, our gross advances to our customers in rural and semi-urban areas (combined) accounted for 62.84% of our gross advances and 71.71% of our banking outlets were located in rural and semi-urban areas (combined).

We follow a social business strategy seeking a triple bottom line impact: people; planet; and prosperity. We believe that the social, environmental, and economic outcomes of our business create synergies that have an amplified impact on our stakeholders. The legacy of a mission, fighting the partiality of prosperity (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the formation of our Bank. Our vision is to be India's leading social bank that offers equal opportunities through universal financial access and inclusion and livelihood and economic development. We have adopted various policies to implement our triple bottom line approach, including an Environmental, Social and Governance ("**ESG**") policy. Pursuant to the ESG policy, we are committed to (i) the protection of the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services; and (iii) establishing a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards. In 2020 we won the "Global Sustainability Award 2020" for outstanding achievements in sustainability management by the Energy and Environment Foundation. Our ESG Grading scores from CARE Advisory Research & Training Limited in its report titled "ESG Grading Report of ESAF Small Finance Bank" published in June 2023 were: (i) 62% for the Environmental pillar, with remarks including our commitment to green finance and environment conscious operations; (ii) 68% for the Social pillar, with remarks including that we have demonstrated healthy labour management practices, including the implementation of various policies that embody international and national human rights standards; and (iii) 76% for the Governance pillar, with remarks including that we have aligned with leading governance practices, such as adequate independence of our Board (66% independent members on the Board) and committee levels. We received a rating of CareEdge ESG 3 (good), with an overall score of 71 compared with the industry average overall score of 59.8. CARE Advisory Research & Training Limited's ESG specialist team undertook the ESG Grading of our Bank during May 2023.

We can trace our roots back to 1992, when Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, along with others, founded ESAF Foundation, a foundation focused on the development of microenterprises, community development, and community health development. ESAF Foundation started its micro loan activities in 1995. In 2006, Kadambelil Paul Thomas along with others acquired our Corporate Promoter. Thereafter, ESAF Foundation transferred its micro loan business undertaking to our Corporate Promoter in 2008 pursuant to a business transfer agreement dated March 31, 2008. Our Corporate Promoter was awarded NBFC-MFI status in 2014. Our Corporate Promoter transferred its business undertaking, comprising its lending and financing business, to our Bank on March 10, 2017 pursuant to a business transfer agreement dated February 22, 2017. We commenced our business as a small finance bank on March 10, 2017. For more details on our history and our major events and milestones, see "*History and Certain Corporate Matters*" on page 205.

Our asset products comprise: (a) Micro Loans, which comprises Microfinance Loans and Other Micro Loans; (b) retail loans, which includes gold loans, mortgages, personal loans, and vehicle loans; (c) MSME loans; (d) loans to financial institutions; and (e) agricultural loans. The table below sets forth our AUM by product type and as a percentage of AUM as at the dates indicted.

AUM	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Amount (₹ in million)	**% of AUM**	**Amount (₹ in million)**	**% of AUM**	**Amount (₹ in million)**	**% of AUM**
Micro Loans	122,548.83	75.04%	100,159.62	81.16%	71,452.80	84.80%
Retail loans	26,147.54	16.01%	14,649.74	11.87%	9,607.19	11.40%
MSME loans	1,600.61	0.98%	1,233.15	1.00%	483.57	0.57%
Loans to financial institutions	6,137.43	3.76%	4,096.30	3.32%	2,625.44	3.12%
Agricultural loans	6,878.24	4.21%	3,268.10	2.65%	90.30	0.11%
Total AUM	**163,312.65**	**100.00%**	**123,406.91**	**100.00%**	**84,259.30**	**100.00%**

Our liability products comprise current accounts, savings accounts, term deposits and recurring deposits. As at March 31, 2023, we had 6.48 million deposit accounts. Our total deposits were ₹146,656.25 million, ₹128,150.72 million and ₹89,994.26 million as at March 31, 2023, 2022 and 2021, respectively. We had the fourth highest deposits growth among our peers of 28% CAGR from March 31, 2021 to March 31, 2023. (*Source: CRISIL MI&A Report*). We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly Retail Deposits, which comprised 90.85% of our total deposits as at March 31, 2023. Among the compared SFBs, we had the highest share of Retail Deposits as a percentage of total deposits as at March 31, 2023. (*Source: CRISIL MI&A Report*).

We have an extensive network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 743 customer service centres (which are operated by our business correspondents), 20 business correspondents, 2,023 banking agents, 481 business facilitators and 528 ATMs spread across 21 states and two union territories, serving 6.83 million customers as at March 31, 2023. We use business correspondent entities to source and service customers for Micro Loans. Our business correspondents also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. In addition, our business correspondents are responsible for sourcing and servicing our banking agents. As at March 31, 2023, 2022 and 2021, our business correspondents sourced or serviced ₹128,769.99 million, ₹103,204.93 million and ₹71,452.80 million of our AUM, respectively, which represented 78.85%, 83.63% and 84.80% of our total AUM, respectively, which was ₹163,312.65 million, ₹123,406.91 million and ₹84,259.30 million as at those dates, respectively.

We have a strong focus on leveraging technology to deliver products and services and we continuously work towards improving our customers' experience through the use of technology. We have crossed a technology milestone with the successful adoption of e-signatures for Micro Loan disbursals. As at March 31, 2023, we have disbursed over 0.53 million loans using e-signatures, which showcases our commitment to digital advancement. We offer our customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. Our customers are also able to register for our savings accounts on a unified payment interface based mobile applications. Our account opening and loan underwriting processes have been digitalised by using tablets. We have a digitalised central credit-processing unit for our Micro Loans. Our customer on-boarding process has been predominantly digitalised for our Micro Loans. We leverage technology for underwriting and credit sanctioning for our loan products based on inputs from credit bureaus and/or our customer data analytics. We have implemented technology solutions that enable us to ensure cashless disbursement of loans and implemented electronic signing for Micro Loans, both of which have reduced paperwork. Our collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which our borrowers can repay their loans. We have also implemented a customer relationship management solution to better handle customer requests.

We are led by Mr. Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, who has over 27 years of experience in the banking/microfinance industry in India. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry. We had 5,034 employees as at March 31, 2023.

Set forth below are certain key GAAP and non-GAAP financial measures relating to our operations and financial performance as at or for the years indicated:

	As at and for the year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
	(₹ in million, except percentages)		
AUM[(1)]	163,312.65	123,406.91	84,259.30
Disbursements	146,906.51	119,452.20	62,863.74
Deposits	146,656.25	128,150.72	89,994.26
Net Worth[(2)]	17,091.29	14,067.96	13,520.64
Net Interest Income[(3)]	18,363.40	11,471.39	9,215.91
Net profit for the year	3,023.33	547.32	1,053.96
Average Total Assets [(4)]	185,256.79	143,504.36	110,306.75
Return on Average Assets[(5)] (%)	1.63	0.39	0.95
Return on Average Equity[(6)] (%)	19.36	4.12	8.85
Retail Deposits to total deposit ratio[(7)] (%)	90.85	93.71	97.74
Provision Coverage Ratio[(8)] (%)	56.67	59.38	52.77
Gross NPAs as a percentage of gross advances (%)	2.49	7.83	6.70
Net NPAs as a percentage of net advances (net of provisions) (%)	1.13	3.92	3.88
Yield on Average Interest-Earning Advances[(9)] (%)	20.87	18.46	20.14

Notes:

(1) *AUM is a non-GAAP financial measure and is calculated as gross advances plus advances originated and transferred under securitization, assignment and inter-bank participation certificates for which we continue to hold collection responsibilities ("**AUM**" or "**Advances Under Management**").*

(2) *Net Worth is a non-GAAP financial measure and is computed as the sum of capital and reserves and surplus.*

(3) *Net Interest Income is a non-GAAP financial measure and is calculated as interest earned minus interest expended ("**Net Interest Income**").*

(4) *Average Total Assets is calculated on the basis of the average of the opening balance of total assets as at the start of the relevant year and the closing balance as at the quarter ended for all quarters in the relevant fiscal year ("**Average Total Assets**").*

(5) *Return on Average Assets is a non-GAAP financial measure and is computed as a percentage of net profit for the year divided by Average Total Assets.*

(6) *Return on Average Equity is a non-GAAP financial measure and is computed as a percentage of net profit for the year divided by the average of the opening balance of capital and reserves and surplus as at the start of the relevant year and the closing balance as at the quarter ended for all quarters in the relevant fiscal year ("**Average Shareholders' Funds**").*

(7) *Retail Deposits to total deposit ratio is a non-GAAP financial measure and is calculated the ratio of (total deposits less Bulk Deposits) to total deposits. Bulk Deposits are single Rupee term deposits of ₹20.00 million or more.*

(8) *Provision Coverage Ratio is computed as a percentage of total provisions towards gross NPAs as at the dated indicated plus outstanding balance of technical written off accounts as at the date indicated divided by the sum of gross NPAs plus outstanding balance of technical written off accounts as at the date indicated.*

(9) *Yield on Average Interest-Earning Advances is a non-GAAP financial measure and is computed as ratio of interest earned on advances to average advances net of provisions for NPAs calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year.*

We have a high-quality asset portfolio, which we attribute to, among other things, our target customer demographics, quality origination and credit assessment, technology and efficient collections. As at March 31, 2023, we had a GNPA Ratio (i.e., the ratio of our Gross NPAs to gross advances) of 2.49% and an NNPA Ratio (i.e., the ratio of our Net NPAs to advances (net of provisions) of 1.13%. We have a strong capital position and healthy balance sheet with a Provision Coverage Ratio of 56.67%, Tier 1 Capital Ratio of 18.12% and Tier II Capital Ratio of 1.71% as at March 31, 2023. As at March 31, 2023, our Net Worth was ₹17,091.29 million. Our Tier II bonds (Basel III) issued by us in the form of subordinated debt instruments and also our proposed Tier II Bonds are rated by CARE Ratings Limited as "CARE A; Stable".

Our Strengths

Deep understanding of the micro loan segment, which has enabled us to grow our business outside of Kerala, our home state

We can trace our microfinance roots back to 1995. As at March 31, 2023, we had over 4.88 million customers with Micro Loans, the majority of whom were women. Our deep understanding of the micro loan segment has enabled us to successfully expand our business outside of Kerala and as at March 31, 2023, our products and services were offered in 21 states and two union territories. Our gross Micro Loans to customers outside of Kerala were ₹59,491.87 million, representing 58.65% of our total gross Micro Loans, as at March 31, 2023. As at March 31, 2023, our top five states outside Kerala for gross Micro Loans were Tamil Nadu, Maharashtra, Madhya Pradesh, Karnataka and Chhattisgarh, with gross Micro Loans in those states (combined) being ₹51,200.12 million, which represented 50.47% of our total gross Micro Loans.

Strong rural and semi-urban banking franchise

Our main focus is on providing loans to customers in rural and semi-urban areas. Our customers in rural and semi-urban areas (combined) have increased from 3.00 million as at March 31, 2021 to 3.93 million as at March 31, 2023. As at March 31, 2023, our gross advances to customers in rural and semi-urban areas (combined) accounted for 62.87% of our gross advances. As per the CRISIL MI&A Report, we had the second highest portfolio share from rural and semi-urban areas as at March 31, 2023 among the compared small finance banks. As at March 31, 2023, 57.54% of our customers were in rural and semi-urban areas (combined) and the number of banking outlets in rural and semi-urban areas (combined) was 502. representing 71.71% of our total banking outlets. As per the CRISIL MI&A Report, we had the third highest share of total banking outlets present in rural and semi-urban areas (combined) as at March 31, 2023 among our compared peers.

We believe that we have developed an understanding of the rural and semi-urban households in the regions in which we operate. In 2022, we were awarded 'Small Finance Bank of the Year' certification at the IBS India Banking Summit and Awards 2022 and 'Rising Category: Banking' Award at the Prestigious Brand Asia Awards presented by BARC Herald Global. In 2021, we were a Semi Finalist at the SKOCH Award 2021 in the category 'Financial, Digital Inclusion and Education'. In 2019, we received the "Best performance award for SHG-Bank linkage" from NABARD and the "Banking Gold" SKOCH award for access and affordable banking services for financially underserved areas. In 2018, we received the "Banking & Finance Gold" SKOCH award for financial inclusion for all.

There are significant growth opportunities in rural areas in India as rural areas have lower financial inclusion compared with urban areas and there is thus less competition for banking services in rural areas compared with urban areas. As at March 31, 2022, rural areas, which accounted for 47% of GDP, received just 8% of the overall banking credit, which shows the vast market opportunity for banks and NBFCs to lend in these areas. (*Source: CRISIL MI&A Report*). With increasing focus of the government towards financial inclusion, rising financial awareness, increasing smartphone and internet penetration, CRISIL MI&A expects delivery of credit services in rural area to increase. (*Source: CRISIL MI&A Report*). Further, usage of alternative data to underwrite customers will also help the financiers to assess customers and cater to the informal sections of the society in these regions. (*Source: CRISIL MI&A Report*). We believe our strong rural and semi-urban franchise will enable us to take advantage of this growth opportunity.

Fast-growing Retail Deposit portfolio with low concentration risk

We have been able to leverage the strength of the "ESAF" brand, which has been built over more than 27 years, to rapidly grow our deposit portfolio since we commenced operations. We had the fourth highest deposit growth among the compared peers over March 31, 2021 to March 31, 2023. (*Source: CRISIL MI&A Report*). We have placed a strong emphasis on increasing our Retail Deposits. As at March 31, 2023, our Retail Deposits were ₹133,230.03 million, which accounted for 90.85% of our total deposits. As per the CRISIL MI&A Report, we had the highest share of Retail Deposits as a percentage of our total deposits as at March 31, 2023 among our compared peers.

Set forth below is a table setting forth details our deposits as at the dates indicated.

	As at March 31, 2023 (₹ in million)	**% of Total Deposits**	**As at March 31, 2022 (₹ in million)**	**% of Total Deposits**	**As at March 31, 2021 (₹ in million)**	**% of Total Deposits**
Demand deposits [A]	2,637.53	1.80	2,197.91	1.72	1,531.84	1.70
Savings bank deposits [B]	28,736.94	19.59	27,076.07	21.13	15,944.61	17.72
CASA [C = A + B](*)	***31,374.47***	***21.39***	***29,273.98***	***22.84***	***17,476.45***	***19.42***
Retail Term Deposits(1) [D]	101,855.56	69.45	90,814.46	70.87	70,487.39	78.32
Bulk Deposits [E]	13,426.21	9.15	8,062.28	6.29	2,030.42	2.25
Total term deposits [F = D + E]	***115,281.78***	***78.61***	***98,876.74***	***77.16***	***72,517.81***	***80.58***
Total Retail Deposits(2) [G = C + D]	***133,230.03***	***90.85***	***120,088.44***	***93.71***	***87,963.84***	***97.74***
Total deposits [H = C + E]	**146,656.25**	**100.00**	**128,150.72**	**100.00**	**89,994.26**	**100.00**
Of which:						
Total NRI deposits	*31,662.32*	*21.59*	*26,529.35*	*20.70*	*20,191.50*	*22.44*

Notes:
(*) CASA is a non-GAAP financial measure and is computed as the sum of demand deposits and savings bank deposits.
(1) Retail Term Deposits are single Rupee term deposits of less than ₹20.00 million.
(2) Retail Deposits are CASA plus Retail Term Deposits. Retail Deposits can also be calculated as total deposits less Bulk Deposits.

CASA tends to provide a stable and low-cost source of deposits compared to term deposits. Our CASA increased to ₹31,374.47 million as at March 31, 2023 from ₹17,476.45 million as at March 31, 2021, representing a CAGR of 33.99%. The table below sets forth our Cost of Average CASA, Cost of Average Term Deposits and our Cost of Funds, which are non-GAAP financial measures, for the Fiscals indicated.

	Year ended		
	March 31, 2023	**March 31, 2022**	**March 31, 2021**
Cost of Average CASA	4.87%	4.93%	4.67%
Cost of Average Term Deposits	6.55%	6.71%	8.00%
Cost of Funds	6.19%	6.30%	7.56%

As at March 31, 2023, 2022 and 2021, our deposits from our 20 largest depositors accounted for 9.77%, 15.87% and 9.11% of our total deposits, respectively, indicating a low concentration risk.

Kerala is our home state and we have a presence in all 14 districts. In calendar year 2022, India received US$ 100 billion in remittances, which was the highest amount of remittances out of any country followed by Mexico (US$ 60 billion). (*Source: CRISIL Research Report*). Due to the foregoing and our presence in all districts in Kerala, we have been able to capitalise on this opportunity and increase our NRI deposits. We began offering NRIs savings bank and term deposits in June 2018 and current accounts in June 2021. As at March 31, 2023, 2022 and 2021, our deposits from NRIs were ₹31,662.32 million, ₹26,529.35 million and ₹20,191.50 million, respectively, which represented 21.59%, 20.70% and 22.44% of our total deposits, respectively.

Strong customer connections driven by our customer centric products and processes and other non-financial services for Micro Loan customers

We aim to provide the best-in-class banking services to our customers, as we believe our customers are the most important stakeholders in our business. Our products and services are designed to meet the various lifecycle needs of our customers, such as home loans, clean energy product loans, loans for agricultural activities, loans against property, personal loans, education loans, gold loans and vehicle loans.

An example of our customer-centric approach is that our Micro Loans can be repaid on a weekly, fortnightly or monthly basis based on our customers' preferences. As at March 31, 2023, 55.30% of our Micro Loan customers repaid their loans on a weekly basis. Our business correspondents collect cash repayments on our behalf and through regularly meeting with our Micro Loan customers, our business correspondents are better able to understand those customers' requirements. We believe our business correspondents' constant engagement with our Micro Loan customers helps to keep delinquencies in check.

In addition to the provision of financial services, our business correspondents undertake various non-financial services, which include, among other things, conducting financial literacy programmes, livelihood programmes, entrepreneurship training programmes and community engagement programmes.

Our guiding principles include transparency, preventing our customers from becoming over-indebted, treating our customers fairly and being empathetic towards our customers in times of crisis, which we have demonstrated by launching three new loan products to assist our customers during the COVID-19 pandemic: (1) Income Generation Loan Top Up, which is a pre-approved loan and a variant of the Income Generation Loan and is targeted at customers who have an existing Income Generation loan; (2) Utdhan Loan Series 3 – Covid Care Loan, which was tailor made to support the financial needs of customers adversely affected by the COVID-19 pandemic; and (3) Pratheeksha Kiran Loan, which was mainly for the restoration of livelihoods and households of customers impacted by the pandemic. On May 5, 2021, the RBI announced Resolution Framework 2.0 for advances to individuals and small businesses. The resolution facility was applicable for accounts classified as standard as at March 31, 2021. The resolution plan included rescheduling of loan EMIs. In accordance with the RBI guidelines and the Board's approved policy, we restructured loans that were standard as at March 31, 2021. We also provided an initial repayment-holiday based on a borrower's request to start the repayment of a loan as per the Resolution Framework 2.0. Another example is how we supported our customers during Kerala's floods in 2018 and 2019 by providing emergency funding in the form of "Utdhan Loans" to customers for rebuilding their livelihood and meeting other expenses, moratoriums on repayment of their loans for a period of up to four months depending on the needs of such customers affected by the floods and extending total repayment periods for up to 36 months on certain categories of loans.

We believe our customer-centric products and processes have resulted in high customer retention rates.

In 2019, we received the "Kerala Bank of the Year 2019" award from Dhanam Business Magazine and the "Banking Gold" SKOCH award for access and affordable banking services for financially underserved areas. In 2018, we received the "Banking & Finance Gold" SKOCH award for financial inclusion for all as well as the "Special Jury Award for Serving MSMEs" MSME Banking Excellence Award from the Chamber of Indian Micro Small and Medium Enterprises.

Technology-driven model with an advanced digital technology platform

We offer our customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. All banking and payment transactions, such as remittances and utility payments, can be completed through these platforms. Our customers are also able to register our savings accounts on a unified payment interface based mobile applications.

Our account opening and loan underwriting processes have been digitalised by using tablets, which enabled us to reduce our turnaround time and offer better service to customers. CASA accounts can be opened through tablets, which enables us to provide doorstep services to our customers. By leveraging technology solutions, we provide customers with pre-generated kits immediately upon account opening, enabling them to use the ATM-cum-debit card provided with the pre-generated kits without having to wait for the ATM-cum-debit card to be activated across channels, thereby resulting in increased customer satisfaction. We have crossed a milestone in technology with the successful adoption of e-signatures for Micro Loan disbursals. As at March 31, 2023, we have disbursed over 0.53 million loans using e-signatures, which showcases our commitment to digital advancement. Through the adoption of e-signatures, we have saved paper, which were earlier being utilized for the purpose of loan disbursement documentation, involving handwritten signatures. This will indirectly save water and reduce deforestation as per our commitment to reduce greenhouse gases emissions commitment set forth in our Bank's ESG policy.

We have a digitalised central credit-processing unit for our micro loans. Our customer on-boarding process has been predominantly digitalised for our micro loans. We leverage technology for underwriting and credit sanctioning for our loan products based on inputs from credit bureaus and/or our customer data analytics. We have implemented technology solutions that enable us to ensure cashless disbursement of loans and implemented electronic signing for micro loans, both of which have reduced paperwork. Our collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which our borrowers can repay their loans.

We continuously work towards improving our customers' experience through the use of technology. We have implemented a customer relationship management solution to better handle customer requests. We believe that such initiatives have helped us improve our customer service and enable us to deliver our services in a more cost-effective manner.

Experienced Board and Key Management Personnel and Senior Management Personnel

We have an experienced Board comprising members with diverse business experience, many of whom have held senior positions in well-known financial services institutions. Mr. Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, was previously a senior field representative at Indian Farmers Fertilizers Co-operative Limited and since 2013 he has been the president of the Kerala Association of Micro Institutional Entrepreneurs. Members of our Senior Management Personnel and Key Management Personnel have been working in the banking and financial services sector for more than 27 years. The members of our Senior Management Personnel have expertise in scaling up financial services organizations and collectively they have all the relevant experience in credit evaluation, risk management, treasury and technology. For details of our Board, Key Management Personnel and Senior Management Personnel, see "*Our Management*" on page 213.

Our Strategies

Penetrate deeper into our existing geographies

As at March 31, 2023, we had 700 banking outlets, 743 customer service centres (which are run by our business correspondents), 20 business correspondents, 2,023 banking agents, 481 business facilitators and 528 ATMs. As at March 31, 2023, we served over 6.83 million customers in 21 states and two union territories.

Since April 2020, we have considerably expanded the number of states and territories we operate in. In Fiscal 2021, we expanded our operations to Meghalaya, Uttar Pradesh, Haryana, Tripura and Chandigarh, by opening banking outlets and/or appointing business correspondents for these states/union territory. In Fiscal 2022, we expanded our operations to Uttarakhand by appointing a business correspondent for that state. In Fiscal 2023, we opened Branches in Tripura and Uttarakhand for the first time. We intend to deepen our distribution within the states and union territories we operate in by opening additional Branches, having business correspondents open more customer service centres and business correspondent-operated banking outlets and encouraging them to enter into agreements with more banking agents, entering into relationships with new business correspondent entities and business facilitators and adding ATMs. We plan to continue to open Branches in urban and semi-urban areas after taking into account data from the RBI for certain parameters, such as aggregate deposits, deposit growth, number of urban households, households with banking access, share of PSU deposits and total NRI remittances.

Increase our deposits and in particular our Retail Deposits

We plan to continue to increase our deposits, in particular our Retail Deposits, in order to help grow our business and reduce our Cost of Funds. Our total deposits increased from ₹89,994.26 million as at March 31 2021 to ₹146,656.25 million as at March 31, 2023, representing a CAGR of 27.66%. Our Retail Deposits increased from ₹87,963.84 million as at March 31, 2021 to ₹133,230.03 million as at March 31, 2023, representing a CAGR of 23.07%. To increase our deposits, our banking outlets and business correspondents will continue to target new and existing customers to source deposits in the form of CASA, fixed deposits and recurring deposits by focusing on customer service and offering competitive pricing.

Our business correspondent entities are the primary channel for sourcing deposits from our Micro Loan customers. We plan to add more business correspondents, which will help to increase our deposits.

Furthermore, we intend to continue to target NRIs to scale up our deposit base and in particular our CASA base. We began offering NRIs savings bank and term deposits in June 2018 and current accounts in June 2021. As at March 31, 2023, our deposits from NRIs were ₹31,662.32 million, which represented 21.59% of our total deposits as at that date. To target NRIs, we will continue to focus on regions where NRI remittances are high by launching targeted campaigns around festivals, conducting marketing activities at airports, malls, etc., and entering into tie-ups with third parties, such as remittance arrangers. We also plan to continue to open new banking outlets in areas that have a large population dependent on remittances.

We also intend to continue to target HNIs to scale up our deposit base and in particular our CASA base. To target additional HNIs, we intend to continue to leverage our banking outlets by appointing dedicated relationship managers to source deposits and other business from HNI customers. We currently have a HNI programme dedicated to HNI customers and we plan to offer differentiated services and pricing to HNIs based on the relationship value.

The RBI granted us an Authorised Dealer Category I licence to deal in Foreign Exchange in India in April 2023, which enables us to offer deposits in foreign currency, thereby helping to increase our NRI customer base.

We also plan to establish relationships with more farmer producers' associations, co-operative societies, government departments, non-government organisations, and educational institutions in order to offer our products and services, including CASA, to their members/employees.

We will also offer savings accounts targeted at different types of workers.

Continue to grow our Micro Loans while increasing our other categories of advances both in absolute terms and as a percentage of our total AUM

<u>Continue to grow our Micro Loan business</u>

Small finance banks' AUM grew at 29% CAGR from Fiscals 2018 to 2023. As at March 31, 2023, small finance banks' AUM is estimated to have crossed ₹1,800 billion growing at 26%-27% year-on-year. CRISIL MI&A expects small finance banks' AUM to grow at approximately 22-24% CAGR between Fiscals 2023 to 2025. (*Source: CRISIL MI&A Report*). As at March 31, 2023, 2022 and 2021, our AUM of Micro Loans were ₹122,548.83 million, ₹100,159.62 million and ₹71,452.80 million, respectively, which represented 75.04%, 81.16% and 84.80%, respectively, of our total AUM.

We plan to continue to grow our Micro Loans by cross-selling and up-selling to our customer base and marketing these loans to family members of our existing customers, thereby deepening our relationships with them and becoming their trusted bank of choice. We also plan to appoint new business correspondents and have our banking agents start to source customers.

<u>Expand our retail loan business</u>

In Fiscal 2018, we began offering retail loans and since then we have been expanding our portfolio of retail loan products, including offering gold loans in Fiscal 2019. Gold loans in particular have contributed to the growth of our retail loans. As at March 31, 2023, 2022 and 2021, our retail advances were ₹26,147.54 million, ₹14,649.74 million and ₹9,607.19 million, respectively, which represented 16.01%, 11.87% and 11.27%, respectively, of our AUM. The table below sets forth our AUM of retail loans by loan type as at the dates indicated and the percentage change from the previous balance sheet date.

AUM	As at March 31, 2023 (₹ in million)	% increase / (decrease) from March 31, 2022	As at March 31, 2022 (₹ in million)	% increase / (decrease) from March 31, 2021	As at March 31, 2021 (₹ in million)
Gold loans	20,537.35	94.40	10,564.59	61.61	6,537.19
Mortgage loans	2,624.56	48.10	1,772.15	53.48	1,154.64
Vehicle loans	1,094.24	28.21	853.45	24.42	685.92
Other retail loans	1,891.39	29.58	1,459.55	18.71	1,229.44
Total retail loans	**26,147.54**	**74.48**	**14,649.74**	**52.49**	**9,607.19**

We plan to continue to increase our retail advances both in terms of amount and as a percentage of our AUM by targeting agriculturists / small farmers, small-scale entrepreneurs, salaried employees, students and senior citizens in small towns and rural India, thereby expanding our retail loan customer base. We plan to continue to focus on our individual customers to continue to build our retail loan portfolio, as well as capitalise on our relationships with our existing micro loan customers whose borrowing ability has increased and who require increased loan amounts. We will continue offering personalised loan products to our salaried account holders. In addition, we will continue to expand the number of our Branches that offer gold loans. We have increased the number of banking outlets offering gold loans from 345 banking outlets, or 62.73% of our 550 banking outlets, as at March 31, 2021, to 545 Branches, or 77.86% of our 700 banking outlets, as at March 31, 2023. We plan to increase our mortgage business by increasing the number of Branches that offer mortgages (as at March 31, 2023, 200, or 28.57%, of our 700 banking outlets offered mortgages) through focusing on affordable housing loans with new policies and processes designed to increase the ease and efficiency for granting housing loans. We plan to introduce a mobile-based loan origination system for mortgage loans. In Fiscal 2023, we hired a senior vice president in our retail assets department to concentrate on increasing our mortgage business.

<u>Increase our MSME loans</u>

In Fiscal 2020, we started offering MSME loans and since then, we have been expanding our portfolio of MSME loans. As at March 31, 2021, 2022 and 2023 our AUM of MSME loans was ₹1,600.61 million, ₹1,233.15 million and ₹483.57 million respectively, which represented 0.98%, 1.00% and 0.57% of our total AUM, respectively.

We plan to continue to increase our MSME loans both in terms of amount and as a percentage of our AUM by having our relationship managers in our banking outlets reach out to MSMEs and offer them working capital and term loans. We will also help our existing Micro Loan customers to grow their businesses with additional funding. We will encourage our business correspondents and business facilitators to find more customers for our small ticket term loans. We also plan to increase our supply chain finance by partnering with fintechs/tech platforms to find more customers for our working capital loans. We use web-based platforms operated by certain entities to facilitate financing/discounting of trade receivables of MSMEs, and we plan to increase our activity on these platforms, thereby increasing our receivables discounting business.

<u>Grow our agriculture loan business</u>

We set up our agricultural (agri) loan business department in Fiscal 2020. In Fiscals 2023, 2022 and 2021, we introduced two, two and three new agricultural loan products, respectively, resulting in us having seven agricultural loan products as at March 31, 2023. As at March 31, 2023, our AUM of agricultural advances was ₹6,878.24 million, which represented 4.21% of our AUM.

We currently have agri relationship officers who are responsible for sourcing agri loans in Tamil Nadu, Maharashtra, Madhya Pradesh, Chhattisgarh, Karnataka, Andhra Pradesh, Telangana, Puducherry and Kerala. We plan to continue to increase our agricultural advances both in terms of amount and as a percentage of our AUM by appointing agri relationship officers in more states, by entering into relationships with more farmer producer organisations and sourcing more loans through our banking outlets and business correspondents.

Increase fee-based income by cross-selling, expanding third-party products and service offerings and expanding our fee-based offerings

We intend to increase our fee-based income by cross-selling third-party products and service offerings to our customers and expanding third-party products and service offerings. Our fees/remuneration received from our bancassurance business for selling life insurance policies, non-life insurance policies and pension products was ₹195.63 million, ₹148.74 million and ₹88.38 million for Fiscals 2023, 2022 and 2021, respectively. In Fiscal 2019, we began distributing the National Pension System, Atal Pension Yojna and third-party general insurance products. In Fiscal 2020, we began distributing third-party life insurance products. In Fiscal 2023, we began distributing third-party mutual funds and offering third-party depositary services. In addition, we plan to offer bank guarantees and letters of credit to MSMEs. Our fees/remuneration received from distributing pension products and from other services was ₹2.83 million, ₹2.01 million and ₹0.94 million for Fiscals 2023, 2022 and 2021, respectively.

Continue to leverage technology and customer data analytics

We believe our use of advanced technology has significantly improved the efficiency of our operations. We plan to further enhance our technology platforms, such as internet banking, mobile banking, ATMs, cash deposits machines, customer service applications and payment interfaces, which we believe will increase the adoption of our service delivery mechanisms. This will also enable us to perform more reliable data analytics, resulting in more efficient risk management processes, targeted customer profiling and offer customised products to suit our customers' diverse requirements.

Asset Products

Our asset products comprise: (a) Micro Loans (Microfinance Loans and Other Micro Loans); (b) retail loans, which includes, gold loans, mortgages, personal loans, and vehicle loans; (c) MSME loans; (d) loans to financial institutions; and (e) agricultural loans. The table below sets forth our AUM by product type and as a percentage of total AUM as at the dates indicated.

AUM	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Amount (₹ in million)	**% of AUM**	**Amount (₹ in million)**	**% of AUM**	**Amount (₹ in million)**	**% of AUM**
Micro Loans(1)	122,548.83	75.04%	100,159.62	81.16%	71,452.80	84.80%
Of which:						
Microfinance Loans(1)	*103,964.49*	*63.66%*	*N.A.*	*N.A.*	*N.A.*	*N.A.*
Other Micro Loans(1)	*18,584.34*	*11.38%*	*N.A.*	*N.A.*	*N.A.*	*N.A.*
Retail loans	26,147.54	16.01%	14,649.74	11.87%	9,607.19	11.40%
MSME loans	1,600.61	0.98%	1,233.15	1.00%	483.57	0.57%
Loans to financial institutions	6,137.43	3.76%	4,096.3	3.32%	2,625.44	3.12%
Agricultural loans	6,878.24	4.21%	3,268.10	2.65%	90.30	0.11%
Total AUM	**163,312.65**	**100.00%**	**123,406.91**	**100.00%**	**84,259.30**	**100.00%**

Note:

(1) Our Micro Loans comprise Microfinance Loans and Other Micro Loans. Our Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.

For more details on our AUM, see "*Selected Statistical Information – Advances Under Management*" on page 251.

Micro Loans - Microfinance Loans and Other Micro Loans

Our Micro Loans comprise our Microfinance Loans and Other Micro Loans, which are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans. A person whose annual household income is up to ₹300,000 is eligible for a Microfinance Loan provided that the percentage of the monthly household income to be used for the repayment of loans (including the new loan) shall be a maximum of 50% of the monthly household income. Household means an individual family unit, i.e., husband, wife and their unmarried children. Persons whose household income is above ₹300,000 can apply for Other Micro Loans.

Our current Microfinance Loans comprise the following loan products:

Name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
ESAF Income Generation Loan	Loan for income generation activities	150,000	12 to 35 months
ESAF Vidyajyoti Loan	Loan for education expenses for children	50,000	12 to 24 months
ESAF General Loan	Loan for general/consumption purposes	150,000	12 to 35 months
ESAF Jeevadhara Loan	Loan for water connection and storage facilities	40,000	12 to 24 months
ESAF Nirmal Loan	Loan for the construction of toilets	40,000	12 to 24 months

Our current Other Micro Loans comprise the following loan products:

Name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
ESAF Nano Loan	Loan for income generation activities	150,000	12 to 35 months
ESAF Asha Loan	Loan for general/consumption purposes	150,000	12 to 35 months
ESAF Vidyajyoti Plus Loan	Loan for education expenses for children	50,000	12 to 24 months
ESAF Nirmal Plus Loan	Loan for the construction of toilets	40,000	12 to 24 months
ESAF Jeevadhara Plus Loan	Loan for water connection and storage facilities	40,000	12 to 24 months

The interest rates on our Microfinance Loans and Other Micro Loans are fixed. Interest rates on new Microfinance Loans and Other Micro Loans with a tenure of less than three years are fixed based on our MCLR, which is approved by our Market Risk and Assets Liability Committee ("**MR-ALCO**") on a monthly basis. Our interest rates are displayed at our banking outlets and on our website to ensure transparency in our operations.

Customers

Our target customers for our Microfinance Loans and Other Micro Loans are women in unserved and underserved households in India. As at March 31, 2023, we had over 3.35 million Micro Loan customers. Our business correspondents source and service customers for our Microfinance Loans and Other Micro Loans.

Credit Approval and Disbursement Process

An employee of a business correspondent entity conducts initial promotional meetings in the area and amongst prospective sangam members to source a new customer and requests for their KYC documents to allow for data capture. The applicant's data and the loan application are captured on a tablet and submitted to us electronically. A house verification visit is carried out by an employee of a business correspondent entity. We conduct a de-duplication check, AML validation and automatic credit bureau check. This is followed by a compulsory group training program and group recognition test for our new customers, which is undertaken by an employee of the business correspondent entity. Post successful validation, an employee of the business correspondent entity recommends the loan based on the customer's need and our credit sanction team approves the loan based on pre-set parameters. An authorised officer then verifies the loan documents, KYC documents, etc., following which we issue a loan card to the customer and then transfer the funds into the customer's savings account or to an account with another bank as opted by the customer. In case a loan agreement has been signed using an electronic signature, the loans disbursement is made after authenticating the electronic signature.

Loan Collection and Monitoring Process

We tailor our collection schedule to weekly, fortnightly or monthly repayments depending on the sangam's preference. The table below sets forth the percentage of our Micro Loan customers who repaid their loans on a weekly, fortnightly and monthly basis as at March 31, 2023.

Particulars	As at March 31, 2023
Percentage of Micro Loan customers who repaid their loans on a weekly basis	55.30%
Percentage of Micro Loan customers who repaid their loans on a fortnightly basis	18.19%
Percentage of Micro Loan customers who repaid their loans on a monthly basis	26.52%

Our business correspondents collect the repayments and enter each repayment on a tablet, which is then automatically reflected in our system.

Retail Loans

The following is a description of our retail loan products:

Type and name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
Mortgage loans:			
ESAF Dream Home Loan	Loan to a salaried / self-employed customer for construction of a house or purchase of a new house, flat, or villa and for renovations of an existing property	50,000,000	Up to 25 years

Type and name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
ESAF Clean Energy Product Loan	Loan for the purchase of solar-based power generators, biomass-based power generators, non-conventional energy based public utilities, home lighting systems and solar inverters	1,000,000	1 to 7 years
ESAF Flexi Home	Loan for construction of a house or purchase of a new house or flat and for renovations of an existing property for customers with undocumented income	3,500,000	Up to 25 years
ESAF Loan Against Property	Loan for any specified purpose, including business, education, marriage, commercial purchase and commercial construction or other purposes secured by property	50,000,000	3 to 15years
ESAF Lease Rental Discounting	Loans against lease / rental receipts	50,000,000	Up to 10 years
Gold loans:			
ESAF Gold Loan	Loans for short term funding needed to meet personal/family/business/agricultural requirements and other unforeseen requirements, including consumption purposes, secured by gold	20,000,000	Up to 1 year
Personal loans:			
Salary Overdraft Loan	Loan for personal purposes	1,000,000	24 months
ESAF Personal Loan	Personal loan offered to a salaried customer for general purposes	500,000	12 months to 35 months
Education loans:			
Education Loan	Loan for higher education studies inside India	1,000,000	Up to 7 years
ESAF Dream Education Loans	Loans for Higher Educations both overseas and India	10,000,000	Up to 12 years
ESAF School Loan	Loans for Infrastructure development of educational institutions	30,000,000	Up to 10 years
Vehicle loans:			
ESAF New Car Loan	Loan for the purchase of a new car	15,000,000	Up to 7 years
ESAF Used Car Loan	Loan for the purchase of a used car / refinance with asset as collateral / loan take over	15,000,000	Up to 5 years
ESAF New LCV Loan	Loan for the purchase of a new commercial vehicle	10,000,000	1 to 5 years
ESAF Used LCV Loan	Loan for the purchase of a used commercial vehicle / refinance with asset as collateral / loan take over	2,000,000	1 to 5 years
ESAF Two-Wheeler Loan	Loan for the purchase of a two-wheeler	1,000,000	Up to 5 years
ESAF Three-Wheeler Loan(1)	Loan for the purchase of a three-wheeler	300,000	Up to 5 years
Other loans:			
Loan against deposit	Loan secured against a fixed deposit	Up to 90% of the term deposit value	Up to the tenure of the Deposit

The interest rates we charge on our retail loans are fixed or floating depending on the product. Our fixed rate loans with a tenure of less than three years are based on the MCLR. Our MCLR is reviewed by our MR-ALCO on a monthly basis. Our floating rate loans are based on the RBI's repo rate.

For a table setting forth our AUM of retail loans by loan type, see "- *Our Strategies - Expand our retail loan business*" on page 163.

Customers

Our target customers for our retail loans are salaried individuals, the self-employed, businesses and customers who have graduated from Microfinance Loans and Other Micro Loans. We source customers for our retail loans through our sales executives, dealers and direct sales agents on a walk-in basis in our banking outlets and through our business correspondents and business facilitators.

Credit Approval and Disbursement Process

Upon sourcing a customer, an officer collects their application and applicable supporting documents. A series of checks are performed which include credit bureau checks, house verification, and eligibility assessment in order to verify the applicant's credit history and credit worthiness. For new customers, the officer will assist with the opening of a savings account. The officer then prepares the proposal in the system, after which the application undergoes a reference check for certain loans such as home loans, car loans and business loans, before being forwarded to the credit appraisal and credit sanction teams. Our credit department has centralised processing hubs for home loans and vehicle loans. The credit officer arranges for legal and technical reports for mortgage loans if the customer is applying for a mortgage loan. The loan requires the final approval by the appropriate credit sanction officer. Once the loan has been approved, a member of the operations team prepares the documents to be executed at one of our banking outlets. Subsequently, the operations manager takes custody of the documents to verify them. Once verified, a checklist of all documents is sent to the central loan administration team for disbursement.

For vehicle loans up to a certain loan size and for customers with certain credit score rating, we use a mobile-based loan origination system for customer on-boarding, KYC authentication, bank account verification, de-duplication, credit bureau check and loan sanction by an internal risk scorecard is done via a straight through process. Physical customer verification is done on the basis of a risk score. This has cut down the turnaround time on the loan approval process to a few hours.

Furthermore, our gold loan staff appraise the gold provided for as security for our ESAF Gold Loans. Our ESAF Gold Loans are approved by the Branch head.

Loan Collection and Monitoring Process

When the loan documents are executed for certain loan products, we collect NACH instructions, standing instructions or post-dated cheques for loan repayment. To monitor loan collection, we have a collection and recovery department, which sends reminders to our customers before each repayment date.

MSME Loans

The following is a description of our MSME loan products:

Name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
ESAF Micro Enterprise Loan	Loans to an existing sangam member (Microfinance Loan or Other Micro Loans customer) to further grow their business	300,000	35 months
Vyapar Vikas Yojana	Loan to a resident individual having a shop/ business with a minimum vintage of three months in the same location as working capital for their business	150,000	6 months to 24 months
ESAF TReDS (Financing Trade Receivables e-Discounting System) (TreDS)	Discounting of bills using a TreDS platform. We are a member of certain TreDS platforms	500,000,000	Maximum tenure of 180 days
ESAF MSME Easy Business Loan (CC[(1)]/ OD[(2)] /TL[(3)])*	Loan for meeting working capital through overdraft and long-term fund requirements of a Micro enterprise for the growth of their business	2,500,000	CC/OD – 1 to 2 years (renewable after one year) TL – 36 to 84 months
ESAF MSME Smart Loan (OD/TL)*	Loan for meeting working capital and long-term fund requirement of small enterprises for the growth of their business	10,000,000	OD – 1 year TL – 36 months to 120 months
ESAF Udyog Loan (CC/ OD/ TL/ Demand Loan/ Non-funded)	Loan for meeting working capital and long-term fund requirement of an MSME for the growth of their business	Up to a certain percentage of costs of assets/land to be acquired	CC/OD – 1 year TL – 84 months Demand Loan – 180 days Non-funded – 5 years (tenure over 5 years and up to 10 years may be permitted by a Managing Director or the Chief Executive Officer)
ESAF GST Power OD	Loan for meeting the working capital of the borrower engaged in any business for last 24 months	10,000,000	OD - 30 months
ESAF MSME Business Lap	Loan for bona-fide business needs like build-up of current assets, fixed assets, purchase of equipment, computers, air conditioner, furniture, plant and machinery, repairs and renovation of business unit/factory etc and for general business purpose other than for purchase of vacant land on standalone basis or speculative purpose.	5,000,000	120 months
ESAF Secured Business Loan to Enterprises (ESSBLE)	Loan to facilitate expansion goals and general business requirement of business/service units	100,000,000	Short TL – up to 12 Months Medium TL – 12 months to 60 months OD – 12 months Term Loan – up to 7 years

Notes:
(1) CC means cash credit.
(2) OD means overdraft.
(3) TL means term loan.
** Yet to be sanctioned.*

The interest rates we charge on our MSME loans are fixed or floating depending on the product. Our fixed rate loans with a tenure of less than three years are based on the MCLR. Our MCLR is reviewed by our MR-ALCO on a monthly basis. Our floating rate loans are based on the RBI's repo rate.

Customers

Our target customers for our MSME loans are MSMEs, and our existing Microfinance Loan customers and Other Micro Loans who want to grow their business.

We source customers for our MSME through banking outlets, digital channels (except for corporate loans), direct sourcing and third-party intermediaries, including business correspondents. We are a member of certain TreDS platforms and bills are discounted by participating in the bidding process on these platforms.

Credit Approval and Disbursement Process

Upon sourcing a customer, a relationship officer collects the application and applicable supporting documents. These documents are handed over to an officer who performs a series of checks, which include credit bureau checks, house verification, and eligibility assessment in order to verify the applicant's credit history. For new customers, a relationship officer will assist with the opening of a current account. The relationship officer then prepares the proposal in the system, after which the application undergoes a reference check for certain loans by a member of the back-office before forwarding the application to the credit appraisal and credit sanction teams. Our credit department has centralised processing hubs for processing loan applications. The officer arranges for legal and technical reports for collateral for loans. The loan requires the final approval by the appropriate credit sanction officer. Once the loan has been approved, a member of the operations team prepares the documents to be executed at one of our banking outlets. Subsequently, the operations manager takes custody of the documents to verify them. Once verified, a checklist of all documents is sent to the central loan administration team for disbursement.

Loan Collection and Monitoring Process

When the loan documents are executed for certain loan products, we collect NACH instructions, standing instructions or post-dated cheques for loan repayment. To monitor loan collection, we have a collection and recovery department, which sends reminders to our customers before each repayment date.

Loans to Financial Institutions

We make loans to NBFCs and MFIs for onward lending. Such loans are provided after due diligence on the NBFC's/MFI's business model and other factors, such as experience of the board and management, external rating of the company, the quality of its loan portfolio and the segments that it lends to. The following is a description of our loans to NBFCs and MFIs:

Name of the loan	Purpose	Maximum loan amount (in ₹)	Loan tenure
Loans to NBFCs & MFIs	Loans to NBFCs and MFIs for onward lending	Up to 5% of our capital funds (total of our Tier 1 and Tier 2 capital)	Cash credit or overdraft – 1 year Term loan – 60 months

Credit Appraisal and Disbursement Process

When a loan application is received, the relationship manager collects relevant documents, such as the audited financial statements for the last two to three years, provisional financial statements, ratings reports, NBFC/MFI grading reports and other essential documents to appraise the loan application. These documents are submitted to the credit department. The credit department evaluates the financial position, credit history and growth plans of the company by reviewing financial statements, business reports, discussions with senior management team of the applicant and prepares a detailed credit appraisal memorandum. We also obtain credit opinion reports from other lenders of the applicant. The credit appraisal memorandum is submitted to the risk management department. All loans to NBFCs and MFIs are required to be recommended by the Executive Credit Committee, which consists of two executive vice presidents and the Managing Director. The loan is then sanctioned by the Executive Credit Committee or Management Committee of the Board or the Board of Directors, as per the policy prescriptions and the delegated powers. The loan documents are executed at one of our banking outlets or at the applicant's office in the presence of one of our authorised bank officials. Once the documents are executed and the confirmation is given to the credit monitoring team, the loan is disbursed to the bank account of the applicant.

Loan Collection and Monitoring Process

The loan is repaid as per the repayment schedule provided for in the loan documentation. Borrowers are required to submit a monthly progress report and a monthly receivables statement. Receivables statements are to be certified by a chartered accountant every quarter. We monitor the special mention account status of the borrower with other banks and seek further information from the borrower in the event that the borrower has a special mention account status with another bank.

Agricultural Loans

The following is a description of our agricultural loan products:

Name of the loan	**Purpose**	**Maximum loan amount (in ₹)**	**Loan tenure**
ESAF Haritha Loan	Loans for all agricultural activities, including farm credit, agricultural infrastructure and ancillary activities, such as purchase of implements, developmental activities undertaken in the farm, vermicomposting and agri-entrepreneurship etc.	100,000,000	1 to 7 year(s) including moratorium period
ESAF Dairy Development Loan	Loan for the purchase and maintenance of animals for milk production and loans for the construction of shed(s) for keeping the animals and purchase of dairy machinery and equipment.	1,000,000	3 to 5 years
ESAF Kisan Credit Card	Loans in terms of working capital for all agricultural activities, including dairy production, inland fisheries, etc., and term loans for farm credit/agriculture infrastructure, such as land development, minor irrigation, purchase of equipment, construction, etc.	10,000,000	1 to 7 year(s)
ESAF Farmer Producer Organization Finance	Credit support for all business activities of the farmer producer organization, including purchase of input material for farmers, setting up of customer service centres, processing units, other productive purposes and/or working capital requirements.	10,000,000	Working capital loan – 12 months Term loan – up to 7 years Demand loan – up to 180 days
ESAF Kisan Jyoti	Loan for meeting post-harvest expenses, value addition to agricultural produce, maintenance of farm assets, farm development activities, purchase of land for agriculture purposes by small and marginal farmers and consumption requirement of the individual farmers/joint borrowers who are owner cultivators engaged in agriculture and in other agri-related/allied activities.	10,000,000	Overdraft: 3 years. Term Loan: 1 to 5 year(s)
ESAF Farmer Interest Group Loan	Agriculture, allied agriculture and consumption purposes of small & marginal farmers	160,000	Up to 35 months
ESAF SHG-BLP	Financial assistance to SHGs for income generation activities, meeting social needs, Construction or repair house, toilet, taking up sustainable livelihood by individual members within the SHGs or to finance any viable common activity started by SHGs, etc.	2,000,000	Up to 3 years for First and Second Cycle Up to 5 years for Third and Fourth Cycle

The interest rates we charge on our agricultural loans are fixed or floating depending on the product. Our fixed rate loans with a tenure of less than three years are based on the MCLR. Our MCLR is reviewed by our MR-ALCO on a monthly basis. Our floating rate loans are based on the RBI's repo rate.

Customers

Our target customers for our agricultural loans are individual farmers and joint borrowers engaged in agriculture and allied activities, such as dairy farming, fishery, animal husbandry, poultry farming, beekeeping, sericulture, agri infrastructure, agri processing units, and agri ancillary activities.

We primarily source customers for our agricultural loans through agri relationship officers, who are our employees. Each agri relationship officer handles four to five Branches in the vicinity of 50 to 75 kilometres. As at March 31, 2023, we had 49 agri relationship officers in the states of Tamil Nadu, Maharashtra, Madhya Pradesh, Chhattisgarh, Karnataka, Andhra Pradesh, Telangana, Puducherry and Kerala. We also source customers for our agricultural loans through our banking outlets, farmer producer organizations and business correspondents. Farmer producer organizations help us to originate loans to farmers and then help those farmers to be more successful through training, technical support, marketing of produce, processing and value addition, thereby leading to a reduced risk of default on those loans. As at March 31, 2023, we had entered into relationships with 24 farmer producer organisations.

<u>Credit Approval and Disbursement Process</u>

Upon sourcing a customer, the agri relationship officer conducts the field visit, collects the application and applicable supporting documents. These documents are handed over to an officer who performs a series of checks, which include credit bureau checks, house verification, applicant's credit history and eligibility assessment. For new customers, the agri relationship officer will assist with the opening of a savings account. The officer then prepares the proposal in the system, after which the application undergoes a reference check for certain loans, by a member of the back-office before forwarding the application to the credit appraisal and credit sanction teams. Our credit department has centralised processing hubs for further processing of proposals. The officer arranges for legal and technical reports for mortgage loans, if applicable. The loan requires the final approval by the appropriate credit sanction officer. Once the loan has been approved, a member of the operations team prepares the documents to be executed at one of our banking outlets. Subsequently, the operations manager takes custody of the documents to verify them. Once verified, a checklist of all documents is sent to the Asset Operations team for disbursement.

<u>Loan Collection and Monitoring Process</u>

When the loan documents are executed for certain loan products, we collect NACH instructions, standing instructions or post-dated cheques for loan repayment. To monitor loan collection, we have a collection and recovery department, which sends reminders to our customers before each repayment date.

Liability Products

Our liability products comprise current accounts, savings accounts, fixed deposits and recurring deposits. We also serve NRI customers and offer NRE and NRO current accounts, saving accounts, fixed deposits and recurring deposits.

We have been able to leverage the strength of the "ESAF" brand, which has been built over more than 27 years, to rapidly grow our deposit portfolio since we commenced operations. As an NBFC-MFI, our Corporate Promoter was unable to accept deposits as per applicable laws in India. After acquiring the business of our Corporate Promoter, we have placed a strong emphasis on increasing our Retail Deposits.

Current Accounts

Our current accounts are demand deposits for customers that do not accrue interest. As at March 31, 2023, we had eight variants of current account products catering to the needs of our diverse customer base in India, including corporate entities, individuals, sole proprietorship, trusts. In June 2021, we started offering NRE and NRO current accounts.

Savings Accounts

Savings accounts are demand deposits for customers that accrue interest. As at March 31, 2023, we had 23 variants of savings account products catering to the needs of our diverse customer base in India, including women, senior citizens, societies and clubs, children above 10 years, our staff, salaried employees of corporates, transgender and farmers. We offer NRE and NRO savings accounts.

Recurring Deposits

Recurring deposits are a kind of term deposit where a fixed amount is deposited into the account every month over a fixed term and which accrue interest at a fixed rate. The deposits may be withdrawn before maturity in accordance with applicable terms and conditions. As at March 31, 2023, the tenures ranged from six months to 10 years. As at March 31, 2023, we had four variants of recurring deposit products catering the needs of our diverse customer base in India, including individuals, senior citizens, corporate entities. We offer NRE and NRO recurring deposits.

Fixed Deposits

Fixed deposits are tenure-based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity in accordance with applicable terms and conditions. As at March 31, 2023, the tenures for our fixed deposits ranged from seven days to 10 years. We offer fixed deposits on which we pay simple or cumulative interest. The minimum tenure for our cumulative interest fixed deposits is six months. We also offer NRE fixed deposits and NRO fixed deposits with a tenure ranging from one to 10 years.

In addition, we also offer the Hrudaya Deposit Scheme, which gives our customers the opportunity to be a part of a social cause, as these deposits are lent to marginalised sections of society. An individual or a corporate entity can join the Hrudaya Deposit Scheme with a minimum deposit amount of ₹100,000 and for a minimum period of one year.

For more details on our deposits, see "*– Our Strengths – Fast-growing retail deposit portfolio with low concentration risk" and "Selected Statistical Information – Deposits*" on pages 160 and 248, respectively.

Distribution of Third-Party Products

Insurance Products

We are a corporate agent for Bajaj Allianz Life Insurance Company Limited and PNB MetLife India Insurance Company Limited for life insurance products and ICICI Lombard and IFFCO Tokio General Insurance for general insurance products. We distribute a range of insurance products, including term plans, unit linked insurance plans, guaranteed savings plan, motor insurance, fire insurance, health insurance, travel insurance and personal accident policies. We started distributing third-party life and general insurance policies in Fiscal 2019.

The table below sets forth our fees/remuneration received from Bancassurance for selling life insurance policies and non-life insurance policies and as a percentage of our total income for the Fiscals indicated.

	For the year ended					
	March 31, 2023		March 31, 2022		March 31, 2021	
	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income
Fees/remuneration received from Bancassurance for selling life insurance policies and non-life insurance policies	195.63	0.62%	148.74	0.69%	88.38	0.50%
Total income	31,415.72	100.00%	21,475.08	100.00%	17,684.21	100.00%

Other Services

<u>Pension Systems</u>

We act as one of the point of presence service providers in the country to provide services to subscribers of Atal Pension Yojna and the National Pension System introduced by Pension Fund Regulatory and Development Authority. The National Pension System is a pension and investment scheme launched by the Government to provide financial security to senior citizens. Atal Pension Yojna is a guaranteed pension product launched by the Government and it is primarily targeted towards the unorganised sector. Subscribers of Atal Pension Yojna receive a fixed minimum monthly pension when they turn 60, depending on the amount they contributed and when they became subscribers. We started distributing Government pension products in Fiscal 2019.

As at March 31, 2023, we had 614, or 87.71%, of our banking outlets acting as point of presence service providers.

<u>Safe Deposit Lockers</u>

We provide safe deposit lockers to our customers to store their valuables for a fee.

<u>Foreign Exchange Services</u>

We buy from and sell foreign currency to our customers. We also provide overseas money transfer services through an authorised dealer.

The table below sets forth our fees/remuneration from distributing pension products, income from locker rent and income from foreign exchange services and as a percentage of our total income for the Fiscals indicated.

	For the year ended					
	March 31, 2023		March 31, 2022		March 31, 2021	
	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income	Amount (₹ in million)	% of total income
Fees/remuneration from distributing pension products	2.83	0.01%	2.01	0.01%	0.94	0.01%
Income from locker rent	11.08	0.04%	8.87	0.04%	5.32	0.03%
Income from foreign exchange services	11.12	0.04%	9.24	0.04%	5.48	0.03%
Total income	31,415.72	100.00%	21,475.08	100.00%	17,684.21	100.00%

Bharat Bill Payment System

We offer our customers access to the Bharat Bill Payment System, which is a one-stop payment solution for all bills across India. It is an interoperable and accessible bill payment service for utility services and also other categories, such as education fees, insurance and municipal taxes. Customer can access the Bharat Bill Payment System via our website, mobile app and our banking agents.

Money Transfer Services

We provide our customers with a remittance service for transferring money on NPCI's Immediate Payment Service (IMPS), on the RBI's Real Time Gross Settlement (RTGS) system and on the National Electronic Funds Transfer (NEFT) system.

Aadhaar Seva Kendra Services

We have been onboarded by the Unique Identification Authority of India (UIDAI) as a Registrar and Enrolment Agency for providing Aadhaar enrolment/update services to citizens. We first operationalised Aadhaar Seva Kendra service in certain of our banking outlets in July 2020 and as at March 31, 2023, 95, or 13.57%, of our banking outlets were equipped with Aadhaar Seva Kendra services. Aadhaar Seva Kendra services include Aadhaar enrolment, downloading/printing of e-Aadhaar and updating of demographic information, such as name, date of birth, gender, mobile number, email address, and biometric information, such as a photo, fingerprints and iris scan.

Delivery Channels

We deliver our products and services through our business correspondents, banking outlets (including business correspondent-operated banking outlets), customer service centres (which are operated by business correspondents), banking agents, business facilitators, ATMs, ATM cum debit cards, mobile banking platforms, internet banking portals, unified payment interface facilities and SMS alerts.

As at March 31, 2023, we had 700 banking outlets (including 59 business correspondent-operated banking outlets), 743 customer service centres (which are operated by business correspondents), 20 business correspondents, 2,023 banking agents, 481 business facilitators and 528 ATMs. The map and table below shows our banking outlets, customer service centres and ATMs as at March 31, 2023.

ESAF
ESAF SMALL FINANCE BANK

Name of the State/ Union Territory	Banking Outlets	ATMs	CSCs
Andhra Pradesh	3	3	-
Assam	3	-	10
Bihar	10	6	12
Chhattisgarh	35	21	30
Gujarat	5	5	41
Haryana	6	2	5
Jharkhand	15	12	5
Karnataka	26	19	94
Kerala	304	271	25
Madhya Pradesh	68	41	90
Maharashtra	71	48	119
Meghalaya	1	-	-
New Delhi	9	8	1
Odisha	10	4	51
Rajasthan	9	2	36
Tamil Nadu	97	73	117
Telangana	4	4	-
Tripura	3	-	6
Union Territory Of Chandigarh	1	1	-
Union Territory Of Puduchery	3	1	1
Uttar Pradesh	9	2	30
Uttarakhand	3	1	6
West Bengal	5	4	64
Grand Total	**700**	**528**	**743**

Data as on 31st March 2023

Note: CSC means customer service centre.

Banking Outlets

Our banking outlets comprise our Branches (all of which we operate) and our business correspondent-operated banking outlets (in which we have some employees assisting with the operations). The table below sets forth the number of our Branches and our business correspondent-operated banking outlets as at the dates indicated.

Particulars	**As at March 31, 2023**	**As at March 31, 2022**	**As at March 31, 2021**
	(actual number, not in million)		
Number of Branches (all of which we operate)	641	573	550
Number of business correspondent-operated banking outlets (in which we have some employees assisting with the operations)	59	2	-
Total number of banking outlets	**700**	**575**	**550**

We intend to continue to increase the number of our banking outlets. For details, see "– *Our Strategies – Penetrate deeper into our existing geographies*" on page 162.

The table below sets forth the number of our banking outlets by in rural, semi-urban, urban and metro areas and as a percentage of our total banking outlets as at the dates indicated.

Banking Outlets	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Number of banking outlets (actual number, not in million)	**% of total banking outlets**	**Number of banking outlets (actual number, not in million)**	**% of total banking outlets**	**Number of banking outlets (actual number, not in million)**	**% of total banking outlets**
Rural	83	11.86%	73	12.70%	73	13.27%
Semi-urban	419	59.86%	336	58.43%	331	60.18%
Urban	123	17.57%	95	16.52%	82	14.91%
Metro	75	10.71%	71	12.35%	64	11.64%
Total	**700**	**100.00%**	**575**	**100.00%**	**550**	**100.00%**

As per the RBI's requirements, at least 25% of our banking outlets must be in unbanked rural centres. The table below sets forth the number of our banking outlets in unbanked rural centres and as a percentage of our total banking outlets as at the dates indicated.

Banking Outlets	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Number of banking outlets (actual number, not in million)	**% of total banking outlets**	**Number of banking outlets (actual number, not in million)**	**% of total banking outlets**	**Number of banking outlets (actual number, not in million)**	**% of total banking outlets**
Unbanked rural centres	187	26.71%	174	30.26%	172	31.27%
Total	**700**	**100.00%**	**575**	**100.00%**	**550**	**100.00%**

The following table sets forth our banking outlets by region and state/union territory as at dates indicated.

Geographical Distribution	**State / Union Territory**	**As at March 31,**					
		2023		**2022**		**2021**	
		Number of banking outlets (actual number, not in million)	**% of Total**	**Number of banking outlets (actual number, not in million)**	**% of Total**	**Number of banking outlets (actual number, not in million)**	**% of Total**
Eastern	Bihar	10	1.43%	7	1.22%	6	1.09%
	Jharkhand	15	2.14%	13	2.26%	13	2.36%
	Odisha	10	1.43%	3	0.52%	2	0.36%
	West Bengal	5	0.71%	4	0.70%	4	0.73%
	Meghalaya	1	0.14%	1	0.17%	1	0.18%
	Tripura	3	0.43%	-	-	-	-
	Assam	3	0.43%	1	0.17%	1	0.18%
	Subtotal	**47**	**6.71%**	**29**	**5.04%**	**27**	**4.91%**
Western	Gujarat	5	0.71%	5	0.87%	5	0.91%
	Maharashtra	71	10.14%	53	9.22%	47	8.55%

Geographical Distribution	State / Union Territory	As at March 31,					
		2023		2022		2021	
		Number of banking outlets (actual number, not in million)	% of Total	Number of banking outlets (actual number, not in million)	% of Total	Number of banking outlets (actual number, not in million)	% of Total
	Subtotal	**76**	**10.86%**	**58**	**10.09%**	**52**	**9.45%**
Northern	Chhattisgarh	35	5.00%	26	4.52%	24	4.36%
	Delhi	9	1.29%	8	1.39%	6	1.09%
	Madhya Pradesh	68	9.71%	42	7.30%	40	7.27%
	Rajasthan	9	1.29%	2	0.35%	1	0.18%
	Haryana	6	0.86%	2	0.35%	2	0.36%
	Uttar Pradesh	9	1.29%	1	0.17%	1	0.18%
	Uttarakhand	3	0.43%	-	-	-	-
	Chandigarh	1	0.14%	1	0.17%	1	0.18%
	Subtotal	**140**	**20.00%**	**82**	**14.26%**	**75**	**13.64%**
Southern	Andhra Pradesh	3	0.43%	3	0.52%	1	0.18%
	Telangana	4	0.57%	4	0.70%	2	0.36%
	Karnataka	26	3.71%	25	4.35%	23	4.18%
	Kerala	304	43.43%	279	48.52%	277	50.36%
	Puducherry	3	0.43%	2	0.35%	2	0.36%
	Tamil Nadu	97	13.86%	93	16.17%	91	16.55%
	Subtotal	**437**	**62.43%**	**406**	**70.61%**	**396**	**72.00%**
Total banking outlets		**700**	**100%**	**575**	**100%**	**550**	**100%**

Note:

* *Below round off limit.*

Business Correspondents

Our business correspondent entities are responsible for sourcing and servicing of customers for Microfinance Loans,and Other Micro Loans (we do not do this ourselves). Our business correspondents also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. In addition, our business correspondents are responsible for sourcing and servicing our banking agents. Our business correspondent entities act for us on a non-exclusive basis, As at March 31, 2023, 2022 and 2021, we had 20, 14 and 12 business correspondents, respectively.

We have two different models for our business correspondents and the compensation terms are based on different parameters. One model is where the business correspondent uses our Branch to operate from and the other model is where the business correspondent uses its own premise to operate from. By having a separate payment model for business correspondents that use their own premises to operate from, we are able to grow our business beyond areas where we currently do not have our own Branch without incurring any capital expenditure.

The name of each of our business correspondents and the last date of the term of the current agreement pursuant to which they act for us as a business correspondent are set forth in the table below.

S. No	Name of Business Correspondent	Last Date of the Term of the Agreement
1.	ESAF Swasraya Multi State Agro Co-operative Society Ltd (ESMACO)	December 31, 2028
2.	PAFT Inclusive Financial Services Private Limited	October 31, 2025
3.	Lahanti Lastmile Services Pvt Ltd	March 1, 2029
4.	Navachetana Microfin Services Pvt Ltd	October 16, 2024
5.	DVARA Kshetriya Gramin Financial Service Pvt Ltd	October 31, 2025
6.	Grameen Development & Finance Pvt Ltd	December 31, 2025
7.	Sumpurna Finance Service Pvt Ltd	January 9, 2027
8.	Adhikar	June 30, 2025
9.	Kamal Fincap Pvt Ltd	September 22, 2024
10.	Agora Microfinance India Ltd	June 30, 2024
11.	Dhanvarsha Finvest Ltd	Can be terminated by giving 90 days' notice
12.	Easy Home Finance Ltd	Can be terminated by giving 90 days' notice
13.	Loanzen Finance Pvt Ltd	Can be terminated by giving 15 days' notice
14.	Desiderata Impact Ventures Pvt Ltd (Progcap)	July 20, 2025
15.	Dhosa Chandaneswar Bratyajana Samity	May 23, 2027
16.	Grameen Shakti Microfinance Services Pvt Ltd	May 23, 2027
17.	Janakalyan Financial Services Pvt Ltd	July 7, 2027
18.	SHARE Microfin Ltd	July 19, 2027
19.	Samparna Business Correspondence Pvt Ltd	December 5, 2027
20.	WeGrow Financial Services Pvt Ltd	December 4, 2027

The tables below set forth our AUM sourced or serviced by our business correspondents and as a percentage of our AUMas at the dates indicated.

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	**% of total AUM**	**Amount (₹ in million)**	**% of total AUM**	**Amount (₹ in million)**	**% of total AUM**
AUM of Micro Loans sourced or serviced by business correspondents	122,548.83	75.04%	100,159.62	81.16%	71,452.80	84.80%
AUM of other loans sourced or serviced by business correspondents	6,221.16	3.81%	3,045.31	2.47%	-	-
Total AUM sourced or serviced by business correspondents	128,769.99	78.85%	103,204.93	83.63%	71,452.80	84.80%
Total AUM	163,312.65	100.00%	123,406.91	100.00%	84,259.30	100.00%

The table below set forth our deposits sourced by our business correspondents and as a percentage of our total deposits as at the dates indicated.

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	**% of total deposits**	**Amount (₹ in million)**	**% of total deposits**	**Amount (₹ in million)**	**% of total deposits**
Deposits sourced by our business correspondents	2,536.15	1.73%	2,145.14	1.67%	1,495.12	1.66%
Total deposits	146,656.25	100.00%	128,150.72	100.00%	89,994.26	100.00%

On March 10, 2017, we acquired the business of our Corporate Promoter through a Business Transfer Agreement dated February 22, 2017. Certain of our Corporate Promoter's employees were responsible for sourcing and servicing Micro Loan customers until February 28, 2017. We decided to use business correspondents for sourcing and servicing Micro Loans, which led to the employees responsible for servicing Micro Loan customers to get the opportunity to be engaged by ESMACO with effect from March 1, 2017. When our Bank was founded in 2017, our Corporate Promoter had decided to transfer its business undertaking to our Bank as per the licensing conditions of the RBI and the terms of the Business Transfer Agreement, pursuant to which the number of employees under our Corporate Promoter had to be reduced substantially, since our Corporate Promoter's operations would be reduced upon being converted into a core investment company. At the same time, we decided to use a business correspondent model to build our assets and business. Hence, all of the Corporate Promoter's then employees were given the choice to either move to our Bank subject to available vacancies and eligibility, or to move to other entities that had expressed their interest to employ them. ESMACO, which was then acting as a collection of agent under our Corporate Promoter, had also expressed its interest to employ experienced employees then working under our Corporate Promoter. Accordingly, 3,012, or 87.23%, of the 3,453 employees then working for our Corporate Promoter moved to ESMACO as per their choice and 331, or 9.59% of the 3,453 employees then working for our Corporate Promoter, moved to our Bank.

ESMACO entered into an agreement with our Bank to act as a business correspondent for our Bank with effect from March 10, 2017. Our Bank has an agreement with ESMACO to act as our business correspondent that is valid until December 31, 2028. Until January 2018, ESMACO was our only business correspondent. ESMACO focuses on promoting social and economic opportunities by conducting various programs, such as financial literacy programmes, livelihood training, environment education, skill development and healthcare programmes. ESMACO owns 63.49% of the equity shares in our Corporate Promoter, which owns 62.46% of the Equity Shares prior to the Offer.

The tables below set forth our gross advances sourced by ESMACO and as a percentage of our total gross advances and our deposits sourced by ESMACO and as a percentage of our total deposits as at the dates indicated.

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	**% of total gross advances**	**Amount (₹ in million)**	**% of total gross advances**	**Amount (₹ in million)**	**% of total gross advances**
Gross advances sourced or serviced by ESMACO	87,773.07	62.17%	91,131.33	75.12%	63,217.49	75.12%
Total gross advances	141,181.27	100.00%	121,306.43	100.00%	84,150.05	100.00%

	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	**% of total deposits**	**Amount (₹ in million)**	**% of total deposits**	**Amount (₹ in million)**	**% of total deposits**
Deposits sourced by ESMACO	2,247.74	1.53%	1,828.12	1.43%	1,264.76	1.41%
Total deposits	146,656.25	100.00%	128,150.72	100.00%	89,994.26	100.00%

Business Facilitators

We appoint business facilitators to generate product-specific leads from potential customers and collect relevant documentation from customers. We began using business facilitators to generate leads for advances in Fiscal 2019 and to generate leads for deposits in Fiscal 2023.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Number of business facilitators for sourcing customers for vehicle loans	198	145	49
Number of business facilitators for sourcing customers for mortgage loans	183	164	105
Number of business facilitators for sourcing customers for retail loans	65	-	-
Number of business facilitators for sourcing customers for MSME loans	35	4	-
Total number of business facilitators	481	313	154
Number of states and union territories with business facilitators	12 (inclusive of 2 union territories)	10 (inclusive of 2 union territories)	7 (inclusive of 1 union territory)

Banking Agents

Banking agents are third-party agents that provide banking services on behalf of our Bank from premises managed by themselves. Each banking agent has a POS terminal (also called a Micro ATM) installed on its premises and using this POS terminal it can offer (a) cash deposits, cash withdrawals, balance enquiries, and mini bank statements through debit cum ATM cards and the Aadhaar enabled payment system, (b) intrabank and interbank fund transfers through the Immediate Payment Service (IMPS) and the Aadhaar enabled payment system, and (c) the payment of bills using the Bharat Bill Payment System. We provide the software for the POS terminals to the banking agents through our business correspondents.

Our business correspondents are responsible for sourcing and servicing our banking agents.

Our banking agents serve unbanked and underbanked markets. In addition, banking agents are usually familiar with the customer base they have in their area. We began using banking agents in Fiscal 2021. We call our banking agents customer service points. The table below sets forth certain details of our banking agents as the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Number of banking agents (customer service points)	2,023	579	48
Number of states and union territories with banking agents (customer service points)	12 (inclusive of 1 union territory)	9 (inclusive of 1 union territory)	5

ATMs

As at March 31, 2023, we had 528 ATMs. Our ATMs are set up and operated by NCR Corporation India Pvt Ltd but are branded as our ATMs. The table below shows the number of our ATMs added during the Fiscals indicated and the number of ATMs as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
ATMs	528	386	318

We intend to continue to increase the number of our ATMs. For details, see "–*Our Strategies–Penetrate deeper into our existing geographies*" on page 162.

ATM cum Debit Cards

We offer Classic and Platinum RuPay branded ATM cum debit cards to our customers. The cards can be used to withdraw cash through our ATMs and the ATMs of any other bank in India and for purchase transactions at POS/online terminals in India. Platinum RuPay branded ATM cum debit cards also provide enhanced insurance coverage and access to certain airport lounges. We started distributing Platinum RuPay branded ATM cum debit cards in Fiscal 2020.

Internet Banking

We offer a suite of internet banking services, allowing our customers to conduct banking operations at any time, on any day and from anywhere in the world. Our internet banking services include fund transfers within our Bank, fund transfers to other banks, balance enquiry, bill payment, online payment for certain services, and the payment of direct and indirect taxes.

Mobile Banking

Mobile banking services help customers maintain a virtual connection with our Bank at all times. We currently offer a mobile banking application that connects with the National Payments Corporation of India's unified payments interface platform, thereby enabling our customers to pay bills, transfer funds to other banks instantaneously and use scan and pay facilities at merchant outlets. Our mobile application is compatible with both Android and iOS operating systems.

SMS & Missed Call Banking

We offer SMS & missed call banking services under our mobile banking solutions. Our customers can avail various services, such as balance enquiry, mini statement, cheque status checks, stop cheque request, debit card pin regeneration and change of primary account number, through an SMS to the dedicated mobile numbers allocated by us for this purpose. Our customers can avail services such as balance enquiry and mini statement through a missed call to the dedicated mobile number allocated by us for this purpose. All of our customers are enrolled for missed call banking service by default.

WhatsApp Banking

ESAF WhatsApp Banking offers customers a safe and secure platform to conveniently perform banking tasks through WhatsApp. This service enables easy interaction with our Bank, providing real-time support and a user-friendly interface. By leveraging WhatsApp's extensive reach and features, customers can manage their finances in an easier manner through simplified banking processes and as a result leading to enhanced customer satisfaction. The services include accessing information about our Bank and performing basic banking transactions, such as balance inquiries, mini statements, and cheque status checks.

Customer Service

We make use of both interactive voice responses systems and call centre agents to manage our customers' queries. Our call centre facility is available to our customers 24 hours per day, seven days per week. Our call centre agents are multi-lingual and can assist our customers in most languages spoken in areas where we operate. All calls made to our call centre are recorded and these recordings are made available to us for monitoring, quality control and reference purposes. Daily reports of all calls handled by our call centre are monitored by our Customer Service Quality department. Our call centre facility is managed by FIS.

The customer service quality department also conducts fortnightly review calls to discuss areas of improvement to ensure the efficient resolution of customer complaints. We undertake surveys from customers to obtain their feedback on the quality of our customer service.

Treasury Operations

Our treasury department is responsible for fund raising and asset liability management, minimizing the cost of our borrowings, liquidity management and control, managing interest rate risk and investing funds in accordance with the criteria set forth in our investment policy.

Risk Management

Risk Management Architecture

Our Bank has put in place a well-defined risk management architecture with the following key features:

- active Board and senior management overseeing risk management;
- appropriate policies, procedures and limits;
- comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks;
- appropriate management information systems at the business and bank-wide level; and
- comprehensive internal controls.

While the Board is responsible for overall governance and overseeing of core risk management activities, it has delegated authority to the Risk Management Committee of the Board for overseeing and review of the processes and practices of risk management, and further sub-delegated to the executive level Credit Risk Management Committee for managing credit risk; Operational Risk and Business Continuity Management Committee for managing operational risk and Business Continuity and the MR-ALCO for managing market risk, ALM risk, interest rate risk and liquidity risk. The Risk Management Committee approves and recommends to the Board for its review and approval, the policies, strategies and framework for management of risk. It ensures an appropriate risk organization structure with authority and responsibility clearly defined, ensuring the independence of risk management function.

The Risk Management Department is responsible for the formulation of risk policies and the Internal Capital Adequacy assessment Process ("**ICAAP**"), identifying risks, assessing its materiality, measuring the magnitude of each type of risk, formulating risk-capital linkages, suggesting appropriate controls and mitigations, conducting stress tests, identifying impact on key risk parameters, coordinating the implementation of risk management framework approved by the Board and periodical risk reporting.

The Risk Management Department is headed by the Chief Risk Officer, who is independent of all businesses and other functions, and reports to the Managing Director & Chief Executive Officer on administrative matters and to the Board of Directors through the Risk Management Committee of the Board, on functional matters. The Risk Management Department, in the process of identifying, measuring, monitoring and managing various risks, focuses on Credit Risk, Market Risk, Operational Risk, Transaction Monitoring, Information Security and Internal Financial Controls. Heads of the Credit, Market and Operational Risk Divisions report to the Chief Risk Officer. The Chief Information Security Officer reports to the Chief Risk Officer.

Various functional departments are responsible for devising and implementing suitable policies and processes for effective management of risks embedded in their respective functions, in consultation with the Risk Management Department. Business units are responsible for compliance of various policies and procedures stipulated by the Risk Management Department for effective implementation of risk management systems.

The Internal Audit Function cross verifies the risk management activities and results thereof through various systems of audits and inspections, pointing out deficiencies and shortfalls, if any, for rectification and compliance. Other important aspects of our risk architecture are:

- Segregation of duties across the 'three lines of defense' model, whereby business functions, risk management and compliance and internal audit roles are made independent of one another;
- Risk strategy is approved by the Board on an annual basis and is defined based on our risk appetite aligning risk, capital and performance targets;
- All major risk classes are managed through focused and specific risk management processes; these risks include credit risk, market risk, operational risk and liquidity risk. Policies, processes and systems are in place to enhance our risk management capability; and
- The risk function has appropriate representation on all management committees to ensure that risk view is factored into business decisions. Stress testing tools and escalation processes are established to monitor the performance against approved risk appetite parameters.

Our risk management activities are governed by various policy documents approved by the Board.

Credit Risk

Credit risk is defined as the possibility of losses due to default by the borrowers and/or reduction in the value of the portfolio due to deterioration of credit quality of borrowers or counterparties.

Credit risk management is the direct responsibility of the Credit Risk Management Committee. The Credit Risk Management Committee manages implementation of credit risk management framework and provides recommendations to the Risk Management Committee and the Board. It ensures implementation of Credit Risk Management Policy and procedures, as approved by the Risk Management Committee and the Board and recommends changes thereto, considering any changes in the regulatory instructions, business or economic conditions. It also monitors quality of the loan portfolio at periodic intervals, identifies problem areas and instructs business units with directions to rectify the deficiencies.

The Credit Risk Division of the Risk Management Department implements policies and processes for credit risk identification, assessment, measurement, monitoring and control. Credit risk appetite statements are drawn up with inputs from the business units, and credit risk parameters and credit exposure and concentration limits are set by the Board, based on regulatory guidelines. The Credit Risk Division constructs credit risk identification systems, monitors the quality of our loan portfolio, identifies problem credits and undertakes asset quality reviews with support from the business units and submits its analysis and reports to the Risk Management Committee on an on-going basis. The Credit Risk Division captures early warning signals in the loan portfolio for identification of weak exposures, suggests remedial measures and monitors the actions taken.

Market Risk Management

The Basel Committee on banking supervision defines market risk as the risk of losses in on- and off-balance sheet positions that arise from movement in market prices.

The primary components of market risk are discussed below.

Interest Rate Risk

Interest rate risk refers to fluctuations in our Net Interest Income and the value of our assets and liabilities arising from external and internal factors. Internal factors include the composition of assets and liabilities, borrowings, loans and investments, quality, maturity and interest rates. External factors cover general economic and monetary conditions. While the immediate impact of this risk is on Net Interest Income and the value of fixed income investments, in the long term, variations in interest rates affect our Net Worth, since the economic value of the assets, liabilities and off-balance sheet positions get affected.

Liquidity Risk

Liquidity refers to our ability to fund a decrease in liabilities or increase in assets and meet both cash and collateral obligations at a reasonable cost without adversely affecting our financial status. Liquidity risk arises when we are unable to meet such obligations. Liquidity risk is dependent on specific factors, such as maturity profile and composition of sources and uses of funding, the quality and size of the liquid asset buffer, and broader market factors, such as wholesale market conditions alongside depositor and investor behaviour. This type of risk may result in our failure to meet regulatory liquidity requirements, support normal banking activity or, at worst, cease to be an ongoing concern.

Market risk management is overseen and undertaken by the Market Risk Division of the Risk Management Department. The Division is responsible for the design and implementation of our market risk management and asset liability management systems. The Division is independent from business and trading units, and provides an independent risk assessment, which is critical to controlling and managing market risk. The Treasury Mid Office function is attached to the Market Risk Division of the Risk Management Department. The Mid Office prepares and analyses daily reports on various activities of Treasury Department. The Mid Office is responsible for independent market risk monitoring, measurement and analysis. The Mid office reports to the Chief Risk Officer.

The market risk management and asset liability management functions are handled by the MR-ALCO, the executive level committee headed by the Managing Director & Chief Executive Officer.

The major functions of the MR-ALCO with respect to managing risks in our banking and investment books include:

- design and implementation of effective market risk management and asset liability management framework;
- review of new directives and regulatory limits for market risk, interest rate risk and liquidity risk, monitoring and revising tolerance limits prescribed in the market risk management policy, with the approval of the Board;
- ensuring that our risk management strategies are aligned to the business strategies;
- determining the structure, responsibilities and controls for managing market risk and the liquidity positions; and
- ensuring independence in the working of the mid office and market risk functions.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic risk and reputational risk. While operational risk management is the responsibility of various functions and business units handling operational activities, it is overseen at executive level by the Operational Risk and Business Continuity Management Committee.

The Operational Risk and Business Continuity Management Committee mitigates operational risk by creation and maintenance of an explicit operational risk management process. It conducts detailed reviews of all operational risk exposures and focuses on all operational risk issues.

The Operational Risk and Business Continuity Management Committee reviews the risk profile to take into account future changes and threats, and concurs on areas of high priority and related mitigation strategies with different departments and business units. The committee ensures that adequate resources are being assigned to mitigate risks as needed, and communicates to business units and staff, the importance of operational risk management.

In addition to the Operational Risk and Business Continuity Management Committee, the Operational Risk Division also coordinates the functions of the Crisis Management and Quick Response Team, which is responsible for swift actions to address the business continuity issues in the event of the occurrence of a crisis.

Business continuity management and coordination of relevant activities are also the functions of the Operational Risk management team. Activities include building up understanding of the risk profile, implementing tools related to business continuity management, and working towards the goals of improved controls and lower risk.

We have operationalised the risk control and self-assessment process, which assesses the operational risks in various banking operations and the effectiveness of existing controls. We monitor key risk indicators on a quarterly basis for risk movements. Appropriate corrective action plans are initiated in case of adverse movement in risk levels. The operational risk management model facilitates risk and control assessments and scenario assessments, controls testing, investigation of incidents, tracking of issues and development of action plans. Each of these activities can be linked to the other activities in the system, thereby providing an integrated and centralised framework for collecting, managing and storing information on operational risks.

Information Security Risk and Cyber Security Risk

Overseeing of information security governance is the responsibility of the Information Security Governance Committee. The Information Security Governance Committee is an executive level committee headed by the Managing Director and Chief Executive Officer. The Information Security Governance Committee monitors, reviews, directs and manages our information security risk management system by establishing a robust information security risk management framework. This committee reports to the Board through the IT Strategy Committee of the Board and keeps the Board apprised of relevant risks that need attention.

Our information security policy and cyber security policy are approved and periodically reviewed by the Board. The Chief Information Security Officer is responsible for articulating and enforcing the policies that we use to protect our information assets for coordinating with relevant external agencies on the information security related issues. Our cyber security management functions are guided directly by the Board approved Cyber Security Policy and also by other related policies, including the Operational Risk Management Policy, Business Continuity Management Policy, Fraud Risk Management Policy and Information Security Policy.

Transaction Monitoring

We have controls and compliance mechanisms in place for ensuring that our customers do not include persons prone to money laundering and other financial crimes. The Transaction Monitoring team focuses on the following:

- risk categorization of customers at the time of account opening, and transaction monitoring measures that align with the risk categorization of our customers;
- maintenance of a compliance culture across the organization ensures that all our employees understand money laundering risks and the consequences of breaches in AML norms;
- effective implementation of our KYC and AML policy helps ensure that we are not used for money laundering or terrorist financing activities;
- development and maintenance of a comprehensive AML and CFT programme in line with the regulatory requirements;
- reporting on cash transactions above the limits specified, transaction involving receipts by non-profit organizations and transactions involving the use of forged or counterfeit currency notes to Financial Intelligence Unit India; and
- monitoring of transactions with the intention of identifying and preventing frauds and malpractices, using fraud monitoring systems.

Internal Financial Controls

Internal financial controls are the policies and procedures adopted by us to ensure orderly and efficient conduct of our business, including adherence to our policies, safeguarding of our assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. We have developed an internal financial control framework in line with the requirements prescribed by the Companies Act, 2013. We have an Internal Financial Control team in the Risk Management Department for implementing the internal financial controls. The Audit Committee of the Board oversees implementation of internal financial controls and submits a report to the Board. The Board confirms that the internal financial controls are adequate and operating effectively.

We have identified and documented risk control matrices incorporating all the major processes along with the key risks associated with them.

The Internal Financial Control team maintains repository of all process walk-through documents and the risk control matrices. Based on the risk assessment, processes are categorised into different risk categories for the purpose of determining testing frequency. Testing includes both the testing of design gaps as well as test of operating effectiveness. After certifications from heads of departments, the Chief Financial Officer certifies our internal financial control compliance and the same is disclosed in our annual report.

Material Risk Assessment

The Risk Management Department assesses on a quarterly basis and presents to the Board all the major risks faced by us and identifies the risks that are material through the ICAAP review document. Our policies and procedures provide specific guidance for the implementation of broad business strategies and establish, where appropriate, internal limits for various types of risks to which we may be exposed.

Material risks are those risks that impact our earnings, capital and people. A combination of the following qualitative and quantitative parameters is assessed to study the impact of a specific risk on us to check for materiality:

Earnings

Earnings include Net Interest Income and non-interest income. The assessment is forward looking and aligned to financial plans.

Capital

The material risk assessment exercise assesses the impact of adverse events on our capital requirements. This is mainly done through the stress testing exercise.

People

This criterion assesses the impact of different risk events on the staff, including staff morale, attrition rate, performance management, training and development and balancing business requirements with personal goals of employees.

ICAAP

As per the directives set out by the RBI, banks with varying levels of complexity in their operations shall be classified as 'simple', 'moderately complex' or 'complex' while formulating ICAAP. The objective of ICAAP is to ensure that we have adequate capital to support all risks found in our businesses as well as to develop and use better risk management techniques for monitoring and managing these risks. In accordance with the criteria outlined by the RBI, we have classified ourselves as 'Simple' bank, taking into account the nature and level of complexities of our business.

A comprehensive review of Pillar 1 and Pillar 2 risks is undertaken during each quarter. Pillar 1 risks comprise credit risks, market risks and operational risks. Pillar 2 risks include credit concentration risks, liquidity risks, interest rate risks, strategic risks, reputational risks, compliance risks, IT and cyber security risks, human resources risks, group risks, outsourcing risks, internal frauds and malpractices risks, governance risks, regulatory norms violation risks, settlement risks, legal risks, sustainability risks and process risks.

Risk Tolerance Levels and Risk Appetite Statement

Risk appetite is the level of risk that we are prepared to accept in pursuit of our business objectives, the level beyond which we do not intend to go. It represents a balance between the potential benefits and the threats. We have varying degrees of risk appetite for various types of risks defined under the Pillar I and Pillar II categories under Basel III norms. This has been established through our Risk Appetite Statement, which is approved by the Board. The risk appetite or tolerance levels include both qualitative and quantitative parameters.

Our business plans and Risk Appetite Statement are aimed at optimal capital position, defined by regulatory and internal ratios as well as optimal liquidity and funding management.

Stress Testing

Stress testing is done by the Risk Management Department on various parameters on a quarterly basis. Stress testing provides a means for estimating our risk exposure under stressed conditions enabling development of our choice of appropriate strategies for mitigating such risks (e.g., restructuring positions and developing appropriate contingency plans). It improves our understanding of our risk profile and facilitates monitoring of changes in that profile over time. It allows the Board and senior management to determine whether our risk exposures correspond to our risk appetite and evaluate our capacity to withstand stressed situations in terms of profitability and capital adequacy. The stress tests used by us include sensitivity analysis and scenario analysis. Sensitivity tests are used to assess the impact of change in one variable on our financial position and scenario tests include simultaneous moves in a number of variables based on historical or hypothetical events and assessment of their impact on our financial position.

We test a variety of scenarios of increasing NPAs, since credit quality generally tends to deteriorate during an economic downturn as borrowers begin to experience cash flow problems, which in turn affect servicing of debt, leading to possible deterioration in asset quality.

Liquidity risk stress tests are done on the parameters of 'baseline' (with respect to institution specific crisis), 'medium' (with respect to general market crisis) and 'severe' (with respect to combined scenarios).

We also conduct stress tests on interest rate risk using the economic value of equity approach. The economic value of equity approach analyses the long-term impact of changing interest rates on the market value of our equity or net worth under various scenarios. The economic value of our assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.

Business Continuity Planning

We rely on increasingly complex technology and business models to deliver our products. Technology based products include interconnected ATM networks, tele-banking, core banking solutions, a mobile banking application and internet banking solutions.

We have established a business continuity plan, which involves the creation and implementation of strategies that recognise threats and risks that we may be subject to, with a focus on the protection of personnel and assets, while maintaining continued operations in the event of a disaster. The process defines potential risks, measures their impact, designs safeguards and procedures to mitigate those risks, tests those procedures to ensure that they work, and executes the implementation part. These plans and processes are periodically reviewed to ensure that they are effective and functional.

We have an executive-level Crisis Management and Quick Response Team that is responsible for initiating immediate actions in the event of occurrence of a crisis and to guide the business units on steps to be taken to protect our assets and to ensure continuity of business. The Crisis Management and Quick Response Team is responsible for initiating remedial actions in case of any breakdown or failure of critical systems, occurrence of natural disasters or accidents or any other events affecting business continuity.

Information Technology

FIS provides us with a fully integrated banking and payments platform through a totally outsourced delivery model, which encompasses a core banking solution, risk management, domestic treasury management, analytics and the entire suite of payments services, which includes switching, debit card management services and ATM management for our ATMs. The service agreement between our Bank and FIS is dated June 10, 2016, which was renewed on January 1, 2022 and expires on December 31, 2026. Our Bank has the option to renew the agreement for a further period of three years on the same terms and conditions. We decided to outsource our IT requirements to FIS in order to minimise our upfront capital expenditure costs and avoid redundancy risk. We have rolled out FIS' core banking solution in all of our banking outlets. All of the accounts of our customers are on our core banking solution.

In addition, we use another software service provider for our Microfinance Loan business and Other Micro Loans business.

Our primary data centre is in Mumbai and our disaster recovery centre is in Hyderabad, both of which are operated by FIS.

For further information, see "*Risk Factors – Weaknesses, disruptions or failures in IT systems could adversely affect our business*" on page 50.

Marketing

To enhance our brand visibility, we advertise using banners, newspaper advertisements and billboards. We also have kiosks/umbrellas in crowd-pulling areas where our team members distribute leaflets. One of our major lead generation activities includes associating with local cultural organisations. We set up counters at events held by such organizations where our staff distributes leaflets and interact with potential customers. We also organise our own lead generating activities, such as health check-ups at our banking outlets or in nearby residential societies to connect with people. Furthermore, we use social media to promote our Bank.

Competition

The Indian finance industry is intensely competitive. We face intense competition in all our principal products and services.

Loans in the microfinance sector are provided by banks, SFBs, NBFC-MFIs, other NBFCs and non-profit organisations. Banks provide loans under the self-help group model. However, they also disburse 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. The RBI has awarded in-principle SFB licences to 12 applicants as of March 31, 2023, of which eight were MFIs. All the MFI applicants received final approval from the RBI to start operations. These 12 SFBs, including us, cumulatively accounted for approximately 13% of the total AUM of the industry as at March 31, 2023. (*Source: CRISIL MI&A Report*). Our AUM of Micro Loans was ₹122,548.83 million as at March 31, 2023, which represented 3.63% of the microfinance sector's (JLG portfolio) AUM of approximately ₹3.38 trillion as at March 31, 2023 as per the CRISIL MI&A Report. For further details, see "*Industry Overview – Competitive Dynamics*" on page 143.

Our competitors in the organised sector may have a better brand recognition, greater business experience, more diversified operations, a greater customer and depositor base, a larger branch network and better access to funding and at lower costs than we do. Furthermore, certain requirements that are applicable to SFBs in terms of the SFB Operating Guidelines and other banking laws and regulations are significantly more stringent in comparison to scheduled commercial banks and NBFCs. Ensuring compliance with these laws and regulations has and will continue to limit our revenue, thereby making it more difficult to compete with other players in the organised sector. For further details, see *"Risk Factors – We are subject to stringent regulatory requirements and prudential norms. If we are unable to comply with such laws, regulations and norms it may have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 36. In addition, we compete with informal sources of lending for microfinance loans, including moneylenders, landlords, local shopkeepers and traders.

On December 5, 2019, the RBI issued guidelines for on-tap licensing of SFBs, which allows applicants to apply for a SFB license at any time, subject to the fulfilment of certain eligibility criteria and other conditions. We expect this to increase competition for us. Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increases in operations of our existing competitors or the entry of additional banks offering a similar or wider range of products and services could also increase competition. Further, with the advent of technology-based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn adversely affect our results of operations. We also face competition from specialised fintech companies who could disrupt our origination, sales and distribution process.

Insurance

We maintain insurance policies that we believe are customary for banks operating in our industry. Our principal insurance policies are commercial general liability insurance, cyber risk insurance, standard insurance for fire and special perils, special contingency policy (electronic crime), group health insurance, bankers' indemnity, professional indemnity and directors' and officers' liability insurance. For more details on our insurance, see "*Risk Factors – If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have an adverse effect on our financial condition, results of operations and cash flows*" on page 58.

Intellectual Property

For details on our intellectual property, see "*Government and Other Approvals – Intellectual Property*", "*Risk Factors – We depend on our brand recognition. Negative publicity about our brand, third parties who use the "ESAF" brand, including our Corporate Promoter, and third parties whose products we distribute could damage our reputation and, in turn, our business, financial condition, results of operation and cash flows" and "Risk Factors – If we fail to successfully enforce our intellectual property rights or are unable to renew our trademark licencing agreement, our business, results of operations and cash flows would be adversely affected*" on pages 375, 45 and 46, respectively.

Employees

The following table sets forth the numbers of our employees, categorised by function, as at March 31, 2023:

Functions	Number of Employees
Audit	80
Administration and other support department	821
Microfinance business	40
Retail assets	139
Retail liabilities	3,838
MSME business	43
Financial institutions business	1
Agri business	72
Total	**5,034**

We believe our employees are one of our most important assets and that a content and happy workforce will deliver the joy of banking to our customers and drive our performance.

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

Each employee on-boarded has to mandatorily undergo a minimum of two weeks' training, which includes on-the-job training in Microfinance at our banking outlets. After on the job training at our banking outlets, they are given one week's residential induction training and also another week's training on core banking solution software.

We have facilitated a culture of self-learning for our employees by establishing an online learning portal, ESAF Small Finance Bank Online Academy. We conduct various topic-based trainings for our employees. We also have tie-ups with coaching institutes in multiple locations for approved certification courses at concessional fees for employees and we give incentives to those employees who pass those courses. We also regularly nominate senior staff to attend programmes arranged by certain financial educational institutes.

The table below sets forth the attrition of our Key Management Personnel and Senior Management Personnel (combined) and our employees during the Fiscals indicated and the number of our Key Management Personnel and Senior Management Personnel (combined) and our employees as at the dates indicated.

Particulars	As and for the year ended March 31,		
	2023	2022	2021
Attrition of Key Management Personnel and Senior Management Personnel (combined) during the year [A]	2	2	1
Attrition rate of Key Management Personnel and Senior Management Personnel (combined) [B = A/C] (%)	18.18%	20.00%	10.00%

Key Management Personnel and Senior Management Personnel (combined) as at the date indicated [C]	**11**	**10**	**10**
Attrition of employees during the year [D]	1,596	1,040	570
Attrition rate of employees [E = D/F] (%)	31.70%	25.11%	14.99%
Total employees as at the date indicated [F]	5,034	4,141	3,803

For more details, see "*Risk Factors - We are dependent on our Key Managerial Personnel, Senior Management Personnel and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows*" on page 57.

Properties

We do not own any real property. We lease our corporate office and registered office as well as 16 other offices. As at March 31, 2023, we leased/licensed 641 Branches. As at March 31, 2023, we had 528 ATMs, all of which are on leased/licensed premises.

The following table sets forth certain details with respect to the lease agreements our Bank has entered with related parties as of the date of this Draft Red Herring Prospectus.

Lease Agreement	Related Party	Details of Properties	Lease Amount For Fiscal 2023	Tenure	Escalation clauses
A building owned by ESAF Foundation (formerly known as Evangelical Social Action Form) located at Marayoor, Idukki District has been taken on lease by our Bank	ESAF Foundation	A building admeasuring 800 Sq. Ft. at Marayoor, Idukki District	₹0.24 million	10 years with effect from February 10, 2018	Increase at the rate of 5% per annum
Our Bank has taken on lease a property held by Lahanti Homes and Infrastructure Private Limited for functioning as the Registered and Corporate Office of our Bank	Lahanti Homes and Infrastructure Private Limited	Registered and Corporate Office	₹24.12 million	14 years with effect from April 1, 2017	Increase at the rate of 15% of the monthly rent paid every three years

Corporate Social Responsibility

We have adopted a Board-approved CSR policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014. We have established a Board-level CSR committee. Our CSR focus areas are education, healthcare, sanitation and livelihood development. We have entered into a memorandum of understanding dated of December 20, 2021 with ESAF Foundation (formerly known as Evangelical Social Action Forum), pursuant to which the ESAF Foundation provides services to us for the execution of CSR projects, including providing project proposals, timelines and budgetary estimates for CSR projects within our focus areas. The memorandum of understanding is valid for a term of four years. We have also entered into an agreement with Prachodhan Development Services dated August 29, 2022, pursuant to which it provides services to us for the execution of certain CSR projects. The agreement is valid for a term of four years.

In Fiscal 2023, the Board gave approval to our Bank to spend up to 5% of our average net profit for the immediately preceding three years on CSR activities. As per Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014, a company, meeting the applicability threshold, is required to spend at least 2% of its average net profits of the company made during the immediately preceding three financial years on CSR activities. If a company fails to spend the required amount, the board of the company in its report made under clause (o) of sub-section (3) of Section 134 of Companies Act, specify reasons for not spending the amount and transfer such unspent amount to a fund specified in Schedule VII of the Companies Act, 2013 within a period of six months from the end of the relevant financial year. Further, if a company defaults in complying with such provisions, it shall be liable to a penalty of twice the amount required to be transferred to such fund or the unspent corporate social responsibility account or ₹10 million rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred to such fund or the unspent corporate social responsibility account or ₹0.2 million, whichever is less.

The details with respect to our required minimum expenditure on CSR activities and our actual expenditure towards CSR activities for Fiscals 2023, 2022 and 2021 are set forth below:

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million)		
Amount required to be spent during the Fiscal Year, including deficit of the previous Fiscal Year, as per Section 135 of the Companies Act, 2013, read with Companies (Corporate Social Responsibility Policy) Rules, 2014 [A]	129.90(1)	128.20(2)	71.60
Amount spent during the Fiscal [B]	69.20	80.90	31.00
Excess/(deficit) of the amount required to be spent for the Fiscal [C] = [B] – [A]	**(60.70)**	**(47.30)**	**(40.60)**

Notes:

(1) Includes deficit of ₹47.30 million for Fiscal 2022.

(2) Includes deficit of ₹40.60 million for Fiscal 2021.

As at March 31, 2023, the deficit of the amount required to be spent on CSR was ₹60.70 million. With respect to the same, we paid ₹2.70 million before March 31, 2023 to our CSR implementation agency, i.e., ESAF Foundation, which is being utilised for ongoing projects and we transferred the balance amount of ₹58.00 million in "Unspent CSR Account" in Fiscal 2023 for spending over the following three Fiscals Years on ongoing CSR projects, pursuant to Sections 135(5) and 135(6) of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, in Fiscal 2023.

As at March 31, 2022, the deficit of the amount required to be spent on CSR was ₹47.30 million. With respect to the same, we paid ₹12.90 million before March 31, 2022 to our CSR implementation agency, i.e., ESAF Foundation, which is being utilised for ongoing projects and we transferred the balance amount of ₹34.40 million in "Unspent CSR Account" in Fiscal 2022 for spending over the following three Fiscal Years on ongoing CSR projects, pursuant to Sections 135(5) and 135(6) of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain key 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 operating as a small finance bank primarily serving the unserved and underserved, with a focus on financial inclusion. We deliver our products and services through our Branches and our business correspondents. Other services include ATMs, ATM cum debit cards, mobile banking platforms, SMS alerts, internet banking portals and unified payment interface facilities. 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 372.

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 other business 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 and in terms of RBI Master Direction DOR.HOL.No.95/16.13.100/2022-23 dated January 16, 2023 on Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 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 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, as amended, an existing shareholder who has already obtained prior approval of the 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. In terms of Section 17(2) of the Banking Regulation Act, 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. However, in terms of the RBI circular bearing number DBOD.BP.BC No. 31 / 21.04.018/ 2006-07 dated September 20, 2006, banks are advised in their own interest to take prior approval from the RBI before any appropriation is made from the statutory reserve or any other reserves.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund' (the "**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 credit balances or any deposit amount shall be credited to the Fund within a period of three months from the expiry of the said period of ten years. The bank shall be liable to repay a depositor or any other claimant at such rate of interest as may be specified by the RBI. In terms of the RBI circular bearing number DoR.DEA.REC.No.16/30.01.002/2021-22 dated May 11, 2021, rate of interest payable by banks to the depositors/claimants on the unclaimed interest bearing deposit amount transferred to the Fund shall be 3 per cent simple interest per annum.

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, director, chief executive officer or other officer or employee 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 which is not a subsidiary of the banking company, a company registered under Section 25 of the Companies Act, 1956, a government company, a subsidiary or a holding company of which any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which the director holds substantial interest; or (iv) any individual in respect of whom any of its Directors is a partner or a guarantor.

The RBI can impose penalties on banks, directors and its employees in case of infringement of regulations under the Banking Regulation Act. The 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. Banks are also required to disclose the penalty in their annual report.

The RBI Act, 1934 ("RBI Act")

The RBI Act provides a framework for supervision of banking companies 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, updated as on March 28, 2020 (the "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 licensed under Section 22 of the Banking Regulation Act. The SFB is required to use the words "Small Finance Bank" in its name. SFBs are governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, as amended, Deposit Insurance and Credit Guarantee Corporation Act, 1961, as amended, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The 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. Pursuant to a notification dated March 28, 2020, titled 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms ("**RBI March 28, 2020 Notification**"), the RBI revised certain requirements under the SFB Licensing Guidelines including, inter alia; (i) providing general permission to all existing SFBs to open banking outlets subject to adherence to unbanked rural centre norms as per RBI circular DBR.No.BAPD.BC.69/22.01.001/2016-17 dated May 18, 2017; (ii) exempting all existing SFBs from seeking prior approval of the RBI for undertaking such non risk sharing simple financial service activities, which do not require any commitment of own funds, after three years of commencement of business.

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. Promoters/ 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. Pursuant to the RBI March 28, 2020 Notification, the RBI clarified that the promoters of the existing SFBs could cease to be promoters or could exit from the bank after completion of a period of 5 years, depending on the RBI's regulatory and supervisory comfort/discomfort and SEBI regulations in this regard at that time.

3. **Scope of activities**: The 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 funds, 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. The 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 service activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. 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). A URC is a rural centre that does not have a core banking service-enabled 'banking outlet' of a scheduled commercial bank, an SFB, 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. In case of a conversion from NBFC/MFI, the SFB is allowed to preserve the advantages of the former structure for a period of three years from the date of commencement of their business, to align banking network with the extant guidelines. The existing structures would be treated as 'banking outlets' and would not be subjected to the 25% norm. However, for all new outlets opened or converted from the existing NBFC/MFI branches in a year shall be required to open at least 25% banking outlets in URCs. Further, there shall not be any restriction in the area of operations of a SFB, however, preference will be given to SFBs who are 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 the 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 the 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 the 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 the 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.*

* *Pursuant to the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021, RBI has provided that no intermediate sub-targets between five and 15 years may be required, however, at the time of issue of license, promoters may submit a dilution schedule while may be examined and approved by the RBI, the progress of which shall be periodically reported by the bank and shall be monitored by RBI. For further details, see " - Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021" below on page 200.*

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.

   The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. up to 74% of the paid-up capital of our Bank).

7. **Voting rights and transfer/ acquisition of shares**: The RBI Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023, provide that 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, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, 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%.

- An 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 an SFB wishes to transit into a universal bank, it will have to apply to the RBI for such conversion and fulfil the minimum paid-up capital / net worth requirement as applicable to universal banks and also comply with other criteria prescribed in this regard.

- 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 Bank 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 SFBs. 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 banking 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 entities being converted into SFBs, 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 and March 28, 2020. 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 These business correspondents 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 business correspondents 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.

d) **Marginal Cost of funds-based lending rate, other related regulations on interest rates and fair practice code for lenders:** 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 submission of information to Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Reserve Bank of India's Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification dated September 04, 2020, updated as on October 20, 2022 ("Priority Sector Lending Regulations")

The Priority Sector Lending Regulations have consolidated certain pertinent circulars pertaining to issued earlier, including the 'Master Direction on Priority Sector Lending – Small Finance Banks – Targets and Classification' dated July 29, 2019. The Priority Sector Lending Regulations apply to every commercial bank and primary (urban) co-operative bank other than salary earners' bank 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 Priority Sector Lending Regulations requires SFBs to have a target of 75% for PSL of their adjusted net bank credit or credit equivalent of off-balance sheet exposure. Further, for agriculture sector, micro enterprises and advance to weaker sections, the targets are 18%, 7.5% and 12% of the adjusted net bank credit respectively. The sub-target for small and marginal farmers is increased from 9.5% currently to reach 10% in phased manner by financial year ending 2023-24 and weaker section target from 11.5% currently to reach 12% in phased manner by financial year ending 2023-24. In addition, certain other changes were made such as change in definition of MSME in line with Government of India (GoI), Gazette Notifications S.O. 2347(E) dated June 16, 2021 and S.O. 2119 (E) dated June 26, 2020 read with circulars RBI/2021-2022/63 FIDD.MSME & NFS.BC.No. 12/06.02.31/2021-22 and RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time.

In pursuance to the press release on 'On-Tap Liquidity Window for Contact-Intensive Sectors' issued on June 4, 2021, the Priority Sector Lending Regulations were further amended on June 11, 2021 to provide for a separate liquidity window of ₹15,000 crore with tenors of up to three years at the repo rate till March 31, 2022 has been opened for certain contact-intensive sectors i.e., hotels and restaurants; tourism - travel agents, tour operators and adventure/heritage facilities; aviation ancillary services - ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organisers, spa clinics, and beauty parlours/saloons. Banks are expected to create a separate COVID loan book under the scheme. Banks desirous of deploying their own resources without availing funds from the RBI under the scheme for lending to the specified segments mentioned herein above will also be eligible for this incentive. Pursuant to the amendment dated August 2, 2022 (updated as on October 20, 2022), loans not exceeding ₹2 lakhs provided by the banks to the members of self-help groups/joint-liability groups for activities other than agriculture or MSME i.e., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by such groups are eligible for priority sector classification.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated October 9, 2020

The press release has now revised the limit for risk weight for regulatory retail portfolio to ₹7.5 from ₹5 crores, for individuals and small businesses with turnover up to ₹50 crore, in respect of all fresh as well as incremental qualifying exposures. Further, the RBI issued another circular – DOR.No.BP.BC.23/21.06.201/2020-21, dated October 12, 2020 clarified that the risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks up to the revised limit of ₹7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines.

In respect of payment and settlement systems, the Real Time Gross Settlement System ("**RTGS**") will be available 24x7 on all days with effect from December 14, 2020.

Lastly, the RBI issued notification – DOR. No.BP.BC.24/08.12.015/2020-21, dated October 16, 2020 titled "Individual Housing Loans – Rationalisation of Risk Weights" and Master Circular on Housing Finance dated April 03, 2023, to rationalise the risk weights for all housing loans, irrespective of the amount, sanctioned on or after October 16, 2020 and up to March 31, 2023, the risk weight shall be 35% if Loan To Value Ratio (**"LTV"**) is less than or equal to 80%, and 50% if LTV is above 80% but less than or equal to 90%.

Reserve Bank of India's Press Release 'Statement on Developmental and Regulatory Policies' dated February 5, 2021

As a measure during the peak of the COVID-19 pandemic, the cash reserve ratio ("**CRR**") of all banks was reduced by 100 basis points to 3.0 per cent of net demand and time liabilities ("**NDTL**") effective from the reporting fortnight beginning March 28, 2020 up to March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Banks would now be required to maintain the CRR at 3.5 per cent of NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.0 per cent of NDTL effective from fortnight beginning May 22, 2021 and further 4.5 per cent of NDTL effective from fortnight beginning May 21, 2022. Previously under the press release dated March 27, 2020 'Statement on Developmental and Regulatory Policies' banks were allowed to avail of funds under the marginal standing facility by dipping into the Statutory Liquidity Ratio ("**SLR**") up to an additional one per cent of NDTL, i.e., cumulatively up to 3 per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 and is now further extended up to September 30, 2021.

Pursuant to the notification dated February 5, 2021 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio ("**NSFR**")', the implementation of NSFR by banks in India had been deferred to April 1, 2021. While banks are comfortably placed on the liquidity front, in view of the continued stress on account of COVID-19, it has been decided to defer the implementation of NSFR to October 1, 2021. Currently it is implemented and stipulated at 100%.

Pursuant to the notification dated January 6, 2022 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio ("**LCR**"), Liquidity Risk Monitoring Tools and LCR Disclosure Standards and Net Stable Funding ratio – Small Business Customers', the threshold limit for deposits and other extensions of funds made by non-financial small business customers has been increased from ₹5 crore to ₹7.5 crore for the purpose of maintaining liquidity coverage ratio. This has been done with an objective to align these guidelines with the Basel Committee on Banking Supervision standards and to enable the banks to manage liquidity risk more effectively.

Pursuant to the notification dated April 17, 2020, as updated on April 18, 2022 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio', the banks are permitted to reckon government securities as Level 1 High Quality Liquid Assets ("**HQLAs**") under Marginal Standing Facility ("**MSF**") and Facility to Avail Liquidity for Liquidity Coverage Ratio ("**FALLCR**") within the mandatory SLR requirement up to 16% of their NDTL. Accordingly, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement will be 18% of NDTL (i.e. 2% of MSF plus 16% FALLCR).

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. SFBs will have a target of 75% for priority sector lending of their adjusted net bank credit. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein.

Press release issued by RBI on August 10, 2022 on digital lending and to implement the recommendations of the Working Group on Digital Lending ("WGDL")

The press release issued by RBI on August 10, 2022, aims to provide the regulatory stance of RBI on digital lending and to implement the recommendations of the Working Group on digital lending ("**WGDL**") including lending through online platforms and mobile applications.

In terms of the Press Release, digital lenders are classified into three groups:

a) Entities regulated by the RBI and permitted to carry out lending business;

b) Entities authorized to carry out lending as per other statutory/ regulatory provisions but not regulated by RBI;

c) Entities lending outside the purview of any statutory/ regulatory provisions.

All regulated entities, their lending service providers, digital lending apps of regulated entities, digital lending app of lending service provider engaged by regulated entities are the ones covered under the ambit of the category (b) above. For the entities in (c) above, the WGDL has suggested specific legislative and institutional interventions for consideration by the Central Government to curb the illegitimate lending activity being carried out by such entities.

Certain requirements that are mandatorily required to be followed by regulated entities, their lending service provider, digital lending apps of regulated entities, digital lending app of lending service provider engaged by regulated entities, are inter alia as follows:

a) Customer Protection and Conduct Requirements;

b) Technology and Data Requirements; and

c) Regulatory Framework.

Guidelines on digital lending issued by RBI on September 2, 2022 ("Guidelines on Digital Lending")

The guidelines issued by RBI on September 2, 2022 are applicable to digital lending extended by (a) all commercial banks, (b) primary (urban) co-operative banks, state co-operative banks, district central co-operative banks and (c) non – banking financial companies (including house finance companies).

The Guidelines on Digital Lending require, inter alia: (a) all loan disbursals and repayments to be executed only between the bank accounts of the borrower and the regulated entity without any pass-through/ pool account of the loan service provider or any third party; (b) all-inclusive costs of digital loans to be disclosed to the borrower; (c) a cooling-off period to be provided to borrowers, during which the borrowers can exit digital loans by paying the principal and the proportionate costs without any penalty; (d) the appointment of a nodal grievance redressal officer by loan service providers; and (e) reporting of loans to credit information companies. Additionally, the Recommendations have noted some issues for further examination by the RBI, which may be incorporated into the Guidelines on Digital Lending in the future.

In the Guidelines on Digital Lending, the RBI has also provided that regulated entities engaged in credit delivery through digital lending will have time until November 30, 2022 to comply with the lending norms for repeat and top up loans to existing digital lending customers.

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 ("RBI Compensation Guidelines")

The Financial Stability Board brought out a set of Principles titled 'The Financial Stability Board Principles for Sound Compensation Practices, 2009', dated April 2, 2009 ("**FSB Principles**") and Implementation Standards titled 'FSB Principles for Sound Compensation Practices-Implementation Standards', dated September 25, 2009 with an 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 have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision ("**BCBS**") which has published remuneration related reports and disclosure requirements. Pursuant to the stipulations in the reports and disclosure requirements published by BCBS, the RBI issued the RBI Compensation Guidelines which are based on the FSB Principles and are applicable to all private sector banks (including small finance banks) and foreign banks operating in India. 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. All applications for approval of appointment/re-appointment or approval of remuneration/revision in remuneration of whole-time directors/chief executive officers shall be submitted to the RBI with the details as prescribed in the guidelines. These guidelines shall be applicable for pay cycles beginning from/after April 1, 2020.

Further, pursuant to RBI clarification dated August 30, 2021 to the RBI Compensation Guidelines, it was clarified that share-linked instruments are required to be fair valued on the date of grant using Black-Scholes model and a clarificatory language was included to the guidelines in relation to the same. Additionally, pursuant to the Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, banks are required to make disclosure on remuneration of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers on an annual basis at the minimum, in their Annual Financial Statements in table or chart format for previous as well as the current reporting year. It was also clarified that private sector banks are also required to disclose remuneration paid to the non -executive directors on an annual basis at the minimum, in their annual financial statements.

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 (other than the Part-time Chairman), subject to bank making profits. Such compensation, however, shall not exceed ₹1.00 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 and other meetings. 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. Pursuant to the Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021, the private sector banks are also required to disclose remuneration paid to the non-executive directors on an annual basis at the minimum, in their annual financial statements.

Reserve Bank of India's Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021, updated as on February 20, 2023 ("Presentation and Disclosure Directions")

The Presentation and Disclosure Directions contain guidelines, instructions and directives on presentations and disclosures to enable banks to have the instructions on presentation and disclosure in financial statements at a centralised place. The directions specify the format of the balance sheet and profit and loss account, notes and instructions for compilation and mandatory disclosures in financial statements to supplement other regulatory disclosures. All commercial banks are mandated to segregate the credit entries outstanding for more than five years in the inter-branch account and transfer them to a separate blocked account. The directions also provide for the treatment of accounts, reserve funds, unreconciled balances, and other outstanding entries. Guidelines on specific issues with respect to accounting standards have been laid down *inter alia* with respect to revenue recognition, change in foreign exchange rates, related party disclosures and segment reporting. All commercial banks are required to make disclosure on remuneration of whole-time directors/ chief executive officers/ material risk takers on an annual basis at the minimum, in their annual financial statements in table or chart format for previous as well as the current reporting year.

Reserve Bank of India's Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016, updated as on November 12, 2021 ("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 have 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 is mandated. Pending creation of such a national infrastructure, bank and non-banking entities may enter into bilateral or multilateral arrangement for inter-bank settlements, with express permission from the RBI, unless such arrangements have been authorized by the RBI under the Payment and Settlement System Act, 2007.

Reserve Bank of India's Master Direction on Digital Payment Security Controls, 2021 dated February 18, 2021 ("Digital Payment Security Control Directions")

The Digital Payment Security Control Directions are applicable to entities regulated by the RBI, specifically, scheduled commercial banks (excluding regional rural banks), small finance banks, payment banks and credit card issuing NBFCs. The Directions were issued in recognition of the pre-eminent role played by digital payment systems in India. RBI therefore found it imperative to reinforce security controls around it. The Directions enable the abovementioned regulated entities to set up a robust governance structure for payment systems by providing for common minimum standards of security controls for channels including mobile banking, internet, card payments etc. It mandates the formulation of a policy for digital payment products and services covering key aspects including risk management and mitigation measures, compliance with regulatory norms, customer experience.

Reserve Bank of India's Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, updated as on May 10, 2021 ("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. The RBI, pursuant to a circular dated January 9, 2020 titled Amendment to Master Direction (MD) on KYC read with the amended KYC Directions dated April 20, 2020, has provided that all regulated entities shall develop an application to enable a Video based Customer Identification Process ("**V-CIP**") i.e. digital KYC process at customer touchpoints, of their customers. As per Notification dated May 10, 2021, V-CIP is an alternate method of customer identification through audio-visual interaction by an authorised official as prescribed. It also inserted directions for Regulated entities to assess 'Money Laundering' and 'Terrorist Financing' risk for clients, transactions or delivery channels, products, services etc. and take measures to mitigate the same on a risk-based approach. The outcome of this exercise shall be put up to the Board or any committee of the Board formed in this regard and shall be made available to competent authorities and self-regulating bodies.

Reserve Bank of India's Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated April 1, 2023 ("Master Circular on Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on April 1, 2023, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. Banks are required to establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs and shall not take into account the availability of security or net worth of the borrower/guarantor for the purpose of treating advance as an NPA or otherwise, except in the cases laid down in the Master Circular on Prudential Norms. The circular also specifies provisioning requirements specific to the classification of the assets. By virtue of the "Master Circular – Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" dated October 1, 2021, RBI has introduced an objective criterion for classification of assets of banks based on the period of non-performance, availability and realisable value of the security.

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 Circular on Automation of Income Recognition, Asset Classification and Provisioning processes in banks dated September 14, 2020

The RBI, pursuant to a circular dated August 4, 2011 advised banks, inter alia, to have appropriate IT system in place for identification of NPAs and generation of related data/returns, both for regulatory reporting and bank's own MIS requirements. In order to ensure the completeness and integrity of the automated asset classification (classification of advances/investments as NPA/NPI and their upgradation), provisioning calculation and income recognition processes, RBI under this circular advised banks to put in place / upgrade their systems latest by June 30, 2021. The circular extends the "coverage" to automated IT based systems, asset classification, calculation of provisioning requirements, income recognition/derecognition without any manual intervention. The circular also provides exceptions where the banks may resort to manual interventions/ over-ride the system based asset classification subject to the various conditions including two level authorisation, appropriate audit trials and subjected to audit by concurrent and statutory auditors. Further, the bank is required to maintain logs of such manual intervention/ over-rides for a minimum period of three years. Banks are allowed to draw up their own standard operating procedure for system based NPA classification. The circular provides baseline requirements for the NPA classification and banks are required to adhere to the instructions while designing and maintaining their system as a part of supervisory assessment. In case of non-compliance with the instructions suitable supervisory/enforcement action can be initiated against the concerned bank.

Reserve Bank of India's (Prudential Framework for Resolution of Stressed Assets) Directions 2019 dated June 07, 2019 ("Framework for Resolution of Stressed Assets")

The RBI laid down directions under the Framework for Resolution of Stressed Assets with a view to aid early recognition, reporting and time bound resolution of stressed assets. The framework provided for entails a stage wise resolution plan which includes (a) early identification and reporting of stress; (b) Implementation of resolution plan; (c) implementation conditions for the resolution plan; (d) delayed implementation of resolution plan.

Stressed assets shall be recognised by incipient stress in loan accounts immediately or default, by classifying such assets as special mention accounts which would further be categorised based on the number of days since the default has occurred. Following this, the resolution plan formulated by the Board of the Bank would become applicable.

Reserve Bank of India's Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019 ("On-Tap Licensing Guidelines")

The RBI had, post review of the performance of existing small finance banks, issued the Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated September 13, 2019, to encourage competition amongst small finance banks, and subsequently, post consideration of responses received, issued the On-Tap Licensing Guidelines on December 5, 2019. Pursuant to the On-Tap Licensing Guidelines, the following are eligible promoters: (i) resident individuals/ professionals (Indian citizens), singly or jointly, each having at least 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 from time to time), and have a successful track record of running their businesses for at least a period of five years. 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 from time to time), 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. Promoters/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 SFB. The 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. Further, the SFB is required to maintain a paid-up voting equity capital of ₹2,000 million, with certain exceptions, such as in case of SFBs which are transited from Primary (Urban) Co-operative Banks ("**UCBs**"), or converted from NBFCs/MFIs etc., for which the requirement is separately set out.

Further, promoters are required to hold a minimum of 40% of the paid-up voting equity capital of the 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 the SFB. Furthermore, 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.

Reserve Bank of India's Circular on Risk Based Internal Audit (RBIA) Framework – Strengthening Governance Arrangements dated January 07, 2021

Pursuant to the guidance note on Risk-Based Internal Audit dated December 27, 2002 issued by the RBI, under which it was required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others. In an effort to stay with the evolving best practices, under this circular, banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA). To bring in uniformity to the approach of the Internal Audit Function, banks are advised to follow directions given on, authority, stature and independence, competence, staff rotation, tenor for appointment of head of internal audit, reporting line and remuneration. Lastly, the internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual subject to the audit committee of the board being assured that such expertise does not exist within the audit function of the bank.

Reserve Bank of India's Master Direction – Call, Notice and Term Money Markets Directions, 2021, dated April 1, 2021, updated as on June 25, 2021

The RBI issued master directions for participating in call, notice and term money markets on April 1, 2021. The directions are applicable to banks as defined under the Banking Regulation Act. Under the directions, "banks" have been defined as banking company (including a payment bank and a small finance bank) or a regional rural bank, a corresponding new bank or State Bank of India or a cooperative bank as defined under the Banking Regulation Act. Under the directions, participants shall be eligible to participate in the call, notice and term money markets, both as borrowers and lenders. The term "participants" have been defined to include scheduled commercial banks (excluding local area banks), payment banks, small finance banks, regional rural banks, state co-operative banks, district central co-operative banks and urban co-operative banks (hereinafter co-operative banks), and primary dealers. Prudential limits for outstanding lending transaction shall be decided by the participants with the approval of their board within the regulatory framework of the exposure norms prescribed by the Department of Regulation of the RBI. Prudential limits for outstanding borrowing transactions for scheduled commercial banks have been specified as (i) 100% of capital funds, on a daily average basis in a reporting fortnight, (ii) 125% of capital funds on any given day for call and notice money and internal board approved limit within the prudential limits for inter-bank liabilities, for term money. Further, the directions also specify provisions for cancellation and termination of transaction, reporting requirements of call, notice and term money transactions and the obligations of persons or agencies dealing in the call, notice and term money markets, including eligible participants to provide information sought by the RBI.

Reserve Bank of India's Circular on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021

The RBI pursuant to issue of discussion paper on 'Governance in Commercial Banks in India' dated June 11, 2020, issued these instructions with regards to the chair and meetings of the board, composition of certain committees of the board, age, tenure and remuneration of directors, and appointment of the whole-time directors. The revised instructions are applicable to all the private sector banks including small finance banks and wholly owned subsidiaries of foreign banks. As per the circular, the chair of the board ('**Chair**') shall be an independent director and in the absence of Chair, the meetings of the board shall be chaired by an independent director. The circular also specifies the composition of various committees of the board including audit committee, risk management committee, and nomination and remuneration committee. The age and tenure and the remuneration of non-executive directors and tenure of managing director, chief executive officer and whole-time directors have also been provided. Further, to enable smooth transition to the revised requirements, banks are permitted to comply with these instructions latest by October 1, 2021. Specifically (i) the chair of board who is not an independent director on the date of issue of this circular is allowed to complete the current term as chair as already approved by the RBI and (ii) banks with MD & CEOs or WTDs who have already completed 12/15 years as MD & CEO or WTD, on the date these instructions coming to effect, are allowed to complete their current term as already approved by the RBI.

In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the bank may provide for payment of compensation to non-executive directors in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for non-executive directors, other than the Chair of the board, shall not exceed ₹2.00 million per annum.

Reserve Bank of India's Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021 ("Guidelines on Auditors")

The RBI issued the Guidelines on Auditors for appointment/re-appointment of SCAs/ SAs of the entities on April 27, 2021 superseding all the previous guidelines as annexed in the guidelines. The Guidelines on Auditors are applicable to commercial banks (excluding RRBs), UCBs and NBFCs including HFCs for financial year 2021-22 and onwards. UCBs and NBFCs shall have the flexibility to adopt the Guidelines on Auditors from second half of financial year 2021-22 in order to ensure that there is no disruption. Under the Guidelines on Auditors, Commercial Banks and UCBs will be required to take prior approval of RBI for the appointment of SCAs/ SAs on annual basis. It also specifies the maximum number of SCAs/ SAs to be appointed by the board based on the asset size of the entity. Entities are required to appoint audit firms as it SCAs/ SAs fulfilling the eligibility norms and independence of auditors requirements as prescribed under these directions. Other criteria's including eligibility for appointment based on the asset size of the entity being audited (as on March 31 of the previous year), professional standards for discharge of audit responsibilities, tenure and rotation, and audit fees and expenses for SCAs/ SAs have been provided. Each entity is required to formulate a board approved policy to be hosted on its official website/ public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs/ SAs.

Reserve Bank of India's Circular on Government Agency Business Arrangement – Appointment of Scheduled Private Sector Banks as Agency Banks of Reserve Bank of India dated May 10, 2021, updated as on December 15, 2021

The RBI issued a circular on appointment of scheduled private sector banks as agency banks of the RBI on December 15, 2021 in addition to the previous circular dated May 10, 2021. Pursuant to the circular, the scheduled payments banks and scheduled small finance banks have been made eligible to conduct government agency business. Any payment bank or small finance bank that intends to undertake the government agency business will be appointed as an agent of the RBI upon execution of an agreement with RBI, provided that the overarching regulatory framework prescribed for these banks including the condition that the concerned bank is not under Prompt Corrective Action framework or moratorium at the time of making the application or signing of the agreement with RBI, is complied with.

Reserve Bank of India's Guidelines on Authorised Dealer Category-I License Eligibility for Small Finance Banks dated August 8, 2022

The RBI pursuant to issue of the 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 and 'Guidelines for 'on-tap' Licensing of Small Finance Banks in Private Sector' dated December 5, 2019, issued that a small finance bank can also become Authorised Dealer Category-II in foreign exchange business for its clients' requirements. The RBI issued the guideline on eligibility of SFBs for Authorised Dealer Category-I license with an objective of giving more flexibility to SFBs to meet their customers' foreign exchange business requirement. In terms of the guidelines, all the scheduled SFBs, after completion of at least two years of operations as Authorised Dealer Category-II, will be eligible for Authorised Dealer Category-I license, subject to compliance with the eligibility norms as prescribed in the guidelines including *inter alia* that (i) the bank should have been included in the second schedule of the RBI Act, 1934; (ii) the bank should have a minimum net worth of ₹500 crore and its CRAR should not be less than 15%; (iii) the net NPAs of the bank should not exceed 6% during previous four quarters; and (iv) the bank should have made profits in the preceding two years; (v) the bank should not have defaulted in maintenance of CRR/SLR during the previous two years; (vi) the bank should not have any major regulatory and supervisory concerns; and (vii) should have a sound internal control system. The eligible SFBs are required to approach Foreign Exchange Department, Central Office, Reserve Bank of India with their applications along with the supporting documents with regard to their eligibility and requisite documents as prescribed in the guidelines.

Reserve Bank of India's Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions) dated August 25, 2021, updated as on December 8, 2022 ("Investment Portfolio Directions")

The Investment Portfolio Directions requires banks to frame a comprehensive investment policy which shall include the broad investment objectives to be achieved while undertaking investment transactions on their own investment account and on behalf of clients, securities in which investments can be made by the bank, derivatives in which the bank shall deal, the authority to put through deals, procedure for obtaining the sanction of the appropriate authority, procedure for putting through deals, adherence to various prudential exposure limits, policy regarding dealings through brokers, systems for management of various risks, and guidelines for valuation of the portfolio and the reporting systems to. The investment policy should strictly observe the detailed instructions from the RBI regarding Separate Trading of Registered Interest and Principal Securities (STRIPS), short sale in Central Government dated securities, government securities on 'when issued' basis, value free transfer of government securities, transaction through subsidiary general ledger account, repo in government securities, retailing of government securities, settlement of transactions in government securities, internal control systems, engagement of brokers and audit, review and reporting. The entire investment portfolio of the bank is required to be classified in three categories – (i) held to maturity; (ii) available for sale; and (iii) held for trading and banks shall have the freedom to shift investments among categories with the approval for their board of directors, once a year. Banks are required to undertake investment activities as per the terms and conditions specified in the Investment Portfolio Directions.

Reserve Bank of India's Master Direction on Cash Reserve Ratio and Statutory Liquidity Ratio dated July 20, 2021, updated as on April 6, 2022 ("CRR and SLR Directions")

The RBI has issued the CRR and SLR Master Directions on July 20, 2021. The CRR and SLR Master Directions are applicable to, amongst others, all scheduled commercial banks, small finance banks, payments banks and local area banks. In terms of the CRR and SLR Master Direction, the maintenance of CRR shall be reported to RBI under the following statutory returns, in form A return for scheduled commercial banks, regional rural banks, small finance banks, payments banks and local area banks. The maintenance of SLR shall be reported to RBI under the following statutory returns, in form VIII Return for scheduled commercial banks, small finance banks, payments banks and local area banks.

Reserve Bank of India's Master Direction on Transfer of Loan Exposures dated September 24, 2021, updated as on December 5, 2022 ("Master Direction on Transfer of Loan Exposures Directions")

The RBI issued the Master Direction on Transfer of Loan Exposures Directions on September 24, 2021. The Master Direction on Transfer of Loan Exposures Directions are applicable to all scheduled commercial banks, regional rural banks, primary (urban) co-operative banks, state co-operative banks and district central co-operative banks, all India financial institutions (NABARD, NHB, EXIM Bank & SIDBI), small finance banks and non-banking finance companies including housing finance companies. The Master Direction on Transfer of Loan Exposures Directions lay down the conditions for transfer of loans, including allowing transfer of loans by lenders to only certain permitted transferees. Further, the Master Direction on Transfer of Loan Exposures Directions lay down some requirements on all loan transfers, namely (i) having a board approved policy; (ii) transfer of economic interests without resulting in a change in underlying terms and conditions of the loan contract; (iii) clearly delineated roles and responsibilities of the transferor and the transferee; (iv) no credit enhancement or liquidity facilities in any form; (v) transferor cannot reacquire, except as a part of resolution plan under the Reserve Bank of India (Prudential Framework for Resolution for Stressed Assets) Directions, 2019; (vi) immediate separation of the transferor from the risks and rewards associated with loans; (vii) transferee to get right to transfer or dispose off the loans transferred; (viii) rights of obligors not to be affected; and (ix) monitor on an ongoing basis and in a timely manner performance information on the loans acquired, including through conducting periodic stress tests and sensitivity analyses, and take appropriate action required, if any.

Reserve Bank of India's Master Direction on Securitization of Standard Assets dated September 24, 2021, updated as on December 31, 2022 ("Master Direction on Securitization of Standard Assets Directions")

The RBI issued the Master Direction on Securitization of Standard Assets Directions on September 24, 2021. The Master Direction on Securitization of Standard Assets Directions will apply to all scheduled commercial banks, all-India term financial institutions, small finance banks, and non-banking finance companies. Securitisation involves transactions where credit risk in assets are redistributed by repackaging them into tradeable securities with different risk profiles which may give investors of various classes access to exposures which they otherwise might be unable to access directly. The Master Direction on Securitization of Standard Assets Directions aim to implement prudentially structured securitisation transactions to improve risk distribution and liquidity of lenders in originating fresh loan exposures. Further, the Master Direction on Securitization of Standard Assets Directions specify the Minimum Retention Requirement ("**MRR**") for different asset classes. For underlying loans with original maturity of 24 months or less, the MRR will be 5% of the book value of the loans being securitised. For those with original maturity of more than 24 months as well as loans with bullet repayments, the MRR shall be 10% of the book value of the loans being securitised. In the case of residential mortgage-backed securities, the MRR for the originator shall be 5% of the book value of the loans being securitised, irrespective of the original maturity. The Master Direction on Securitization of Standard Assets Directions also specified that the minimum ticket size for issuance of securitisation notes shall be ₹10 million.

Reserve Bank of India's Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 dated January 16, 2023 ("Master Directions on Acquisition")

The RBI issued the Master Direction on Acquisition and Holding of Shares or Voting Rights in Banking Companies on January 16, 2023. The Master Directions on Acquisition will apply to all banking companies including local area banks, small finance banks and payment banks operating in India. Any banking company intending to make an acquisition that will likely result in major shareholding in a banking company is required to take prior approval of the RBI. Banking companies shall also continuously monitor (a) its major shareholders, (b) applicants for whom comments have been provided and (c) applicants who have been approved by the RBI to have major shareholding to ensure that they are 'fit and proper'. The Master Directions on Acquisition also requires a banking company to put in place a mechanism to obtain information on any change in significant beneficial owner or acquisition by a person to the extent of 10 per cent or more of paid-up equity share capital of the major shareholder. Further, a mechanism shall be put in place to ensure that a major shareholder has obtained approval from the RBI. Additionally, it requires that the banking company shall report the details within 14 days of completion of the allotment process.

Reserve Bank of India's Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 ("Guidelines on Acquisition")

The Guidelines on Acquisition provide for the guidelines on the reporting requirements when any banking company intending to make an acquisition that will likely result in major shareholding in a banking company that will require prior RBI approval. Banking companies are required to make an application to the RBI in Form A and the applicant shall inform the banking company of any change in the information in the Form A or any other development which may have a bearing on the 'fit and proper' status. The Guidelines on Acquisition also prescribe limits on shareholding for promoter and non-promoter entities along with a lock-in of the acquirer's shares who holds 10 percent or more but less than 40 percent of the paid-up share capital of the banking company for a period of five years from the date of completion of acquisition and in case of an acquirer who is permitted to hold 40 percent or more of the paid-up share capital of the banking company, only 40 percent of the paid-up share capital held by such acquirer shall remain under lock-in for the first five years from the date of completion of acquisition without any encumbrances and an obligation to report details of any encumbrances on shares that are not locked-in. The Guidelines on Acquisition also requires promoters of the banking companies to reduce their shareholding to 26% of the paid-up equity share capital or voting rights after the completion of 15 years from the commencement of the business operations. During the period prior to the completion of the 15 years, the promoters may be allowed to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan submitted by the banking companies and approved by the RBI with such conditions as it deems fit. Further, it provides the ceiling on voting rights as well.

Reserve Bank of India's Master Circular on Bank Finance to Non-Banking Financial Companies dated April 3, 2023. ("Master Circular on Bank Finance to NBFCs")

The RBI, pursuant to its Master Circular on Bank Finance to NBFCs dated April 1, 2022, specified the criteria for bank finance to NBFCs registered with RBI, to NBFCs not requiring registration and factoring companies. The Master Circular on Bank Finance to NBFCs will apply to all scheduled commercial banks. Further, the Master Circular on Bank Finance to NBFCs aims to lay down the RBI's regulatory policy regarding financing of NBFCs by banks.

For bank finance to NBFCs registered with RBI, the ceiling on bank credit linked to net owned fund of NBFCs has been withdrawn. Accordingly, banks may extend need based working capital facilities as well as term loans to all NBFCs registered with RBI and engaged in infrastructure financing, equipment leasing, hire-purchase, loan, factoring and investment activities. Banks may also extend finance to NBFCs against second-hand assets financed by them. Banks may also formulate suitable loan policy with the approval of their boards of directors within the prudential guidelines and exposure norms prescribed by the RBI to extend various kinds of credit facilities to NBFCs.

For NBFCs not requiring registration with RBI, banks may take their credit decisions on the basis of usual factors like the purpose of credit, nature and quality of underlying assets, repayment capacity of borrowers as also risk perception, etc.

In relation to bank finance for factoring companies, banks can extend financial assistance to support the factoring business of factoring companies, which comply with the following criteria, namely (i) companies that qualify as factoring companies and carry out their business under the provisions of the Factoring Regulation Act, 2011; (ii) they derive at least 50 per cent of their income from factoring activity; (iii) the receivables purchased / financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 50 per cent of the assets of the factoring company; (iv) the assets / income referred to above would not include the assets / income relating to any bill discounting facility extended by the factoring company; and (v) the financial assistance extended by the factoring companies is secured by hypothecation or assignment of receivables in their favour.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹2.00 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, as amended ("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, dated July 24, 2018 ("Repo Directions") amended as on November 28, 2019

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, units of Debt Exchange Traded Funds 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 Reserve Bank 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 and integrated Banking Ombudsman Scheme, 2021 (collectively, the "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. Further, the Reserve Bank of India, being satisfied that it is in public interest to do so, and to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by it, integrated the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 into the Reserve Bank - Integrated Ombudsman Scheme, 2021 (the Scheme) which covers all the financial institutions regulated by it.

Prevention of Money Laundering Act, 2002, as amended ("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.

In view of transactions in virtual currencies, RBI pursuant to a notification - DOR. AML.REC 18 /14.01.001/2021-22 dated May 31, 2021, titled "Customer Due Diligence for transactions in Virtual Currencies", notified banks to continue carrying out customer due diligence processes in line with regulations governing standards for KYC, Anti-Money Laundering, Combating of Financing of Terrorism and obligations of regulated entities under PMLA in addition to ensuring compliance with FEMA for overseas remittances.

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 ₹2 crore as on February 29, 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.

Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated November 26, 2021

The internal working group of the RBI, constituted to review the extant guidelines on ownership and corporate structure in private sector banks, approved certain recommendations of the internal working group. The consequential amendments in the respective circulars/ master directions/ licensing guidelines will be carried out and notified by the RBI in due course. However, during the interregnum, all stakeholders may be guided by these decisions. The recommendations include: (i) an increase in the cap of promoters' stake in the long run in private sector banks from 15% to 26% of the paid-up voting equity share capital, for the period post competition of the initial lock-in; (ii) removal of requirement for achievement of intermediate sub-targets for dilution of the promoter shareholding post completion of the 5 year mandatory promoter lock-in period until completion of 15 years; (iii) cap of 10% for non-promoter shareholding held by natural persons and all non-financial institutions/entities and 15% for non-promoter shareholding held by all categories of financial institutions/ entities, supranational institutions, public sector undertakings or government; and (iv) benefit to be given to existing banks in case of relaxation of rules under new licensing guidelines, however, if new rules are tougher, legacy banks should also confirm to new tighter regulations, subject to the transition path being finalised in consultation with affected banks to ensure compliance with new norms in a non-disruptive manner.

Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package, dated April 7, 2021

The notification is pursuant to the Supreme Court of India has pronounced its judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. ("Judgement") and other connected matters on March 23, 2021. Commercial banks, including small finance banks shall immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the Judgement. The reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the 'COVID-19 regulatory packages' dated March 27, 2020 (DOR.No.BP.BC.47/21.04.048/2019-20) and May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). Lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.With respect to the asset classification, in order to comply with the Judgement, (i) in respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in Master Circular on Prudential Norms (given above) or other relevant instructions as applicable to the specific category of lending institutions (**IRAC Norms**); (ii) in respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular 'COVID19 Regulatory Package - Asset Classification and Provisioning' dated April 17, 2020 (DOR.No.BP.BC.63/21.04.048/2019-20) read with the circular COVID-19 – Regulatory Package dated May 23, 2020 (DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

Resolution Framework for COVID-19-related Stress – Financial Parameters – Revised timelines for compliance dated August 6, 2021

Certain revisions were allowed by the RBI to lending institutions for finalising the resolution plans in respect of eligible borrowers under Part B of the Annex to the Resolution Framework for Covid-19 related stress issued on August 6, 2020 by the RBI. In view of the resurgence of the Covid-19 pandemic in 2021 and recognising the difficulties it may pose for the borrowers in meeting the operational parameters, it has been decided to defer the target date for meeting the specified thresholds in respect of the four operational parameters, viz. Total Debt / EBIDTA, Current Ratio, Debt Service Coverage Ratio and Average Debt Service Coverage Ratio, to October 1, 2022. The target date for achieving the ratio Total Outside Liabilities / Adjusted Tangible Net Worth, as crystallised in terms of the resolution plan, shall remain unchanged as March 31, 2022.

Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses, dated May 5, 2021, as amended

The lending institutions, in light of Covid-19 are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard. The threshold for aggregate exposure concerning the resolution of advances to individuals and small business is ₹50 Crores as per the RBI notification DOR.STR.REC.20/21.04.048/2021-22, dated June 4, 2021. The Resolution Framework 2.0 additionally permits lending institutions to review working capital sanctioned limits and / or drawing power based on reassessment of the working capital cycle, reduction of margins etc. without it being termed or treated as restructuring. Further, disclosures and credit reporting as prescribed hereunder need to be adhered to including quarterly financial statements, modified borrower accounts, aggregate exposure of lending institutions and annual financial statements.

Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022 (the "Microfinance Loans Directions")

The RBI issued the Microfinance Loans Directions in order to provide a uniform lending framework for all entities engaged in microfinance lending. The Microfinance Loans Directions come into effect from April 01, 2022, subject to certain exceptions as provided under the Microfinance Loans Directions.

The Microfinance Loans Directions are applicable to the following entities ("**REs**"):

(i) All commercial banks (including small finance banks, local area banks, and regional rural banks) excluding payment banks;

(ii) All primary (urban) co-operative banks /state co-operative banks/district central co-operative banks; and

(iii) All non-banking financial companies (including microfinance institutions and housing finance companies).

Definition of Microfinance Loans

The directions define microfinance loan as a collateral-free loan given to a household having annual household income up to ₹300,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children. Further, all collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹300,000, shall be considered as microfinance loans.

Assessment of Household income

As per the Microfinance Loans Directions, each entity shall put in place a board-approved policy for assessment of household income. Further, it prescribes that the SROs and other associations/ agencies may also develop a common framework based on the indicative methodology and the REs may adopt/ modify this framework suitably as per their requirements with approval of their boards. Each RE shall also mandatorily submit information regarding household income to the Credit Information Companies (CICs).

Limit on Loan Repayment Obligations of a Household

The Directions provide that each entity shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income, which shall be subject to a limit of maximum 50% of the monthly household income. With respect to existing loans or which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50%, shall be allowed to mature.

However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50% is complied with.

Pricing of Loans

Each RE is required to have a board approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following: (i) a well-documented interest rate model/ approach for arriving at the all-inclusive interest rate; (ii) delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters; (iii) the range of spread of each component for a given category of borrowers; and (iv) a ceiling on the interest rate and all other charges applicable to the microfinance loans. Further, each RE is required to disclose such pricing related information to the prospective borrower in a standardized factsheet in the manner provided under the Microfinance Loans Directions and the borrower shall not be charged any amount which is not explicitly mentioned in the factsheet. Interest rates and other charges/ fees on microfinance loans should not be usurious and be subjected to supervisory scrutiny by the RBI. In this regard, the REs shall also prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. This information shall also be included in the supervisory returns and be subjected to supervisory scrutiny.

It is also provided that there shall be no pre-payment penalty on microfinance loans and penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount. Further, any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

Guidelines on Conduct towards Microfinance Borrowers

The directions prescribe certain guidelines for the entities which among other things, include, that putting up a fair practices code by the RE, a standard form of loan agreement for microfinance loan in the language understood by the borrower, issuance of non-credit products with full consent of borrowers, guidelines on training of staff, responsibilities for outsourced activities, guidelines related to recovery of loans and engagement of recovery agents. Further, each RE shall provide a loan card to the borrower which shall incorporate certain prescribed information including the effective interest rate.

Qualifying Asset Criteria

Under the Microfinance Loans Directions, the definition of 'qualifying assets' of NBFC-MFIs has now been aligned with the definition of 'microfinance loans' given above. The minimum requirement of microfinance loans for NBFC-MFIs is also revised to 75% of the total assets. Further, the maximum limit on microfinance loans for NBFCs other than the NBFC-MFIs has been revised to 25% of the total assets.

Framework for acceptance of Green Deposits dated April 11, 2023 ("Green Deposit Circular")

Pursuant to the Green Deposit Circular, the RBI has introduced framework to encourage acceptance of green deposits and mobilization of resources towards green activities. Additionally, the Green Deposit Circular also requires the regulated entities to put in place a comprehensive board-approved policy and financing framework to ensure effective allocation of green deposits. The allocation of proceeds raised from green deposits shall strictly be done to specific activities prescribed within the regulations as such allocation is subject to third-party verification

FOREIGN INVESTMENT LAWS

The foreign investment in our Bank is governed by, *inter alia,* the FEMA, as amended, the FEMA Regulations, the Consolidated FDI Policy Circular of 2020 ("**FDI Policy**") effective from October 15, 2020, 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 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 approval route beyond 49% and up to 74%). This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by 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 are restricted to 5% of the total paid-up capital both on a repatriation and a non-repatriation basis and the aggregate limit cannot exceed 10% of the total paid-up capital both on a repatriation and a non-repatriation basis. However, NRI holdings can be allowed up to 24% of the total paid-up capital both on a repatriation and a non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.

Further, in the case of FPIs, individual FPI holding is restricted to below 10% of the total paid-up capital of the company, aggregate limit for all 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, until March 31, 2020 (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. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

The aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e. automatic up to 49% and government route beyond 49% and up to 74%). 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 among others, shares of a private bank, if such acquisition results in any person owning or controlling 5% or more of the paid-up capital or voting rights of the private bank will apply to non-residents 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.

Foreign Trade Policy ("Policy 2023")

The GoI released the Policy 2023 which comes into effect from April 1, 2023, to promote exports and facilitate ease of doing business for exporters. The Policy 2023 is based on four pillars: (i) Incentive Remission, (ii) Export promotion through collaboration, (iii) Ease of doing business, and (iv) Emerging areas. The Policy 2023 moves away from an incentive regime to a facilitative one, based on technology and principles of collaboration. It codifies implementation mechanisms in a paperless, online environment. The Policy 2023 has also identified 4 new towns to the present 39 towns that have priority access to export promotion funds and will also be able to avail common service provider benefits for export fulfillment. Further, exporter firms with 'status' based on export performance will now be partners in capacity building initiatives. Additionally, the Policy 2023 aims to build partnerships with state government, places emphasis on the export control regime, relaxes import duty of raw materials and has introduced provisions for merchanting trade.

DATA PROTECTION AND PRIVACY LAWS

The Digital Personal Data Protection Bill, 2022 (the "DPDP Bill" or the "Bill")

The Ministry of Electronics and Information Technology released the new DPDP Bill on November 18, 2022. Once passed and codified, the DPDP Bill will replace the existing data protection provision (Section 43A) of the IT Act. The Bill seeks to balance the rights of individuals to protect their personal data with the need to process personal data for lawful and other incidental purposes. All data fiduciaries, determining the purpose and means of processing personal data, are mandated to provide an itemised notice in plain and clear language containing a description of the personal data sought to be collected along with the purpose of processing such data. The DPDP Bill further provides that where consent is the basis of processing personal data, the data principal providing the consent, may withdraw such consent at any time. Data principals will have the right to demand the erasure and correction of data collected by the data fiduciary. Any data processed prior to such withdrawal shall be considered lawful.

The Bill introduces the concept of 'deemed consent' in instances where the data principal provides personal data (i) to the data fiduciary voluntarily, (ii) for performance of function under any law, or service or benefit to the data principal, (iii) in compliance with a judgment or order, (iv) responding to medical emergency involving threat to life or immediate threat to health of the data principal or any other individual, (v) for provision of medical treatment or health services during an epidemic, outbreak of diseases or any other public threat to public health, (vi) for taking measures to ensure safety during any disaster or any breakdown of public order, (vii) for purposes related to employment including prevention of corporate espionage, maintenance of confidentiality of trade secrets, intellectual property, classified information, recruitment, termination of employee, or (viii) in public interest as defined in the Bill.

It further imposes certain obligations on data fiduciaries including (i) implementation of technical and organisational measures to ensure compliance, (ii) adopting reasonable security safeguards to prevent personal data breach, (iii) ensuring that personal data processed is accurate and complete, (iv) informing the Data Protection Board of India (the "**Data Protection Board**") regarding any personal data breach, (v) deleting or removing personal data no longer in use or necessary for legal or business purposes, (vi) publishing the business contact information of the data protection officer, (vii) implementing a grievance redressal mechanism to redress grievances of data principals, and (viii) processing of data under a valid contract. The Bill provides for the rights and duties to be complied with the data principals. The Bill provides for exclusive jurisdiction of grievances to the Data Protection Board, with a recourse to alternate dispute resolution mechanisms. Any form of non-compliance shall attract financial penalty as prescribed in Schedule I of the Bill, not exceeding rupees five hundred crore in each instance.

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:

- Income Tax Act 1961, as amended by the Finance Act in respective years;
- Central Goods and Service Tax Act, 2017 and various state-wise legislations made thereunder;
- Indian Stamp Act, 1899 and various state-wise legislations made thereunder;
- State-wise legislations in relation to professional tax; and
- The Foreign Account Tax Compliance Act (FATCA).

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;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Equal Remuneration Act, 1976;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Industrial Disputes (Banking and Insurance Companies) Act, 1949;
- Employee's Compensation Act, 1923;
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- The Industrial Employment (Standing Orders) Act,1946;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013;
- Maternity Benefit Act, 1961, the state-wise acts and rules made thereunder as amended; and

- Shops and Establishment Act 1963, the state-wise acts and rules made thereunder.

In order to rationalize and reform labour laws in India, the Government of India has framed four labour codes, namely:

a) The Industrial Relations Code, 2020 received the assent of the President of India on September 28, 2020 and it proposes to subsume three existing legislations, namely, the Industrial Disputes Act, 1947, the Trade Unions Act, 1926 and the Industrial Employment (Standing Orders) Act, 1946. The provisions of this code will be brought into force on a date to be notified by the Central Government.

b) The Code on Wages, 2019 received the assent of the President of India on August 8, 2019 and proposes to subsume four existing laws namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. The Central Government has notified certain provisions of the Code on Wages, mainly in relation to the constitution of the advisory board and other provisions of this code will be brought into force on a date to be notified by the Central Government.

c) The Occupational Safety, Health and Working Conditions Code, 2020 received the assent of the President of India on September 28, 2020 and proposes to subsume certain existing legislations, including the Factories Act, 1948, the Contract Labour (Regulation and Abolition) Act, 1970, the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The provisions of this code will be brought into force on a date to be notified by the Central Government.

d) The Code on Social Security, 2020 received the assent of the President of India on September 28, 2020 and it proposes to subsume certain existing legislations including the Employee's Compensation Act, 1923, the Employees' State Insurance Act, 1948, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961, the Payment of Gratuity Act, 1972, the Building and Other Construction Workers' Welfare Cess Act, 1996 and the Unorganised Workers' Social Security Act, 2008. Section 142 of the Code on Social Security, 2020 has been brought into force from May 3, 2021 by the Ministry of Labour and Employment through a notification dated April 30, 2021 and other provisions of this code will be brought into force on a date to be notified by the Central Government.

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;
- 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 (Updated as on June 10, 2021);
- Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 (Updated as on September 16, 2022);
- 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;
- Circular on Outsourcing of Financial Services – Responsibilities of regulated entities employing Recovery Agents, dated August 12, 2022;
- 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 Aadhar 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 Settlements Systems Act, 2007, Companies Act, 2013 and various intellectual property and environment protection related legislations and other applicable statutes, rules, regulations, notifications, circular, policies and guidelines for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Corporate Promoter, was granted the RBI In-Principle Approval to establish an SFB, on October 7, 2015. Our Bank was incorporated as 'ESAF Small Finance Bank Limited' on May 5, 2016 at Thrissur, Kerala, as a public limited company under the Companies Act, 2013, and was granted a certificate of incorporation by the RoC. Our Bank was thereafter granted the RBI Final Approval vide license no. MUM:124, to carry on business as an SFB, on November 18, 2016.

Subsequently, our Corporate Promoter transferred its business undertaking comprising of its lending and financing business to our Bank pursuant to the Business Transfer Agreement dated February 22, 2017 (described in more detail below). Our Bank commenced its business as an SFB on March 10, 2017. Our Bank became a scheduled bank pursuant to a notification bearing no. DBR.NBD.(SFB-ESAF).No.4083/16.13.216/2018-19 dated November 12, 2018 issued by the RBI and published in the gazette of India (Part III-Section 4) dated December 22 – December 28, 2018, as per which our Bank was included in the second schedule to the RBI Act.

Changes in the Registered and Corporate Office

Except as disclosed below, there has been no change in the Registered and Corporate Office of our Bank since the date of incorporation.

Date of change	Details of change in the Registered and Corporate Office	Reasons for change
October 1, 2018	From Hepzibah Complex, Second Floor, No. X/109/M4, Mannuthy P.O., Thrissur 680 651, Kerala, India to Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy P.O., Thrissur 680 651, Kerala, India	Administrative convenience

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

"1. To establish and 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 depositors, repayable on demand or otherwise, and withdraws by cheque, draft, order or otherwise in any part of India or outside India.

2. To undertake all banking activities of acceptance of deposits from the depositors and lending to the borrowers including to small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

3. To undertake non-risk sharing financial services activities such as distribution of mutual fund units, insurance products, pension products, etc.

4. To carry on the business of an authorised dealer in foreign exchange business in respect of the customer's requirements.

5. To carry on business of accepting deposits of money from the depositors, repayable on demand or otherwise, and withdraws by cheque, draft, order or otherwise.

6. 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 or 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 circulars 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;*

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 banking company to engage.*

7. *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.*

8. *To carry on the business of mutual fund distribution, equipment leasing and hire purchase.*

9. *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, reinsurance and risk management as an insurance agent or otherwise as may be permitted under law.*

10. *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.*

11. *To carry on and transact the business of giving guarantees and counter guarantees and indemnities whether by personal covenant or by mortgaging or charging all or any part of the undertaking, property or assets of the company, both present and future wherever situate or in any other manner and in particular to guarantee the payment of any principal moneys, interest or other moneys secured by or payable under debentures, bonds, debenture-stock, mortgages, charges, contracts, obligations and securities, and the repayment of the capital moneys and the payment of dividends in respect of stocks and shares or the performance of any such other obligations.*

12. *To carry on the business of setting up a payment and settlement system in accordance with the Payment and Settlement Systems Act, 2007, and to support, provide informational and transactional facilities and solutions to consumers for making payments for all goods and 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
December 12, 2019	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹4,500,000,000 divided into 450,000,000 Equity Shares of ₹10 each to ₹6,000,000,000 divided into 600,000,000 Equity Shares of ₹10 each
June 13, 2018	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹3,500,000,000 divided into 350,000,000 Equity Shares of ₹10 each to ₹4,500,000,000 divided into 450,000,000 Equity Shares of ₹10 each
January 27, 2017	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹1,100,000,000 divided into 110,000,000 Equity Shares of ₹10 each to ₹3,500,000,000 divided into 350,000,000 Equity Shares of ₹10 each

Date of Shareholders' resolution/ Effective date	Particulars
May 17, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹1,000,000 divided into 100,000 Equity Shares of ₹10 each to ₹1,100,000,000 divided into 110,000,000 Equity Shares of ₹10 each

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
2023	• Launched Rainbow Savings Account exclusively for the transgender community • Opened 700th branch • Authorized to deal in foreign exchange by the RBI by virtue of the Authorized Dealer – Category I license issued by the RBI • Launched WhatsApp Banking • Implemented e-signature for Micro Loan disbursals
2022	• Crossed a customer base of 6.00 million • Gold Loan Portfolio crossed 10,000 million • Opened 150 unbanked rural centres
2021	• Banking business (advances and deposits) crossed over ₹150,000 million
2020	• Crossed 500 Branches in aggregate
2019	• Crossed 400 Branches in aggregate • Banking business (advances and deposits) crossed over ₹100,000 million
2018	• Crossed 2.00 million borrowers • Bank became a member of the Global Alliance for Banking on Values • Received RBI approval for maintaining non-resident rupee account • Inclusion of our Bank in the second schedule of the RBI Act • Selected by the GoI for Atal Pension Yojana • Crossed 100 Branches in aggregate
2017	• Commenced our banking operations
2016	• Received RBI Final Approval for commencement of banking operations • Incorporation of our Bank

Key awards, accreditations and recognitions received by our Bank

Calendar Year	Awards/Accreditations/Recognitions
2023	• 'Excellence in Customer Service and Product Distribution' Award at the Eastern India Micro Finance Summit
2022	• 'Small Finance Bank of the Year' certification at the IBS India Banking Summit and Awards 2022 • 'Rising Category: Banking' Award at the Prestigious Brand Asia Awards presented by BARC Herald Global • 'Financial Inclusion by Small Finance Bank' Award by HSBC
2021	• Semi Finalist at the SKOCH Award 2021 in the category 'Financial, Digital Inclusion and Education' • 'Great Place to Work' certification for March 2021- February 2022 by the Great Place to Work Institute, India • ISO 9001:2015 certification no. IN92405A valid from April 8, 2021 to April 7, 2024 by LMS Certification Private Limited for our: (i) customer service quality initiatives; (ii) regulatory and statutory reporting of the customer service quality department; (iii) customer grievance redressal mechanism; and (iv) customer service call center monitoring.
2020	• 'Global Sustainability Award 2020' for outstanding achievements in sustainability management by the Energy and Environment Foundation
2019	• Dhanam 'Kerala Bank of The Year – 2019' award • 'Banking Gold' SKOCH Award for Access and Affordable Banking Services for Financially Underserved Areas • Diversity & Inclusion Excellence Awards 2019 – first runner up under the category 'Best Employer for Women (in Large Category)' by ASSOCHAM India • Best Performance Award 2018-19 under the SHG – Bank Linkage Programme by NABARD, Kerala Regional Office
2018	• MSME Banking Excellence Awards 'Special Jury Award for Serving MSMEs' by Chamber of Indian Micro Small & Medium Enterprises • Finalist at the 9th European Microfinance Award 'Inclusive Finance through Technology' and recognition for the Bank's range of back and front end digital solutions for staff and clients alike • Recognition for implementing outstanding initiatives in the category 'Positive External Image Building' by MFIN Microfinance Awards 2018: In Pursuit of Excellence • Perform for Pride FY 2018-19 'Best Performing Branch - Kattapana' under the Atal Pension Yojana by PFRDA • 'Banking & Finance Gold' SKOCH Award for Financial Inclusion for All

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 of borrowings

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 and strategic partners

As of the date of this Draft Red Herring 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 157.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last ten years

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 ten years preceding the date of this Draft Red Herring Prospectus:

Our Bank and our Corporate Promoter have entered into the Business Transfer Agreement, pursuant to which the business undertaking of our Corporate Promoter comprising of its lending and financing business, was transferred to our Bank. For further details, see " – *Key terms of other subsisting material agreements*" on page 209.

Holding Company

As of the date of this Draft Red Herring Prospectus, our Bank has no holding company.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Joint Venture

As of the date of this Draft Red Herring Prospectus, our Bank has no joint ventures.

Shareholders' agreements and other agreements

Key terms of subsisting shareholders' agreements

Shareholders agreement dated July 27, 2018 entered into amongst PNB MetLife India Insurance Company Limited ("PNB"), Bajaj Allianz Life, Muthoot Finance Limited ("Muthoot"), PI Ventures, our Promoters and our Bank, read along with the deeds of adherence, each dated September 27, 2018, signed by ESMACO, ICICI Lombard General Insurance Company Limited ("ICICI Lombard"), Yusuffali Musaliam Veettil Abdul Kader ("Yusuffali Kader" and collectively with PNB, Bajaj Allianz Life, Muthoot, PI Ventures, ESMACO, ICICI Lombard and George Ittan Maramkandathil are referred to as the "Investors", and such shareholders agreement the "Bank SHA"), as amended by the waiver cum amendment agreement dated July 7, 2023 ("SHA Amendment Agreement")

Our Bank, our Promoters and the Investors have entered into the Bank SHA to govern their *inter-se* rights and obligations in the Bank. Pursuant to the terms of the Bank SHA, the Investors are entitled to certain rights including *inter-alia* information rights; anti-dilution rights; and pre-emptive rights until the completion of an initial public offer by the Bank. Further, pursuant to the terms of the Bank SHA, Investors are not permitted to transfer or subscribe to Equity Shares in breach of the ceiling limit on shareholding specified in the Master Direction – Ownership in Private Sector banks, Directions, 2016 dated May 12, 2016 and/or transfer or subscribe to Equity Shares which along with the shareholding of related parties, subsidiaries, associates, affiliates etc. exceeds 4.99% of the total share capital of the Bank, unless permitted by the Bank, subject to receipt of requisite approvals, including but not limited to RBI approval. Further, Investors and Promoters are subject to certain transfer restrictions. Further, the Promoters are entitled to a right of first offer in case of transfer of Equity Shares by Investors and the Investors are entitled to tag along rights in case of transfer of Equity Shares by the Promoters of the Bank. Pursuant to the Bank SHA, 30% of the total Shares offered pursuant to the Offer are required to be reserved for an offer for sale of Equity Shares held by the Investors and Promoters. Promoters are entitled to participate in the offer for sale within the reserved percentage in proportion to their existing shareholding in our Bank, and Investors (holding less than 5%) will be entitled to offer within the reserved percentage which should be 125% of their proportionate holding in the existing shareholding of our Bank. The Bank SHA will terminate upon a shareholder ceasing to hold Equity Shares, or upon the occurrence of an event of default at the option of the non-defaulting party, or with the mutual consent of the parties to the Bank SHA.

The parties to the Bank SHA have entered into the SHA Amendment Agreement, which is effective from the date of this Draft Red Herring Prospectus, and shall remain in effect until the earlier of: (i) the long stop date, i.e., the last date on which the observations issued by the SEBI on this DRHP filed by the Bank in relation to the Offer are valid, or such extended cut-off date for the Offer as may be mutually agreed in writing among the Parties, if the consummation of the Offer has not happened by such date; (ii) consummation of the Offer; or (iii) the date on which the Board and the Investors jointly decide not to undertake the Offer ("**Term**"). Pursuant to the SHA Amendment Agreement, each party has agreed to waive its rights in terms of the financial statements, business plan and other information disclosure rights, under the Bank SHA from the date of filing of this Draft Red Herring Prospectus until the expiry of the Term. However, parties are entitled to receive all financial information pertaining to the Bank post listing which the Bank has disclosed to stock exchanges or otherwise made available in the public domain, subject to the approval by shareholders by special resolution post listing and trading of the Equity Shares of our Bank. Further, each Party has agreed to waive *inter alia*, its anti-dilution rights, transfer and exit rights (subject to compliance with the exit provisions in connection with the Offer), for the duration of the Term. The Bank SHA will stand automatically terminated upon consummation of the Offer i.e. date of receipt of final listing and trading approvals from the Stock Exchanges for commencement of trading of the Equity Shares pursuant to the Offer. In the event that the Offer is not completed on or prior to the long stop date, or if the Board and Investors jointly decide not to undertake the Offer, the SHA Amendment Agreement shall stand immediately and automatically terminated with effect from the long stop date or the date on which the Board and the Investors jointly decide not to undertake the IPO, without any further action by any Party and the provisions of the Bank SHA shall be deemed to have been in force during the period between the execution date and the date of termination of the SHA Amendment Agreement, without any break or interruption whatsoever.

Shareholders agreement dated December 23, 2019 entered into amongst our Corporate Promoter, Kadambelil Paul Thomas, George Thomas acting in his capacity as the trustee of ESAF Staff Welfare Trust ("Trust"), ESMACO, SIDBI Trustee Company Limited ("SIDBI Trustee"), Dia Vikas Capital Private Limited ("Dia Vikas" and collectively with SIDBI Trustee and Dia Vikas referred to as "Investors in the Corporate Promoter") ("Corporate Promoter SHA") as amended by the amendment agreement to the Corporate Promoter SHA dated March 29, 2021 ("Corporate Promoter SHA Amendment Agreement") and the letter amendment agreement dated June 26, 2023 ("Letter Amendment Agreement")

Our Corporate Promoter, Kadambelil Paul Thomas, the Trust, ESMACO and the Investors in the Corporate Promoter have entered into the Corporate Promoter SHA to govern their *inter-se* relationship, rights and obligations with respect to their respective investments in Corporate Promoter and the operation, administration, management and certain matters in connection therewith.

Pursuant to the Corporate Promoter SHA, the parties to the Corporate Promoter SHA have acknowledged that the Bank is required to undertake an initial public offering which may include a pre-IPO placement of Equity Shares on or prior to March 31, 2022 and have *inter-alia* provided their no objection to the Offer (including Pre-IPO Placement). The Corporate Promoter has agreed that upon successful completion of the Offer, the Corporate Promoter shall: (i) undertake a buy-back of its shares in accordance with applicable law from the amount received from the Offer for Sale of its Equity Shares and such buy-back shall be computed in the manner set out in the Corporate Promoter SHA; and (ii) file an application before the NCLT along with its shareholders for the cancellation and reduction of a portion of shares of the Corporate Promoter in consideration for which the Corporate Promoter has agreed to transfer a certain portion of its Equity Shares of the Bank to the Investors in the Corporate Promoter in such proportion as agreed to in the Corporate Promoter SHA as per the formula set out therein. The reduction of capital of the Corporate Promoter and the transfer of its Equity Shares of the Bank to the Investors in the Corporate Promoter shall be subject to applicable laws and receipt of the order of the NCLT approving such reduction of capital. Further, the transfer of Equity Shares of the Bank to Investors in the Corporate Promoter shall be subject to applicable law (including in compliance with the lock-in obligations prescribed under the SEBI ICDR Regulations) and receipt of the order of the NCLT approving such reduction in capital. Separately, in the event that the Offer is successfully completed but application for reduction of shares of the Corporate Promoter is rejected by the NCLT, the Bank may, in mutual agreement with Investors, make an application to the NCLT for reduction of shares in consideration of cash, in accordance with the Companies Act, 2013. In the event that the Offer is not completed within the specified timeline i.e., October 19, 2022, the Investors in the Corporate Promoter are, amongst other things, entitled to exercise a put option and require our Corporate Promoter, Individual Promoter or ESMACO to buy-back or redeem or purchase the shares held by the Investors in the Corporate Promoter. Upon the occurrence of an event of default as set out in the Corporate Promoter SHA, which are not remedied within the prescribed time periods, the Investors in the Corporate Promoter may be entitled to transfer their shareholding to any third party without offering the Individual Promoter a right of first refusal.

The parties to the Corporate Promoter SHA have entered into the Letter Amendment Agreement to amend to provide that the Offer will be completed on or prior to March 31, 2024 subject to all conditions mentioned therein being complied with.

Key terms of other subsisting material agreements

Our Bank has not entered into any other subsisting material agreements, including with strategic partners, joint venture partners, and/or financial partners, other than in the ordinary course of business.

Deed of assignment dated February 16, 2017 entered into between the Corporate Promoter and ESAF Enterprise Development Finance Limited ("EEDFL" and such deed of assignment be referred to as "Assignment Deed")

Our Corporate Promoter and EEDFL entered into the Assignment Deed pursuant to the RBI In-Principle Approval, which amongst other conditions, required that the lending activities of EEDFL be folded into the SFB before the date of commencement of business of the SFB. Accordingly, pursuant to the Assignment Deed, EEDFL transferred its entire portfolio of loan assets, and sold the loans and receivables as defined in the Assignment Deed, along with the underlying securities to the Corporate Promoter and exited such line of business completely; and the Corporate Promoter purchased the said loans and receivables along with the underlying securities on the terms and conditions sets out in the Assignment Deed for a purchase consideration aggregating to ₹8.34 million.

Agreement to sell business undertaking dated February 22, 2017 entered into between the Corporate Promoter and our Bank ("Business Transfer Agreement")

Upon receipt of the RBI Final Approval on November 18, 2016, our Promoter, the Corporate Promoter entered into the Business Transfer Agreement with our Bank, pursuant to which the business undertaking of the Corporate Promoter comprising of the lending and financing business of the Corporate Promoter ("**Business Undertaking**") together with, *inter-alia*, all the assets, liabilities, rights, title, interest, obligations, risks and rewards relating to and arising out of the Business Undertaking was transferred to our Bank as a going concern on a slump sale basis for a lump sum purchase consideration of ₹70.00 million on March 10, 2017 ("**Transfer Date**"). The purchase consideration for the Business Undertaking has been discharged partly by way of cash (i.e., ₹20.00 million) and partly pursuant to the issue of 4,901,960 Equity Shares by our Bank to the Corporate Promoter at an aggregate issue price of ₹10.20 per Equity Share, aggregating to ₹50.00 million. For further details, see "*Capital Structure*" on page 82.

Pursuant to the Business Transfer Agreement, the entire legal and beneficial ownership including all the gains and losses accruing thereof, and the interest of the Corporate Promoter in the Business Undertaking was transferred to us with effect from the Transfer Date and our Bank is the full and undisputed owner of the Business Undertaking with effect from the Transfer Date. However, all gains and losses accruing to the Business Undertaking up to and including the financial closing date immediately preceding the Transfer Date will be accounted to the Corporate Promoter.

Pursuant to the Business Transfer Agreement, all legal proceedings in relation to the Business Undertaking, pending as on the Transfer Date or in respect of which, the cause of action had arisen on or prior to the Transfer Date, shall continue to be managed by the Corporate Promoter and all claims, liabilities, obligations etc., arising out of such legal proceedings shall be borne by the Corporate Promoter. Further, all legal proceedings in relation to the Business Undertaking, in respect of which, the cause of action has arisen post the Transfer Date, shall be managed by our Bank and all claims, liabilities, obligations etc., arising out of such legal proceedings shall be borne by our Bank. In terms of the Business Transfer Agreement, our Corporate Promoter is liable for all tax liabilities and entitled to all tax refunds pertaining to the Business Undertaking which accrue to our Corporate Promoter up to March 9, 2017, (including such sums received by our Bank or the Corporate Promoter post March 9, 2017). Further, our Bank is liable for all tax liabilities and entitled to all tax refunds pertaining to the Business Undertaking which accrue to our Bank, from (and including) March 10, 2017, in relation to the tax liabilities assumed by our Bank, including service tax.

Further, simultaneous with the transfer of the Business Undertaking, the employees of the Corporate Promoter along with connected costs and obligations, as of the financial closing date have been transferred to our Bank. Pursuant to the Business Transfer Agreement, the employees of the Corporate Promoter were transferred to our Bank subject to vacancies and eligibility. In addition to the non-convertible debentures of the Corporate Promoter which were transferred to us, all the loans, securitization transactions, direct assignments, business correspondent arrangements and other obligations and liabilities that form part of the Business Undertaking have been novated by the Corporate Promoter in our favour, and we have assumed all rights, obligations and liabilities in connection therewith. As per the terms of the Business Transfer Agreement, we are liable to satisfy and discharge all transferred debts and liabilities pertaining to or arising out of the Business Undertaking on or after the Transfer Date and to fulfil any pending contracts or engagements pertaining to the Business Outstanding which are pending as on the Transfer Date. Pursuant to the Business Transfer Agreement, the Corporate Promoter has agreed to indemnify us from and against claims not forming part of the Business Undertaking that are imposed on us, and we have agreed to indemnify the Corporate Promoter from claims relating to the Business Undertaking which are imposed upon it, on and after the Transfer Date.

Deposit transfer agreement dated March 7, 2017 entered into between ESMACO and our Bank ("Deposit Transfer Agreement")

ESMACO and our Bank entered into the Deposit Transfer Agreement pursuant to the RBI In-Principle Approval, which amongst other conditions, required ESMACO to cease accepting any fresh deposits and transfer all deposits to our Bank before the date of commencement of business of the Bank. Pursuant to the Deposit Transfer Agreement, ESMACO agreed to facilitate the transfer its accounts and the outstanding deposit amount aggregating to ₹877.62 million, to our Bank on the closing date, i.e., March 10, 2017. In consideration of ESMACO facilitating such transfer, our Bank agreed to pay ESMACO a facilitation fee of ₹100 per depositor or ₹50 million, whichever is lower.

Deed of assignment dated March 9, 2017 entered into between ESMACO and our Bank ("ESMACO DOA")

ESMACO and our Bank entered into the ESMACO DOA pursuant to the RBI In-Principle Approval, which, amongst other conditions, required ESMACO to fold and discontinue its lending activities. Pursuant to the ESMACO DOA, ESMACO agreed to cease and exit the business of lending and has agreed to sell, assign, transfer, convey and release all loans and receivables together with all the rights, benefits and interest under and in relation to the loan agreements to the Bank for a purchase consideration aggregating to ₹309.98 million.

Subscription agreement dated July 27, 2018 entered into between our Bank and PNB MetLife India Insurance Company Limited ("PNB")

Pursuant to the subscription agreement entered into between our Bank and PNB, our Bank agreed to issue and allot, and PNB agreed to subscribe to 18,717,244 Equity Shares for a consideration of ₹749.99 million. Our Bank issued such Equity Shares to PNB on July 31, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated July 27, 2018 entered into between our Bank and Muthoot Finance Limited ("Muthoot")

Pursuant to the subscription agreement entered into between our Bank and Muthoot, our Bank agreed to issue and allot, and Muthoot agreed to subscribe to 18,717,244 Equity Shares for a consideration of ₹749.99 million. Our Bank issued such Equity Shares to Muthoot on July 31, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated July 27, 2018 entered into between our Bank and Bajaj Allianz Life

Pursuant to the subscription agreement entered into between our Bank and Bajaj Allianz Life, our Bank agreed to issue and allot, and Bajaj Allianz Life agreed to subscribe to 17,469,428 Equity Shares for a consideration of ₹699.99 million. Our Bank issued such Equity Shares to Bajaj Allianz Life on July 31, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated July 27, 2018 entered into between our Bank and PI Ventures

Pursuant to the subscription agreement entered into between our Bank and PI Ventures, our Bank agreed to issue and allot, and PI Ventures agreed to subscribe to 8,734,714 Equity Shares for a consideration of ₹349.99 million. Our Bank issued such Equity Shares to PI Ventures on July 31, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated September 27, 2018 entered into between our Bank and ICICI Lombard General Insurance Company Limited ("ICICI Lombard")

Pursuant to the subscription agreement entered into between our Bank and ICICI Lombard, our Bank agreed to issue and allot, and ICICI Lombard agreed to subscribe to 6,239,081 Equity Shares for a consideration of ₹249.99 million. Our Bank issued such Equity Shares to ICICI Lombard on September 28, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated September 27, 2018 entered into between our Bank and ESMACO

Pursuant to the subscription agreement entered into between our Bank and ESMACO, our Bank agreed to issue and allot, and ESMACO agreed to subscribe to 21,346,993 Equity Shares for a consideration of ₹855.37 million. Our Bank issued such Equity Shares to ESMACO on September 28, 2018. For further details, see "*Capital Structure*" on page 82.

Subscription agreement dated September 27, 2018 entered into between our Bank and Yusuffali Musaliam Veettil Abdul Kader ("Yusuffali Kader")

Pursuant to the subscription agreement entered into between our Bank and Yusuffali Kader, our Bank agreed to issue and allot, and Yusuffali Kader agreed to subscribe to 21,346,993 Equity Shares for a consideration of ₹855.37 million. Our Bank issued such Equity Shares to Yusuffali Kader on September 28, 2018. For further details, see "*Capital Structure*" on page 82.

Trademark licensing agreement dated January 5, 2020 entered into between ESAF Foundation (formerly known as "Evangelical Social Action Forum") and our Bank ("Trademark Agreement")

Under the Trademark Agreement, ESAF Foundation has granted our Bank an exclusive, irrevocable license and right to use the trademarks , , , , "CREATING OPPORTUNITIES" and "FIGHTING THE PARTIALITY OF PROSPERITY" which are registered trademarks of the ESAF Foundation under certain classes and "ESAF" (word mark) (collectively "**Trademarks**"), exclusively in relation to the banking, financial services and insurance business ("**Business**"), and including on all stationery, advertising, marketing, promotional materials and websites ("**License**"). Further, ESAF Foundation has granted our Bank a non-exclusive license for the worldwide use of "ESAF" as part of our Bank's trade name/ corporate name. Additionally, for the better protection, promotion and enforcement of the ESAF brand and in view of the fact that all activities related to the Business will be exclusively conducted by our Bank, ESAF Foundation permitted our Bank to register the trademark "ESAF SMALL FINANCE BANK", which is registered by the Bank under registration number 3459568 ("**Bank TM**"). Pursuant to the Trademark Agreement, ESAF Foundation has permitted our Bank to register in its name, any trade name containing "ESAF" solely for the Business in class 36, subject to the written consent of the ESAF Foundation prior to making an application in this regard. Our Bank has agreed to hold the Bank TM and any other mark registered by it containing "ESAF" in trust for ESAF Foundation so long as the Trademark Agreement is in force.

The License is valid for a period of 15 years from January 5, 2020 ("**Term**") or until such time it in terminated as per the Trademark Agreement. The Trademark Agreement may be terminated with the mutual consent of ESAF Foundation and the Bank, and shall stand automatically terminated: (a) in the event our Bank goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation); or (b) upon revocation of the banking license of our Bank by the RBI. Further, our Bank can terminate the Trademark Agreement upon providing prior written notice of one year to ESAF Foundation. Upon expiry of the Term or termination of the Trademark Agreement, our Bank shall immediately, amongst other things: (i) cancel the Bank TM and any other application/ registration for trademarks containing "ESAF"; (ii) discontinue the use of the Trademarks, and dispose any material bearing or using the Trademarks; and (iii) change or procure to be changed its corporate name and/or trading style in such a manner so as to delete "ESAF".

The License granted is subject to the rights already enjoyed and granted to our Corporate Promoter and ESMACO to use the mark and the name "ESAF" in respect of their current business activities. ESAF Foundation and our Bank have agreed that the consideration for the grant of License is 0.30% of the total income (calculated as the sum of interest earned and other income) or 2.50% of the net profit of our Bank, whichever is less (exclusive of applicable indirect taxes), as recorded in the audited financial statements of the respective financial year, payment of which will commence from April 1, 2020, and shall be annually payable on September 30 of the subsequent financial year. The Trademark Agreement shall be subject to the receipt of shareholders' approval, in the first general meeting of the Bank held after successful listing and trading pursuant to completion of the initial public offer by the Bank, with related parties not being permitted to vote.

Our Bank, its Promoters and each of the Selling Shareholders confirm that there are no other agreements and the clauses/ covenants which are material which need to be disclosed and that there are no other clauses/ covenants which are adverse/ pre-judicial to the interest of the public shareholders. Further, there are no other agreements, deed of assignments, acquisition agreements, shareholders agreement, inter-se agreements, agreements of like nature other than as disclosed in this Draft Red Herring Prospectus.

Other Agreements

Agreements with Key Managerial Personnel, Senior Management Personnel, Directors, Promoters or any other employee

There are no agreements entered into by a Key Managerial Personnel or Senior Management Personnel or Director or Promoters 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.

Guarantees provided by the Promoter Selling Shareholder

As of the date of this Draft Red Herring Prospectus, the Promoter Selling Shareholder has not given any guarantees to third parties.

About ESAF Foundation (*formerly known as "Evangelical Social Action Forum"*)

ESAF Foundation is a society registered under serial no. 109/1992 on March 11,1992, under the 12th Act for the Registration of Literary, Scientific and Religious Societies Act, 1955. The name of ESAF Foundation changed from '*Evangelical Social Action Forum*' to '*ESAF Foundation*' as per the bye law amendment filed on July 20, 2022 pursuant to the order dated April 22, 2022, passed by the High Court of Kerala in the writ petition filed by ESAF Foundation against the District Registrar (General).

ESAF Foundation is governed by the society registrar under the 12th Act for the Registration of Literary, Scientific and Religious Societies Act, 1955.

The governing board of ESAF Foundation is as follows:

1. Idicheria Ninan, President
2. R. Billy, Vice President
3. Mereena Paul, Secretary
4. Kadambelil Paul Thomas, Member
5. Saleena George, Member
6. Stanly Johns, Treasurer
7. Jacob Samuel, Member
8. George Thomas, Member

OUR MANAGEMENT

Board of Directors

In terms of the Articles of Association, our Bank is required to have not less than three Directors and not more than 15 Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises of nine Directors including one Executive Director, one Non-Executive Nominee Director of our Corporate Promoter, one Non-Executive Nominee Director of our Individual Promoter and six Non-Executive Independent Directors. Our Board comprises of one woman director. The composition of the Board of Directors and its committees is in compliance with the corporate governance requirements under the Companies Act and the Listing Regulations.

The following table sets forth details regarding our Board of Directors as on the date of this Draft Red Herring Prospectus:

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
1.	**Ravimohan Periyakavil Ramakrishnan** **Designation**: Part-Time Chairman and Non-Executive Independent Director **Address**: Flat No. N 074, DLF New Town Heights, Seaport Airport Road, Opposite Doordarshan Kendra, Kakkanad P.O., Ernakulam 682 030, Kerala **Occupation**: Retired Banker **Date of birth**: May 29, 1958 **Nationality**: Indian **Period and term**: For a period of three years with effect from December 21, 2022, i.e., until December 20, 2025, and is not liable to retire by rotation **DIN**: 08534931	65	• TP Renewable Microgrid Limited; • Maithon Power Limited; and • CARE Ratings (Africa) Private Limited
2.	**Kadambelil Paul Thomas** **Designation**: Managing Director and Chief Executive Officer **Address**: Kadambelil House, Mannuthy P.O., Nettissery, Thrissur 680 651, Kerala **Occupation**: Service **Date of birth**: May 21, 1963 **Nationality**: Indian **Period and term**: For a period of three years with effect from October 1, 2021, i.e., until September 30, 2024 and is not liable to retire by rotation **DIN**: 00199925	60	Nil
3.	**Joseph Vadakkekara Antony** **Designation**: Non-Executive Independent Director **Address**: A-1, Chakolas Marine Apartments, Pandit Karuppan Road, Opposite Chakolas Habitat, Thevara, Ernakulam 682 013, Kerala **Occupation**: Director (Relations) at Rajagiri Hospital **Date of birth**: May 24, 1951 **Nationality**: Indian	72	• Agappe Diagnostics Limited

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	Period and term: For a period of three years with effect from August 17, 2020, i.e., until August 16, 2023 and is not liable to retire by rotation **DIN**: 00181554		
4.	**Thomas Jacob Kalappila** **Designation**: Non-Executive Independent Director **Address**: Kalappilayil TC 5/2548(2), Krishna Gardens, Golf Links Road, Kowdiar P O, Trivandrum 695 003, Kerala **Occupation**: Practicing Chartered Accountant **Date of birth**: June 13, 1953 **Nationality**: Indian **Period and term**: For a period of three years with effect from March 10, 2023, i.e., until March 9, 2026 and is not liable to retire by rotation **DIN**: 00812892	70	• Spotmarket Securities Private Limited; • Syncon Management Consultants Private Limited; and • Agappe Diagnostics Limited
5.	**Vinod Vijayalekshmi Vasudevan** **Designation**: Non-Executive Independent Director **Address:** TC 4/ 2483-1, Saket, Marappalam, UM Road, Pattom Palace P.O, Trivandrum 695 004, Kerala **Occupation:** Group CEO, FLYTXT, Dubai and Amsterdam **Date of birth:** May 25, 1967 **Nationality:** Indian **Period and term:** For a period of three years with effect from December 22, 2021, i.e., until December 21, 2024 and is not liable to retire by rotation **DIN:** 02503201	56	• Flytxt Mobile Solutions International, UAE; • Z3P Tech Fund; and • Z3P Global, Mauritius
6.	**Ravi Venkatraman** **Designation**: Non-Executive Independent Director **Address:** A/4, Plot No. NA-52, New Samrat Society, Andheri Kurla Road, Opp. Vishal Hall, Andheri East Mumbai 400 069, Maharashtra **Occupation:** Business **Date of birth:** July 2, 1959 **Nationality:** Indian **Period and term:** For a period of three years with effect from December 13, 2022, i.e., until December 12, 2025 and is not liable to retire by rotation **DIN:** 00307328	64	• Bajaj Finserv Mutual Fund Trustee Limited; • Avanse Financial Services Limited; • Kotak Mahindra Prime Limited; • Sarvagam Solutions Private Limited; • Sarvagam Fincare Private Limited; • Adithya Birla ARC Limited; and • Kotak Mahindra General Insurance Limited
7.	**Kolasseril Chandramohanan Ranjani** **Designation**: Non-Executive Independent Director **Address:** Kolasseril House, Neendoor, Vadakkekara, PIN 683 522, Paravur, Ernakulam 683 513, Kerala	65	• SM Swasthman Foundation

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	Occupation: Business **Date of birth:** May 9, 1958 **Nationality:** Indian **Period and term:** For a period of three years with effect from December 13, 2022, i.e., until December 12, 2025 and is not liable to retire by rotation **DIN:** 01735529		
8.	**John Samuel*** **Designation**: Non-Executive Nominee Director **Address**: A-6, MS Flats, Tilak Lane, Type 5, NDMC, New Delhi, G.P. Central Delhi 110 001, Delhi **Occupation**: Retired from Indian Postal Service **Date of birth**: January 3, 1955 **Nationality**: Indian **Period and term**: For a period of three years with effect from December 13, 2022, i.e., until December 12, 2025 and is liable to retire by rotation **DIN**: 07725212	68	• BWDA Finance Limited
9.	**Ajayan Mangalath Gopalakrishnan Nair#** **Designation**: Non-Executive Nominee Director **Address**: 50/261-C, Shivaganga, House No. 153, Road No. 4-B, Behind Edapally St. George Church, Prashanthinagar, Edapally S.O, Ernakulam 682 024, Kerala **Occupation**: Private Service **Date of birth**: May 30, 1958 **Nationality**: Indian **Period and term**: For a period of three years with effect from December 13, 2022, i.e., until December 12, 2025 and is liable to retire by rotation **DIN**: 09782416	65	• ESAF Financial Holdings Private Limited

* *Nominee of our Individual Promoter*
\# *Nominee of our Corporate Promoter*

Brief biographies of Directors

Ravimohan Periyakavil Ramakrishnan is the Part-Time Chairman and Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science and master's degree in science from Kerala University, and a master's degree in business administration from Birmingham University. He is a certified associate of the Indian Institute of Bankers. He was previously employed as a chief general manager in the department of banking supervision of the RBI. He was previously a resident advisor, financial sector supervision, International Monetary Fund, AFRITAC South, Mauritius.

Kadambelil Paul Thomas is the Managing Director and Chief Executive Officer of our Bank. He holds a master's degree in business administration from the Annamalai University. He was previously the chairman and managing director of ESAF Financial Holdings Private Limited. He has also served as the founder secretary cum honorary executive director of Evangelical Social Action Forum for over 25 years. He was also previously a director on the boards of Sanma Garments Private Limited, Rhema Dairy Products India Private Limited, Rhema Milk Producer Company Limited, Lahanti Homes and Infrastructure Private Limited, ESAF Health Care Services Private Limited, ESAF Swasraya Producers Company Limited, CEDAR Retail Private Limited, ESAF Enterprise Development Finance Limited and CEDAR Livelihood Services Private Limited (Formerly Cedar Agri Solutions Private Limited). Presently, he is the president of Kerala Association of Microfinance Institutions

Entrepreneurs. He was previously the chairman of Sa-Dhan, and the chairman of Confederation of Indian Industry – Kerala. During Fiscal 2022, he received the Marketing Meister award, the Business Leader of the Year award**,** FE Pillar of the BFSI Industry award, the APY Big Believers (ABB) 3.0 award from PFRDA for the best performing MD & CEO, the India Banking Summit CEO of the Year Award, the Exemplary Diamond award from PFRDA and the CEO with HR orientation award at world HRD congress.

Joseph Vadakkekara Antony is a Non-Executive Independent Director on the Board of our Bank. He holds a bachelor's degree in law, a master's degree in personnel management and a doctorate of philosophy (business economics) from Pune University. He is a certified associate of the Indian Institute of Bankers. He was the managing director and chief executive officer on the board of South Indian Bank Limited and was also on the boards of directors of Muthoot Homefin (India) Limited, SP Life Care Private Limited and ET Marlabs Private Limited. He was previously employed with Syndicate Bank. He is currently on the board of directors of Agappe Diagnostics Limited. He received the Sunday Standard Best Banker award in 2013 and IDRBT Technology Excellence Award in 2012.

Thomas Jacob Kalappila is a Non-Executive Independent Director on the Board of our Bank. He holds a bachelor's degree in science from Kerala University. He is an associate member of the Institute of Chartered Accountants of India and holds a diploma in information and systems audit from the Institute of Chartered Accountants of India. He is a partner of Thomas Jacob & Co., a partnership firm and has 35 years of experience in statutory audit, internal and forensic audit of banks. He has previously served as an independent director on the board of directors of South Indian Bank Limited and Malabar Cements Limited.

Vinod Vijayalekshmi Vasudevan is a Non-Executive Independent Director on the Board of our Bank. He holds a bachelor's degree in technology (computer science and engineering), a master's degree in technology (computer science and engineering), and a doctorate of philosophy (computer science and engineering) from the Indian Institute of Technology, Kharagpur. He is the group CEO of FLYTXT, Dubai and Amsterdam. He is currently on the board of directors of Flytxt Mobile Solutions International, Z3P Tech Fund and Z3P Global, Mauritius.

Ravi Venkatraman is a Non-Executive Independent Director on the Board of our Bank. He has passed the final examination held by the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. He was the former Executive Director and Chief Financial Officer of Mahindra and Mahindra Financial Services Limited. He is currently on the board of directors of Sarvagram Fincare Private Limited, Bajaj Finserv Mutual Fund Trustee Limited, Kotak Mahindra General Insurance Company Limited, Avanse Financial Services Limited, Kotak Mahindra Prime Limited, Sarvagram Solutions Private Limited, Aditya Birla AMC Limited.

Kolasseril Chandramohanan Ranjani is a Non-Executive Independent Director on the Board of our Bank. She holds a bachelor's degree in science from University of Kerala and a master's degree in bank management from Cochin University of Science and Technology. She has held senior management positions with SIDBI, and has more than 21 years of experience in Micro, Small and Medium Enterprises in India. She is currently on the board of directors of SM Swasthman Foundation.

John Samuel is a Non-Executive Nominee Director on the Board of our Bank. He holds a master's degree in business administration from the Cochin University of Science and Technology and a master's degree in commerce from Madurai University. He is an associate of the Institute of Chartered Accountants of India. He was previously a Member of the Postal Services Board and held the position of Chief Post Master General. He is currently on the board of directors of BWDA Finance Limited.

Ajayan Mangalath Gopalakrishnan Nair is a Non-Executive Nominee Director on the Board of our Bank. He holds a bachelor's degree in science (Horticulture) from the Kerala Agricultural University and is a certified associate of the Indian Institute of Bankers. He was previously employed as the Executive Vice President of our Bank. He was previously the General Manager of IT and CIO, General Manager of retail assets, General Manager of transaction banking, General Manager of Pune Circle, Chief Compliance Officer and Deputy General Manager of Calicut Circle in Canara Bank. He is currently an additional director on the board of directors of ESAF Financial Holdings Private Limited.

Relationship between our Directors

None of our Directors are related to each other.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of this Draft Red Herring 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.

Terms of appointment of Directors

1. **Remuneration paid to the Executive Director:** Kadambelil Paul Thomas was paid a total remuneration of ₹32.11 million during Fiscal 2023. In addition to the same, we have reimbursed entertainment expense of ₹1.00 million, reimbursement of medical expenses amounting to ₹0.14 million and employer contribution to provident fund amounting to ₹1.44 million. The details of remuneration for Fiscal 2022 governing his re-appointment pursuant to the contract of employment dated October 1, 2021 entered into between the Bank and Kadambelil Paul Thomas and as approved by the RBI pursuant to its letter dated January 6, 2023 are stated below:

Particulars	Remuneration
Fixed pay	₹18.80 million including perquisites
Variable pay	₹9.40 million*

* *In terms of the RBI Compensation Guidelines, the variable cash component of ₹9.40 million is bifurcated into: (i) upfront payment of ₹4.70 million; and (ii) deferred payment of ₹4.70 million, which will be vested equally over a period of three years after completion of one year for the period to which it pertains.*

Details of the remuneration paid to Kadambelil Paul Thomas (including arrears) for Fiscal 2023 is as follows:

Particulars	Remuneration#
Total Compensation	₹32.11 million per annum (which includes perquisite relating to provident fund aggregating to ₹0.70 million and use of company own car amounting to ₹0.40 million, arrear remuneration paid relating to prior year amounting to ₹8.91 million and performance pay of ₹6.75 million). In addition to the same, we have reimbursed entertainment expense of ₹1.00 million, reimbursement of medical expenses amounting to ₹0.14 million and employer contribution to provident fund amounting to ₹1.44 million
Other perquisites	Other perquisites including but not limited to travelling and halting allowance, loan for acquiring or constructing house for personal use up to five times annual salary and one-time monthly salary (festival advance).

\# *Our Bank has filed an application dated June 27, 2023 with the RBI for revision of the remuneration structure, basis the RBI Compensation Guidelines. The revised remuneration that will be applicable for:*

(i) FY 2022-23, subject to receipt of the RBI approval, shall be (i) a fixed pay of ₹22.20 million along with perquisites of (a) retiral/ superannuation benefits such as provident fund up to ₹1.80 million along with and gratuity as per the general norms applicable for employees; (b) medical expenses reimbursement for self and dependents up to ₹0.40 million,(c) medical insurance coverage for self and dependents up to ₹0.10 million; (d) reimbursement of entertainment expenditure of ₹1.00 million; (e) travelling and halting allowance; (f) loan for acquiring or constructing house for personal use up to five times annual salary and one time monthly salary (festival advance); and (ii) a variable cash component of up to ₹14.50 million. Subject to RBI approval, the revised remuneration will be effective from April 1, 2022 to March 31, 2023;and

(ii) FY 2023-24, subject to receipt of the RBI approval, shall be (i) a fixed pay of ₹26.60 million along with perquisites of (a) retiral/ superannuation benefits such as provident fund up to ₹2.20 million along with and gratuity as per the general norms applicable for employees; (b) medical expenses reimbursement for self and dependents up to ₹0.40 million; (c) medical insurance coverage for self and dependents up to ₹0.10 million; (d) reimbursement of entertainment expenditure of ₹1.00 million; (e) travelling and halting allowance; (f) loan for acquiring or constructing house for personal use up to five times annual salary and one time monthly salary (festival advance); and (ii) a variable cash component of up to ₹21.10 million. Subject to RBI approval, the revised remuneration will be effective from April 1, 2023 to March 31, 2024.

2. **Remuneration and sitting fees paid to Non-Executive Independent Directors:**

Pursuant to the Board resolution dated December 3, 2022, each Non-Executive Independent Director is entitled to receive sitting fees of ₹0.06 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board, within the limits prescribed under the Companies Act, 2013, and the rules made thereunder.

The details of remuneration paid to our Non-Executive Independent Directors during Fiscal 2023 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)
1.	Ravimohan Periyakavil Ramakrishnan	1.98
2.	Joseph Vadakkekara Antony	1.95
3.	Thomas Jacob Kalappila	1.58
4.	Vinod Vijayalekshmi Vasudevan	1.02
5.	Asha Morley*	0.86
6.	Alex Parackal George**	0.86
7.	Kolasseril Chandramohanan Ranjani	0.54
8.	Ravi Venkatraman	0.54

* *Asha Morley ceased to be a director with effect from December 12, 2022.*
** *Alex Parackal George ceased to be a director with effect from December 12, 2022.*

Further, details of remuneration governing the appointment of our Part-Time Chairman and Non-Executive Independent Director pursuant to RBI letter dated September 19, 2022 are as follows:

Particulars	Remuneration^
Perquisites	Including the Bank's car with driver and the cost of the vehicle

^ *Excludes sitting fees and reimbursement of expenses related to attending meetings of the Board and committees of the Board as decided by the Board from time to time for the meetings of the Board and the Board committees under the provisions of the Companies Act, 2013*

3. Remuneration paid to the Non-Executive Directors:

Pursuant to the Board resolution dated December 3, 2022, each Non-Executive Director is entitled to receive sitting fees of ₹0.06 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of the committees of the Board within the limits prescribed under the Companies Act, 2013, and the rules made thereunder. The details of remuneration paid to our Non-Executive Directors during Fiscal 2023 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)
1.	Chandanathil Pappachan Mohan*	0.88
2.	Saneesh Singh**	0.23
3.	Ajayan Mangalath Gopalakrishnan Nair	0.79
4.	John Samuel	0.54

* *Chandanathil Pappachan Mohan ceased to be a director with effect from October 31, 2022.*

** *Saneesh Singh ceased to be a director with effect from July 26, 2022.*

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except for John Samuel and Ajayan Mangalath Gopalakrishnan Nair, who have been appointed as Non-Executive Nominee Directors on our Board by our Individual Promoter and Corporate Promoter respectively, pursuant to the provisions of our Articles of Association, which permits our Corporate Promoter to appoint a maximum of three Directors and our Individual Promoter to appoint a maximum of two Directors on the Board of our Bank, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Director was appointed 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 employee stock options of the Bank.

The Equity Shares held by our Directors are as set out below:

Sr. No.	Name of the Director	No. of Equity Shares	Percentage of the pre-Offer Equity Share Capital (%)
1.	Kadambelil Paul Thomas	31,186,785	6.94
Total		**31,186,785**	**6.94**

Shareholding of Directors in our subsidiaries and associate companies

Our Bank does not have any subsidiaries or associate companies.

Appointment of relatives of our Directors to any office or place of profit

None of the relatives of our Directors currently hold any office or place of profit in our Bank, except Miriam Ann Philip, an employee of our Bank, who is the daughter-in-law of Kadambelil Paul Thomas.

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. Some of our Directors may hold positions in our Corporate Promoter. In consideration for these services, they are paid managerial remuneration in accordance with the provisions of applicable law.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them, relatives or 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. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect to the Equity Shares held by them.

Our Individual Promoter, Managing Director and Chief Executive Officer, Kadambelil Paul Thomas is a board member of ESAF Foundation (*formerly known as "Evangelical Social Action Forum")*, with whom our Bank has entered into the Trademark Agreement and pursuant to which ESAF Foundation has granted our Bank an exclusive, irrevocable license and right to use certain trademarks. For details, see "*History and Certain Corporate Matters - Key terms of other subsisting material agreements*" on page 209.

Other than Kadambelil Paul Thomas who is the Individual Promoter, Managing Director and Chief Executive Officer of our Bank, 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
Thomas Jacob Kalappila	March 10, 2023	Re-appointment as Non-Executive Independent Director
Ajayan Mangalath Gopalakrishnan Nair	December 13, 2022	Appointment as a Non-Executive Nominee Director
John Samuel	December 13, 2022	Appointment as a Non-Executive Nominee Director
Ravi Venkatraman	December 13, 2022	Appointment as a Non-Executive Independent Director
Kolasseril Chandramohanan Ranjani	December 13, 2022	Appointment as a Non-Executive Independent Director
Vinod Vijayalekshmi Vasudevan	December 13, 2022	Change in designation to a Non-Executive Independent Director
Alex Parackal George	December 12, 2022	Cessation as a Non-Executive Independent Director
Asha Morley	December 12, 2022	Cessation as a Non-Executive Independent Director
Chandanathil Pappachan Mohan	October 31, 2022	Cessation as a Non-Executive Nominee Director
Saneesh Singh	July 26, 2022	Cessation as a Non-Executive Nominee Director[#]
Vinod Vijayalekshmi Vasudevan	December 22, 2021	Appointment as an Additional Non-Executive Independent Director
Saneesh Singh	December 13, 2021	Re-appointment as a Non-Executive Nominee Director
Kadambelil Paul Thomas	October 1, 2021	Re-appointment as the Managing Director and Chief Executive Officer
Santhosh George	May 26, 2021	Resignation as a Non-Executive Independent Director[*]
Santhosh George	December 8, 2020	Appointment as a Non-Executive Independent Director
Joseph Vadakkekara Antony	August 17, 2020	Re-appointment as a Non-Executive Independent Director
Thomas Jacob Kalappila	August 10, 2020	Change in designation to a Non-Executive Independent Director

* *Santhosh George resigned as a Non-Executive Independent Director due to potential conflict of interest arising on account of a new assignment that he was in the process of taking.*

\# *Cessation of Saneesh Singh as a Non-Executive Nominee Director on account of ceasing to be a nominee of the Corporate Promoter*

Borrowing Powers of the Board

Pursuant to a resolution passed by the Shareholders of our Bank on February 16, 2022, the Board is authorised to borrow from time to time any sums of moneys on such terms and conditions as the Board may think fit which together with the moneys 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), and which may exceed the aggregate of the paid-up capital of the Bank, for the time being and its free reserves, provided that the total outstanding amount so borrowed by the Board including commercial papers shall not result in a borrowing outstanding in excess of ₹50,000 million.

Pursuant to a resolution passed by the Shareholders of our Bank on February 16, 2022, the Board is authorised to offer, issue and allot, from time to time in one or more tranches, unsecured, rated, redeemable non-convertible debentures until the conclusion of the sixth annual general meeting, on a private placement basis, for an amount not in excess of ₹3,000 million.

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 and adoption 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, guidelines issued by the RBI from time to time, and in accordance with best practices in corporate governance. 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 and RBI In-Principle Approval. Further, pursuant to letters dated December 8, 2016, March 9, 2017, May 30, 2017 for the constitution of our Board, the RBI:

a) approved the appointment of Kadambelil Paul Thomas as Managing Director and Chief Executive Officer for a period of three years from the date of his taking charge, subject to the condition that he relinquishes his position on the board of our Corporate Promoter and submits an undertaking to divest his shareholding in our Corporate Promoter within a period of one year before taking charge as Managing Director and Chief Executive Officer in compliance with Section 10B(4) of the Banking Regulation Act. Kadambelil Paul Thomas was unable to comply with some of the conditions of the RBI letter and was directed by the RBI to step down from his position as managing director and chief executive officer. Kadambelil Paul Thomas resigned from this position on June 2, 2018 and re-joined on October 1, 2018 with the approval of RBI letter dated October 1, 2018. For further details, see "*Risk Factors - We are dependent on our Key Managerial Personnel, Senior Management Personnel and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows*" and "*Outstanding Litigation and Material Developments – Litigation against Kadambelil Paul Thomas*" on pages 57 and 367, respectively;

b) approved the appointment of Asha Morley and Alex Parackal George;

c) approved the nomination of George Joseph as director on the Board, and approved the nomination of Assan Khan Akbar as director on the Board for a period of four years from the date of his joining the Board;

d) approved the appointment of Joseph Vadakkekara Antony as a Non-Executive Independent Director on the Board; and

e) reiterated that the Bank shall ensure compliance with Sections 10A, 16 and 20 of the Banking Regulation, statutory provisions including provisions of the Companies Act, 2013 and the instructions issued vide RBI circulars dated March 5, 1994 and July 1, 1994, respectively.

Subsequently, pursuant to RBI letter dated October 1, 2018, the RBI approved the appointment of Kadambelil Paul Thomas as the Managing Director and Chief Executive Officer of our Bank for a period of three years from the date of his taking charge. Pursuant to RBI letter dated July 20, 2021 the RBI approved the re-appointment of Kadambelil Paul Thomas as the Managing Director and Chief Executive Officer of our Bank for a period of three years with effect from October 1, 2021.

Pursuant to RBI letter dated December 19, 2019, the RBI approved the appointment of Ravimohan Periyakavil Ramakrishnan as the Part-Time Chairman and Non-Executive Independent Director of our Bank for a period of three years with effect from December 21, 2019. Pursuant to RBI letter dated September 19, 2022, the RBI approved the re-appointment of Ravimohan Periyakavil Ramakrishnan as the Part-Time Chairman of our Bank for a period of three years with effect from December 21, 2022.

Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Thomas Jacob Kalappila (*Chairman*);
2. Ravi Venkatraman (*member*);
3. Kolasseril Chandramohanan Ranjani (*member*);
4. Joseph Vadakkekara Antony (*member*); and
5. John Samuel (*member*).

The Audit Committee was constituted by a meeting of the Board of Directors held on December 13, 2016 and was last reconstituted on December 3, 2022. 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 the following:

1. Review and monitor the accuracy and completeness of books of account, published financial statement including disclosures and any public announcements related to the Bank's financial performance and the auditor's report.
2. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

3. Review the Bank’s internal financial controls and the internal controls and compliance systems.

4. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

5. Reviewing, with the management, the quarterly, half yearly financial statements before submission to the Board for approval.

6. To oversee a vigil mechanism set up by the Bank under the provisions of the Companies Act, 2013, Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI (Listing Obligations and Disclosure) Requirements, 2015.

7. With respect to internal audit function:

    a. Review, approve and oversee implementation the annual audit plan and annual audit budget prior to the beginning of each financial year proposed by the Head of Internal Audit. The annual audit plan shall include the scope of the work, the branches to be covered, the areas and topics to be covered and any specific emphasis on matters which the Committee may require.

    b. Review and approve the remit of the internal audit function and ensure it has adequate resources, skills, qualifications and appropriate access to information to enable it to perform its function effectively.

    c. Examine the reporting arrangement and the level of seniority of the Head of Internal Audit.

    d. Monitor the reporting of issues identified by internal auditors to the management and ensure that corrective actions are being taken in a timely manner.

    e. Review appointment, replacement, removal, performance, terms of appointment, annual compensation and salary adjustment of the Head of Internal Audit.

    f. Review the internal audit budget, resource plan, activities, and organizational structure of the internal audit function with the Head of Internal Audit.

    g. Review the effectiveness of the internal audit function, including conformance with applicable regulatory requirements and industry standards.

    h. Review results of thematic reviews, management audits and appointment of any co-sourcing auditors.

    i. Ensure that IS Audit of internal systems and processes is conducted at least once in 2 years to assess the operational risks faced by the Bank.

8. With respect to statutory auditors:

    a. Ensure that appointment of statutory auditors is in compliance with Companies’ Act, 2013 requirements, regulatory guidelines and other applicable laws. The Audit committee shall review Appointment of statutory auditors and review of performance - both for domestic and overseas operations.

    b. Oversee relationship with statutory auditors with respect to their remuneration for services, terms of engagement, assessment of their independence and rotation of auditors.

    c. Ensure that any concerns raised by the statutory auditors are addressed by the management and bring any unaddressed concerns to the notice of the management.

    d. Evaluate the scope of statutory audit and ensure that there are no limitations placed by the management on the statutory auditors.

    e. Review management letter(s) and other submissions by the statutory auditors and management response to the findings and recommendations of the statutory auditors.

    f. Study the issues raised by statutory auditors and raise appropriate flags to the management in case of repeated issues.

    g. Review and approve policy on supply of non-audit services by statutory auditors, taking into account any relevant statutory requirements, regulatory guidelines and ethical guidance on the matter.

    h. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

    i. Review any difficulties encountered during the audit work including any restrictions on the scope of activities or access to required information.

9. With respect to compliance function:

   a. Review the effectiveness of the system for monitoring and compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

   b. Review of Compliance Function of the Bank to ensure that an appropriate compliance policy is in place to manage compliance risk and ensure that compliance issues are resolved effectively and expeditiously.

   c. Review the findings of any examinations by regulatory agencies, and any audit observations.

   d. Review the process for communicating the Code of Conduct to Bank personnel, and for monitoring compliance therewith.

   e. Obtain regular updates from management regarding compliance matters.

   f. Reviewing Quarterly Compliance Report confirming adherence to all the applicable laws, rules, guidelines, instructions and internal instructions/manuals.

10. Review the annual financial statements and auditors' report with the management with particular reference to the following:

    a. Matters to be included in the directors' responsibility statement.

    b. Change in the accounting policies and practices, if any, with 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 and other legal and regulatory requirements relating to financial statements.

    f. Disclosure of related party transactions.

    g. Modified opinions in the draft audit report.

    h. Qualifications if any in draft audit report.

    i. The going concern assumption.

    j. Compliance with applicable legal requirement concerning financial statements.

    k. Compliance with accounting standards.

11. Assess if any major findings of the internal, statutory, or RBI audits point to the quality of the accounting process and review if appropriate corrective action has been taken by the management.

12. To review the Vigilance Function of the Bank including review of frauds reported.

13. To review the frauds reported quarterly and annually.

14. Review the findings of any internal investigations by the internal auditors (or other agencies) 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.

15. Review and scrutinize matters including the inter-corporate loans and investments, transactions with related parties, valuation of undertakings or assets of the Bank and end-use of funds raised through public offers such as public issue, rights issue or preferential issue.

16. Review the system of storage and retrieval, display or printout of books of account maintained in electronic mode during the required period under law.

17. Review with Senior Management of the Bank, overall anti-fraud programmes and controls in the Bank.

18. Look into the reasons for substantial defaults in the payment to depositors, debenture holders (if any), shareholders (in case of non-payment of declared dividends) and creditors.

19. Confirm that an effective whistle blower policy is in place that protects the complainants and review implementation of this policy.

20. Recommend the appointment of the Chief Financial Officer and Head of Internal Audit after assessing the qualifications, experience and background, etc. of the candidate.

21. Seek the statement of identified deviations from laid down policies. Study these deviations from financial and procedural aspect to understand any significant need for change in policies.

22. Perform any other duties and responsibilities expressly delegated by the Board from time to time and provide the Board with such assurance as it may require regarding the reliability of financial information.

23. Approval transactions with related parties of the Bank including investments.

24. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Bank and its shareholders.

25. In relation to a monitoring agency appointed to monitor the utilization of proceeds of a public issue or right issue or preferential issue or qualified institutions placements, the monitoring report of such agency shall be placed before the Audit Committee on a quarterly basis, promptly upon its receipt.

The Audit Committee shall mandatorily review the following information:

1. management discussion and analysis of financial condition and results of operations;

2. management letters / letters of internal control weaknesses issued by the statutory auditors;

3. internal audit reports relating to internal control weaknesses;

4. the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee; and

5. statement of deviations as and when becomes applicable:

    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 SEBI (LODR) Regulations, 2015.

    b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI (LODR) Regulations, 2015.

The Chairman of the Committee shall attend the annual general meetings of the Bank to provide any clarification on matters relating to audit.

The Audit Committee is required to meet at least six times in a year and not more than 120 days shall elapse between two meetings under the terms of the Listing Regulations.

Nomination, Remuneration and Compensation Committee

The members of the Nomination, Remuneration and Compensation Committee are:

1. Joseph Vadakkekara Antony (*Chairman*);

2. Ravimohan Periyakavil Ramakrishnan (*member*);

3. Kolasseril Chandramohanan Ranjani (*member*); and

4. Ajayan Mangalath Gopalakrishnan Nair (*member*).

The Nomination, Remuneration and Compensation Committee was constituted by a meeting of the Board of Directors held on December 13, 2016 and was last reconstituted on June 22, 2023. The scope and function of the Nomination, Remuneration and Compensation 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, Remuneration and Compensation Committee include:

1. Put in place appropriate procedures for determining the suitability of persons qualified to become members of the Board of Directors and formulate criteria based on qualification, experience, track record and integrity for appointment of such Directors.

2. Recommend to the Board for appointment of directors if directors are found suitable as per defined criteria.

3. Recommend removal / reappointment of the directors and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance.

4. Assist the Board in formulation, review and implementation of the compensation policy related to specific remuneration packages for directors, key management personnel and other employees including pension rights and any other compensation payment.

5. Ensure that the remuneration for Managing Director and Chief Executive Officer and other senior management personnel is in accordance with the Financial Stability Board principles before it is put up for regulatory approval.

6. Formulating criteria for evaluation of performance of independent directors and the Board of Directors.

7. Human Resources

   a. Review and administer the implementation of policies and procedures with respect to performance, evaluations, compensation, succession any other matters of Senior/ executive Management and also recommendations respecting the salary ranges for employees and Senior/ executive Management.

   b. Matters relating to issue of sweat equity shares, ESOP, etc. to the directors and senior/executive management.

   c. Assist the Board in formulation and implementation of compensation policy which will lay down the remuneration to directors and key management personnel and take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks. The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

   d. Ensure that the compensation policy formulated for remuneration of directors and key managerial personnel is reasonable, sufficient to attract, retain and motivate quality directors required to run the Bank.

   e. Devise a policy in line with the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 on Diversity of Board of Directors based on diversity of thought, experience, knowledge, perspective and gender in the Board.

   f. Identifying persons who are qualified to become part of the senior management and recommend to the board of directors for their appointment and removal.

   g. Matters pertaining to the extension or continuation of the term of appointment of independent director on the basis of the report of performance evaluation of independent directors in line with the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

8. Appointment of Directors and their remuneration

   a. Formulate comprehensive criteria for appointment of directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person.

   b. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

      - Use the services of an external agencies, if required.
      - Consider candidates from a wide range of backgrounds, having due regard to diversity.
      - Consider the time commitments of the candidates.

   c. Consider all information about the Directors/ Managing Director and Chief Executive Officer / Whole time Directors such as background details, past remuneration, recognition and awards, job profile and determine if the directors meet the ‘fit and proper’ criteria.

   d. Conduct appropriate due diligence and scrutinize the declarations made by probable candidates at the time of appointment/ re-appointment of directors of the Board.

   e. Hold Committee meetings on discussion of matters pertaining to the remuneration payable, including any revision in remuneration payable to Managing Director and Chief Executive Officer, Directors and approve such payments by passing resolution passed by the Committee after taking into account the financial position of the Bank, trend in the industry, qualification, experience and past performance of the appointee.

   f. Bring about objectivity in determining the remuneration package while striking the balance between the interest of the Bank and the Shareholders.

g. Ensure that the compensation for Managing Director and Chief Executive Officer and key management personnel is a mix of fixed and variable (incentive) pay for directors and key management personnel conforms with the RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk takers and Control function staff, etc. dated November 04, 2019 and August 30, 2021 and other applicable provisions.

h. Assist in defining the performance evaluation criteria for directors and other key management personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

i. Analyse and ensure that the cost/ income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

j. To represent the committee and answer queries of investors at the annual general meeting of the Bank.

k. Review annually its own performance and terms of reference to ensure effectiveness of its operations and recommend changes, if any to the Board for approval.

l. Ensure that appropriate procedures are in place to assess Board Membership needs and Board effectiveness.

m. Ensure that the Bank has a detailed succession and management continuity plan for key positions.

9. Board

a. Make recommendations to the Board with respect to:

- Selection and nomination of qualified candidates as directors of the Board
- Appointment of other key management personnel and senior level executives who are one level below the Whole Time Directors
- Board composition and size
- Re-appointment/ removal of existing directors

b. Present the minutes of the meetings of the Committee as approved by the Chairman of the Committee to be noted and confirmed by the Board in its subsequent meeting.

Risk Management Committee

The members of the Risk Management Committee are:

1. Ravi Venkatraman (*Chairman*);
2. Ravimohan Periyakavil Ramakrishnan (*member*);
3. Kadambelil Paul Thomas (*member*);
4. Thomas Jacob Kalappila (*member*); and
5. Ajayan Mangalath Gopalakrishnan Nair (*member*).

The Risk Management Committee was constituted by our Board of Directors at their meeting held on December 13, 2016 and was last reconstituted by the Board of Directors at their meeting held on December 3, 2022. The terms of reference of the Risk Management Committee of our Bank include the following:

The Risk Management Committee shall also oversee the following functions:

1. Oversee risk management and obtain assurance that all the principal risks faced by the Bank have been identified and are being appropriately managed.
2. Approve / recommend to the Board for its approval / review the policies, risk assessment models, strategies and associated frameworks for the management of risk.
3. Approve and periodically review Bank's overall risk appetite and set limits for all risks before submission to the Board.
4. Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing, and the independence of Risk Management functions.

5. Provide appropriate and prompt reporting to the Board of Directors, which would help the Board to have a detailed understanding of the level of risk and steps taken for managing risks.

6. Review reports from management about the Bank's risk management framework (i.e. principles, policies, strategies, process and controls) and also discretions conferred on executive management, in order to oversee the effectiveness of them.

7. Review and approve the Internal Capital Adequacy Assessment Process (ICAAP) document on a quarterly basis.

8. Review reports from management about changes in the factors relevant to the Bank's projected strategy, business performance or capital adequacy.

9. Determine prudential limits for individuals, groups, portfolios, geographies, sectors, industries and various other exposures of the Bank, within the ceilings fixed by RBI and the Board.

10. Review reports from management about implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and major initiatives, in order to monitor them.

11. Review the Cyber Security Functions of the Bank on regular intervals.

12. Ensure adherence to the Board approved internal policy guidelines and also statutory and regulatory guidelines.

13. Review performance and set objectives for the Bank's Chief Risk Officer and ensure he has unfettered access to the Board.

14. Oversee statutory / regulatory reporting requirements related to risk management.

15. Monitor and review the capital adequacy computation with an understanding of methodology, systems and data and ensure capital adequacy management with due regard to various risks impacting the balance sheet.

16. Approve the stress testing results, review the performance of product wise/geography wise /rating wise loan portfolio, rating migration of accounts, collection/recovery in NPA accounts etc. and recommend / monitor the action plans and corrective measures periodically.

17. Monitor and review the exposure limits set by the Board.

18. Monitor and review of non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to risk management.

19. Review and confirm order/decisions for identification of wilful defaulters given by the Credit Risk Management Committee.

20. Monitor the Bank's credit risk profile, including risk trends and concentrations, loan impairment etc.

21. Determine /amend/review the functions of the Executive Level Committees from time to time.

22. To formulate a detailed risk management policy which shall include:

    (i) A framework for identification of internal and external risks specifically faced by the Bank, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

    (ii) Measures for risk mitigation including systems and processes for internal control of identified risks.

    (iii) Business continuity plan.

23. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Bank.

24. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.

25. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

26. To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken.

27. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

28. To coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

29. In terms of the circular issued by the RBI vide no. DBR.BP.BC.No.65/21.04.103/2016-17 dated April 27, 2017, the Committee shall meet the Chief Risk Officer on one to one basis without the presence of Managing Director & Chief Executive Officer and Senior Management, at least on a quarterly basis.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Kolasseril Chandramohanan Ranjani (*Chairman*);

2. Kadambelil Paul Thomas (*member*);

3. Ravi Venkatraman (*member*); and

4. John Samuel (*member*).

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on December 23, 2019 and was last reconstituted by the Board of Directors at their meeting held on June 22, 2023. 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. Carrying out such other functions as may be specified by the Board from time to time or specified/provided under the Companies Act or Listing Regulations or by any other regulatory authority;

6. To approve, register, refuse to register transfer or transmission of shares and other securities and issue of duplicate share certificates; and

7. To sub-divide or consolidate any share or other securities certificate(s) of the Bank.

Corporate Social Responsibility and Sustainability Committee

The members of the Corporate Social Responsibility and Sustainability Committee are:

1. John Samuel (*Chairman*);

2. Kadambelil Paul Thomas (*member*);

3. Kolasseril Chandramohanan Ranjani (*member*); and

4. Thomas Jacob Kalappila (*member*).

The Corporate Social Responsibility and Sustainability Committee was constituted as 'Corporate Social Responsibility Committee' by our Board of Directors at their meeting held on August 17, 2017 and was renamed to Corporate Social Responsibility and Sustainability Committee in the meeting held on June 29, 2021. The Committee was last reconstituted by the Board of Directors at their meeting held on December 3, 2022. The terms of reference of the Corporate Social Responsibility and Sustainability Committee of our Bank include the following:

1. Formulate and recommend to the Board of the Bank, a Corporate Social Responsibility ("CSR") policy which shall indicate the activities to be undertaken by the Bank in areas or subject, specified in Schedule VII of the Companies' Act, 2013.

2. Recommend the amount of expenditure to be incurred on the activities provided for in the CSR policy.

3. Implementing and Monitoring the effectiveness of the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes.

4. Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes

5. Coordinating with the implementing agency in implementing programs and executing initiatives as per CSR policy of the Bank.

6. Identifying and appointing the corporate social responsibility team of the Bank including corporate social responsibility manager, wherever required.

7. Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Bank.

8. Implementing and monitoring the effectiveness of the Environment, Social and Governance (ESG) Policy from time to time and issuing necessary directions as required for proper implementation.

IPO Steering Committee

The members of the IPO Steering Committee are:

1. Ravimohan Periyakavil Ramakrishnan (*Chairman*);

2. Kadambelil Paul Thomas (*member*);

3. Joseph Vadakkekara Antony (*member*); and

4. Ravi Venkatraman (*member*).

The IPO Steering Committee was constituted by our Board of Directors on August 6, 2019 and was last reconstituted on February 8, 2023. The terms of reference of the IPO Steering Committee are as follows:

1. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the relevant registrar of companies and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications/amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus as applicable;

2. To finalize, settle, approve, adopt and file in consultation with the Promoter Selling Shareholder and BRLMs where applicable, the draft red herring prospectus, the red herring prospectus, the prospectus, the abridged prospectus and application forms, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/modifications as may be required by SEBI, the RoC or any other relevant governmental and statutory authorities or in accordance with applicable laws;

3. To decide in consultation with the Selling Shareholders and the BRLMs on the Offer Price;

4. To decide in consultation with the Promoter Selling Shareholder and BRLMs, as applicable, the Offer size, timing, pricing, Discount, Reservation and all the terms and conditions of the Offer, including the price band (including offer price for anchor investors), bid period, discount (if any), reservation, determining the anchor investor portion and allocating such number of Equity Shares to anchor investors in consultation with the BLRMs and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Offer including to make any amendments, modifications, variations or alterations in relation to the Offer in accordance with applicable laws;

5. To appoint, enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, auditors and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs, in accordance with the provisions of the SEBI regulations and other applicable laws;

6. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus and the prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, agreements with the registrar to the Offer and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Offer, legal advisors, auditors, stock exchange(s), BRLMs, any Selling Shareholders in the Offer and any other agencies/intermediaries in connection with the Offer with

the power to authorize one or more officers of the Bank to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Offer;

7. To seek, if required, the consent and/or waiver of the lenders of the Bank, customers, parties with whom the Bank has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Offer or any actions connected therewith;

8. To open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

9. To open and operate bank accounts of the Bank in terms of Section 40(3) of the Companies Act, as amended, or as may be required by the regulations issued by SEBI and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

10. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;

11. To accept and appropriate the proceeds of the Offer in accordance with the applicable laws;

12. To approve code of conduct as may be considered necessary by the IPO Steering Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Bank and other employees of the Bank;

13. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the IPO Steering Committee or as may be required under the applicable laws or the SEBI Listing Regulations, as amended and listing agreements to be entered into by the Bank with the relevant stock exchanges, to the extent allowed under law;

14. To issue receipts/allotment letters/confirmation 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), with power to authorize one or more officers of the Bank to sign all or any of the aforestated documents;

15. To authorize and approve notices, advertisements in relation to the Offer in consultation with the Promoter Selling Shareholder and relevant intermediaries appointed for the Offer;

16. To do all such acts, deeds, matters and things and execute all such other documents, etc., as maybe deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the Promoter Selling Shareholder and BRLMs;

17. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and/or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Bank to execute all or any of the aforestated documents;

18. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank where necessary;

19. To settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit;;

20. To submit undertaking/certificates or provide clarifications to the SEBI, RoC and the relevant stock exchange(s) where the Equity Shares are to be listed;

21. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Steering Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Steering Committee shall be conclusive evidence of the authority of the IPO Steering Committee in so doing;

22. To delegate any of its powers set out under 1 to 16 hereinabove, as may be deemed necessary and permissible under applicable laws to the officials of the Bank;

23. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the Listing Regulations or any other applicable laws;

24. To approve the list of 'group of companies' of the Bank, identified pursuant to the materiality policy adopted by the Board, for the purposes of disclosure in the draft red herring prospectus, the red herring prospectus and the prospectus;

25. Deciding, negotiating and finalising the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with applicable laws;

26. Taking on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale;

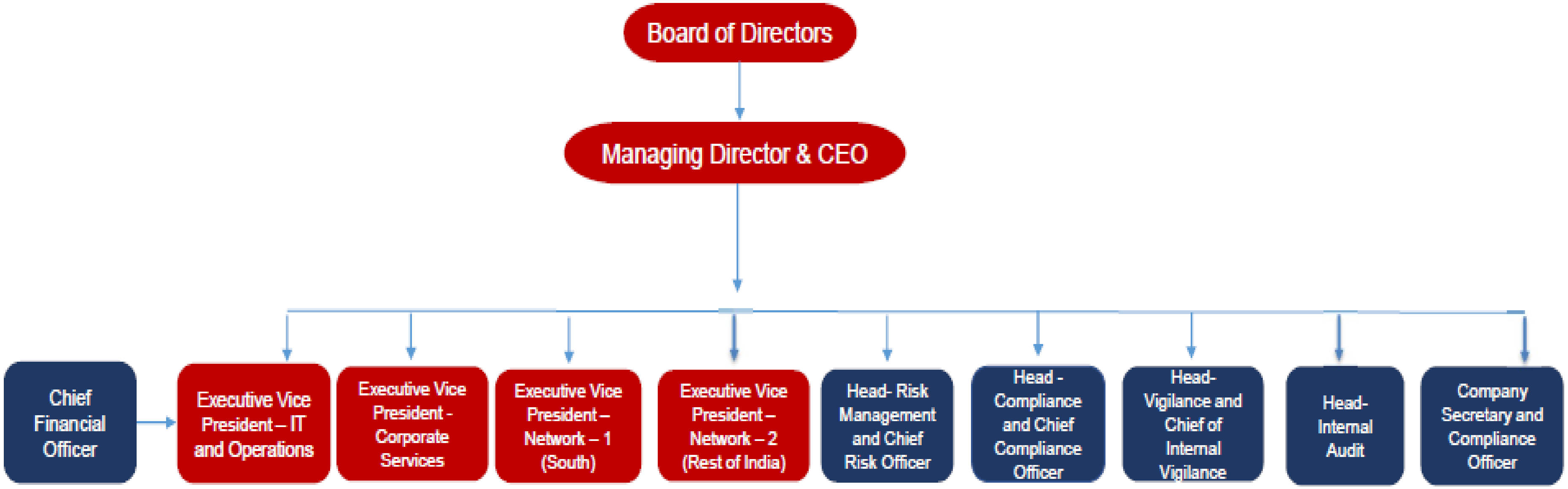
27. Authorizing of the maintenance of a register of holders of the Equity Shares; and

28. To withdraw the draft red herring prospectus or the red herring prospectus or to decide to not proceed with the Offer at any stage in accordance with applicable laws and in consultation with the Promoter Selling Shareholder and BRLMs.

Other committees of our Bank

In addition to the committees mentioned in " - *Committees of the Board*" on page 220, our Bank has constituted various other committees at the Board level, namely, Management Committee, IT Strategy Committee, Customer Service Committee, High Value Fraud Monitoring Committee and Human Resource Committee. Our Bank has also constituted executive committees, such as but not limited to, Management Committee of Executives, Market Risk - Asset Liability Management Committee, Credit Risk Management, Business Correspondent/ Business Facilitators Committee, Product and Process Committee, Financial Inclusion Committee, Outsourcing Vendor Assessment Committee, Procurement Evaluation Committee, Project Management Committee, IT Steering Committee of Executives and Executive Credit 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:

Kadambelil Paul Thomas is the Managing Director and Chief Executive Officer of our Bank. For details in relation to Kadambelil Paul Thomas, see "- *Brief Biographies of Directors*" on page 215. For details of compensation paid to him, see "*Terms of Appointment of Directors*" on page 217.

Gireesh C.P. is the Chief Financial Officer of our Bank. He holds a bachelor's degree in science from Mahatma Gandhi University. He is a fellow member of the Institute of Chartered Accountants of India and a certified associate of the Indian Institute of Banking and Finance. He was previously the chief financial officer of South Indian Bank Limited. He joined as the Chief Financial Officer of our Bank with effect from September 5, 2018. During Fiscal 2023, he received a remuneration of ₹5.48 million from our Bank.

Ranjith Raj P is the Company Secretary and Compliance Officer of our Bank. He holds a bachelor's degree in commerce from Calicut University. He is a company secretary and is an associate of the Institute of Company Secretaries of India. He was previously employed as company secretary of ESAF Financial Holdings Private Limited. He joined as the Company Secretary of our Bank with effect from March 29, 2017 and was appointed as the Compliance Officer of our Bank with effect from December 11, 2019. During Fiscal 2023, he received a remuneration of ₹2.26 million from our Bank.

George Kalaparambil John is the Executive Vice President – IT and Operations of our Bank. He holds a bachelor's degree in commerce from Mahatma Gandhi University, a master's degree in social work from Pune University, and a master's degree in business administration in Fintech from the Birla Institute of Technology & Science, Pilani. He was previously employed as the general manager – operations of ESAF Financial Holdings Private Limited and was an associate director – central zone of ESAF Foundation (*formerly known as Evangelical Social Action Forum*). He joined our Bank on March 10, 2017 and was appointed as the Executive Vice President – Business of our Bank with effect from June 13, 2018. During Fiscal 2023, he received a remuneration of ₹5.30 million from our Bank.

George Thomas is the Executive Vice President – Corporate Services of our Bank. He holds a master's degree of science in ecology and environment from Sikkim Manipal University. He was previously a senior agriculture officer (assistant director agriculture) with the Department of Agriculture Development and Farmers' Welfare, Wayanad district. He joined our Bank on March 10, 2017 as an executive vice president and resigned on May 31, 2018. He subsequently re-joined our Bank and was appointed as the Executive Vice President – Corporate Services of our Bank. His present term is valid for a period of 12 months from June 1, 2023, renewable at the sole discretion of the Bank and subject to fulfilment of conditions stipulated by our Bank. During Fiscal 2023, he received a remuneration of ₹4.85 million from our Bank.

Hari Velloor is the Executive Vice President - Network - 1 South of our Bank. He holds a bachelor's degree in arts (history) from University of Delhi and a master's degree in arts (political science) from Madurai Kamaraj University. He was previously a senior vice president of HDFC Bank. He was appointed as the Executive Vice President – Network - 1 (South) on June 1, 2022. His present term is with effect from June 1, 2023, and his term is valid for 12 months. During Fiscal 2023, he received a remuneration of ₹4.93 million from our Bank.

Hemant Kumar Tamta is the Executive Vice President - Network - 2 Rest of India of our Bank. He holds a bachelor's degree in law from University of Delhi. He has completed a course in banking and finance from the National Institute of Bank Management, Pune. He was previously an executive director of Bank of Maharashtra, Pune. He was also employed with Canara Bank as a general manager. He was appointed as the Executive Vice President – Network - 2 Rest of India with effect from August 1, 2022, and his term is valid for 12 months. During Fiscal 2023, he received a remuneration of ₹3.09 million from our Bank.

E.A. Jacob is the Head – Vigilance and Chief of Internal Vigilance of our Bank. He holds a bachelor's degree in science from Kerala University. He was previously employed at M/s. South Indian Bank Limited and retired as a Deputy General Manager in Audit Department bank's head office. He was appointed as the Chief of Internal Vigilance with effect from September 30, 2021 and his term is valid for a period of 3 years. During Fiscal 2023, he received a remuneration of ₹1.45 million from our Bank.

Sudev Kumar V is the Head – Compliance and Chief Compliance Officer of our Bank. He holds a bachelor's degree in science (agriculture) from Kerala Agriculture University and master's degree in science (horticulture) form Kerala Agriculture University. He has previously worked with Canara Bank. He was appointed as the Chief Compliance Officer with effect from December 15, 2021 and his term is valid for a period of 3 years. During Fiscal 2023, he received a remuneration of ₹3.82 million from our Bank.

Wilson Cyriac is the Head – Risk Management and Chief Risk Officer of our Bank. He holds a bachelor's degree in arts from Kerala University and master's degree in economics from Kerala University. He is a certified associate of the Indian Institute of Bankers. He was previously employed as executive vice president – head risk and chief risk officer of the Federal Bank Limited. He was appointed as the Head – Risk Management and Chief Risk Officer of our Bank with effect from November 30, 2021, and his term is valid for a period of 3 years. During Fiscal 2023, he received a remuneration of ₹2.48 million from our Bank.

Sivakumar P. is the Head – Internal Audit of our Bank. He holds a bachelor's degree in commerce from Madras University. He is a certified associate of the Indian Institute of Bankers. He was previously a general manager (internal audit) of State Bank of India. He was appointed as the Head – Internal Audit of our Bank with effect from April 1, 2023 and his present term as the Head – Internal Audit of our Bank is valid for a period of 3 years from April 1, 2023, renewable based on performance and with mutual consent. During Fiscal 2023, he received a remuneration of ₹0.81 million from our Bank.

Senior Management Personnel

Except Gireesh C.P., Ranjith Raj P., George Kalaparambil John, George Thomas, Hari Velloor, Hemant Kumar Tamta, E.A. Jacob, Sudev Kumar V, Wilson Cyriac and Sivakumar P., whose details are provided in "*– Key Managerial Personnel*" on page 232, there are no other Senior Management Personnel as on the date of this Draft Red Herring Prospectus.

Relationship between our Key Managerial Personnel and Senior Management Personnel and other Key Managerial Personnel and other Senior Management Personnel and Directors

None of the Key Managerial Personnel or Senior Management Personnel are related to each other or to the Directors.

Shareholding of Key Managerial Personnel and Senior Management Personnel

Other than Kadambelil Paul Thomas who holds 31,186,785 Equity Shares of our Bank, George Kalaparambil John who holds one Equity Share on behalf of our Corporate Promoter and Hari Velloor who holds 33,333 Equity Shares of our Bank, none of our Key Managerial Personnel or Senior Management Personnel hold any Equity Shares in our Bank. Further, George Thomas holds 1,000,000 Equity Shares of our Bank in the capacity as Chairman of ESAF Staff Welfare Trust, which is the beneficial owner of these Equity Shares. Further, except for George Kalaparambil John, George Thomas and Ranjith Raj P, none of our Key Managerial Personnel and Senior Management Personnel hold any employee stock options.

For details, please see "*Capital Structure*" on page 82.

Bonus or Profit-Sharing Plans of the Key Managerial Personnel and Senior Management Personnel

None of our Key Managerial Personnel and Senior Management Personnel is party to any bonus or profit-sharing plan of our Bank, other than the performance linked incentives given to Key Managerial Personnel and Senior Management Personnel.

Status of Key Managerial Personnel and Senior Management Personnel

The terms of certain of our Key Managerial Personnel and Senior Management Personnel, namely, George Thomas, Hari Velloor, Hemant Kumar Tamta, E.A. Jacob, Wilson Cyriac and Sivakumar P are on a contractual basis, and renewable subject to the terms and conditions of their respective appointments. Other than the aforementioned Key Managerial Personnel and Senior Management Personnel, all our Key Managerial Personnel and Senior Management Personnel are permanent employees of our Bank.

Interests of Key Managerial Personnel and Senior Management Personnel

Our Key Managerial Personnel and Senior Management 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 and the shares held by the relatives of George Kalaparambil John, Kadambelil Paul Thomas and George Thomas. Some of our Key Managerial Personnel and Senior Management 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. For interests of Kadambelil Paul Thomas, see "*Our Promoters and Promoter Group*" on page 235. Our Key Managerial Personnel and Senior Management Personnel may also be deemed to be interested to the extent of options granted to them under the Employee Stock Option Scheme. For details, see "*Capital Structure – ESOP Plan 2019*" on page 94. Additionally, George Kalaparambil John is a member of Prachodhan Development Services, a party with which our Bank has entered into a contract/arrangement for implementing CSR activities. Further, George Kalaparambil John is a member of our Corporate Promoter, which holds 280,758,396 shares of our Bank. Furthermore, George Thomas is interested in our Bank to the extent of benefits arising out of him being a shareholder in our Corporate Promoter, a shareholder in Prachodhan Development Services and the chairman of ESAF Staff Welfare Trust.

None of the Key Managerial Personnel and Senior Management Personnel have been paid any consideration of any nature by our Bank, other than their remuneration.

Our Individual Promoter, Managing Director and Chief Executive Officer, Kadambelil Paul Thomas is a board member of ESAF Foundation, with whom our Bank has entered into the Trademark Agreement and pursuant to which ESAF Foundation has granted our Bank an exclusive, irrevocable license and right to use certain trademarks. For details, see "*History and Certain Corporate Matters - Key terms of other subsisting material agreements*" on page 209.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel or Senior Management Personnel was selected as key managerial personnel or senior management personnel.

For details in relation to attrition in our Key Managerial Personnel and Senior Management Personnel in the preceding three years see, see "*Risk Factors – We are dependent on our Key Managerial Personnel, Senior Management Personnel and other key personnel, and the loss of, or our inability to attract or retain, such persons could adversely affect our business, financial condition, results of operations and cash flows*" on page 57.

Changes in the Key Managerial Personnel and Senior Management Personnel

The changes in the Key Managerial Personnel and Senior Management Personnel in the last three years are as follows:

Name	Date of change	Reason for change
George Thomas	June 1, 2023	Re-appointed as Executive Vice President – Corporate Services
Hari Velloor	June 1, 2023	Re-appointed as Executive Vice President – Network – 1 South
Sivakumar P	April 1, 2023	Appointed as Head – Internal Audit
Antoo P.K.	March 31, 2023	Cessation as Head – Internal Audit
Ajayan Mangalath Gopalakrishnan Nair	November 30, 2022	Cessation as Executive Vice President – IT and Credit
George Kalaparambil John	November 30, 2022	Change in designation to Executive Vice President – IT and Operations
Hemant Kumar Tamta	August 1, 2022	Appointed as Executive Vice President – Network - 2 Rest of India
George Kalaparambil John	June 9, 2022	Change in designation to Executive Vice President – Operations and Digital
Ajayan Mangalath Gopalakrishnan Nair	June 9, 2022	Change in designation to Executive Vice President – IT and Credit
Hari Velloor	June 1, 2022	Appointed as Executive Vice President – Network - 1 South
Dinesh Kallarackal	December 15, 2021	Change in designation to Head – Legal
Sudev Kumar V	December 15, 2021	Appointed as Head – Compliance and Chief Compliance Officer
Wilson Cyriac	November 30, 2021	Appointed as Head – Risk Management and Chief Risk Officer
Mohanachandran K.R.	November 30, 2021	Cessation as Head – Risk Management and Chief Risk Officer
E.A. Jacob	September 30, 2021	Appointed as Head – Vigilance and Chief of Internal Vigilance
Dominic Joseph	September 30, 2021	Cessation as Head – Vigilance and Chief Vigilance Officer
Dinesh Kallarackal	June 1, 2021	Appointed as Head – Legal and Chief Compliance Officer
Sivasankaran N.	September 30, 2020	Resigned as Head – Compliance and Chief Compliance Officer

Service Contracts with Directors and Key Managerial Personnel and Senior Management 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 and Senior Management Personnel has entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment.

Contingent and deferred compensation payable to our Director and Key Managerial Personnel and Senior Management Personnel

There is no contingent or deferred compensation payable to our Directors, Key Managerial Personnel or Senior Management Personnel, which does not form a part of their remuneration.

Payment or benefit to Key Managerial Personnel and Senior Management Personnel

Except as stated in this section and "*Our Promoters and Promoter Group*" on page 235 in respect of our Managing Director and Chief Executive Officer, Kadambelil Paul Thomas, no non-salary amount or benefit has been paid or given to any of our Bank's officers including Key Managerial Personnel and Senior Management Personnel within the two preceding years or is intended to be paid or given.

Employees stock option

For details of our employee stock options, see "*Capital Structure*" on page 82.

Non-appearance in list of directors of struck off companies by the RoC or the MCA

Except Kolasseril Chandramohanan Ranjani, who was a director of Growing Outreach Services Private Limited which was struck off based on a voluntary application by the company, we confirm that the names of the Directors of our Bank are not appearing in the list of directors of struck-off companies by the RoC or the MCA.

OUR PROMOTERS AND PROMOTER GROUP

ESAF Financial Holdings Private Limited and Kadambelil Paul Thomas are the Promoters of our Bank. As on the date of this Draft Red Herring Prospectus, our Promoters collectively hold 311,945,181 Equity Shares equivalent to 69.40% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. Our Corporate Promoter holds 280,758,396 Equity Shares (which includes five Equity Shares held by nominees on behalf of our Corporate Promoter) equivalent to 62.46% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. Our Individual Promoter, Kadambelil Paul Thomas holds 31,186,785 Equity Shares equivalent to 6.94% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. For further details, see "*Capital Structure*" on page 82.

Our Individual Promoter

Kadambelil Paul Thomas

Our Individual Promoter, Kadambelil Paul Thomas (DIN: 00199925), born on May 21, 1963 and aged 60 years, is the Managing Director and Chief Executive Officer of our Bank. He is a resident Indian national. For further details in respect of his personal address, educational qualifications, experience in the business, positions/posts held in the past, other directorships, special achievements, business and other financial activities, see "*Our Management*" on page 213.

Kadambelil Paul Thomas holds 31,186,785 Equity Shares in our Bank, equivalent to 6.94% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Bank. Other than as disclosed in this section and *"Our Management*" on page 213, Kadambelil Paul Thomas is not involved in any other venture.

His permanent account number is AJPPK0458A.

Our Bank confirms that the permanent account number, bank account number(s), passport number, Aadhaar card number and driving license number of Kadambelil Paul Thomas, shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Our Corporate Promoter

Corporate Information

Our Corporate Promoter was originally incorporated as 'Pinnai Finance and Investments Private Limited' on September 27, 1996 at Chennai, Tamil Nadu, India, as a private limited company under the Companies Act, 1956. The name of our Corporate Promoter was subsequently changed to 'ESAF Microfinance and Investments Private Limited' and a fresh certificate of incorporation consequent upon change of name was issued on March 21, 2007. The name of the company was thereafter changed to 'ESAF Financial Holdings Private Limited' and a fresh certificate of incorporation consequent upon change of name was issued on March 1, 2019.

The registered office of our Corporate Promoter is located at X/109/M4, 2nd Floor, Hephzibah Complex, Mannuthy- Palakkad NH, Mannuthy, Thrissur 680 651, Kerala, India.

Our Individual Promoter, Kadambelil Paul Thomas, along with several others, founded the ESAF Foundation (*formerly known as "Evangelical Social Action Forum"*) in 1992, which started undertaking microfinance activities in 1995. Subsequently, in 2006, our Individual Promoter and others, including Mereena Paul, one of our Promoter Group members, acquired our Corporate Promoter. The microfinance business undertaking of ESAF Foundation was thereafter transferred by ESAF Foundation to our Corporate Promoter in 2008.

Our Corporate Promoter was granted NBFC-MFI status by the RBI on January 7, 2014. As per the RBI In-Principle Approval and RBI Final Approval, our Corporate Promoter has, pursuant to the Business Transfer Agreement, sold its business undertaking comprising the lending and financing business undertaken as an NBFC-MFI and other business activities incidental thereto, to our Bank. Our Corporate Promoter has thereafter surrendered its registration as an NBFC-MFI and applied for registration as an NBFC Non-Deposit taking Systemically Important Core Investment Company from the RBI. Our Corporate Promoter was granted certificate of registration bearing number B-07-00652 by RBI dated February 26, 2020, for carrying out the business as an NBFC (Core Investment Company) without accepting public deposits.

The main objects of our Corporate Promoter are:

"1. To carry on the business, whether in India or outside, of making investments in group companies in the form of shares, bonds, debentures, debts, loans or securities and providing guarantees, other form of collateral, or taking on other contingent liabilities, on behalf of or for the benefit of, any group companies.

2. *To carry on financial activities, whether in India or outside, in the nature of investment in bank deposits, money market instruments (including money market mutual funds and liquid mutual funds), government securities, and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment companies from time to time.*

3. *To carry on and undertake the business of lending money and to negotiate advance, deposit or loan, money or securities to buy, sell, discount and deal in promissory notes, bills of exchange, hundies or other negotiable or transferable securities or other documents to invest, guarantee or become liable for the payment of money or for the performance of any obligation or to stand as surety and generally to transact all kinds of business of indemnity and guarantee.*

4. *To render Financial Advisory Services, Investment Advisory Services and Management Consultancy Services.*

5. *To promote, establish and undertake financial ventures of all kinds, not included in the aforesaid, and to carry out the said activities either on its own or in alliance with any other Person/Body/ Bodies Corporate incorporated in India or Overseas either under the Strategic Alliance or Joint Venture or any other arrangement."*

Our Individual Promoter, Kadambelil Paul Thomas is the promoter of our Corporate Promoter.

Board of directors

The board of directors of our Corporate Promoter comprises of the following:

1. Mereena Paul
2. Ranganathan Varadarajan Dilip Kumar
3. Vikraman Ampalakkat
4. Philomina
5. Abraham Thariyan
6. Emy Acha Paul
7. Ajayan Mangalath Gopalakrishnan Nair
8. Joy Cherayath Joseph
9. Mark Robert Daniels

Shareholding pattern

As on the date of this Draft Red Herring Prospectus, the authorised share capital of our Corporate Promoter is ₹2,500,000,000 divided into 190,000,000 equity shares of face value of ₹10 each and 6,000,000 preferences shares of face value of ₹100 each. The issued and paid-up share capital of our Corporate Promoter, as on the date of this Draft Red Herring Prospectus is ₹1,718,095,960 divided into 153,761,096 equity shares of face value of ₹10 each, 1,804,850 preference shares of face value of ₹100 each.

The shareholding pattern of the equity shares of face value of ₹10 each of the Corporate Promoter as on the date of this Draft Red Herring Prospectus is as follows:

S. No	Name of shareholder	Number of shares held	Percentage of equity shareholding (%)
1.	ESMACO	97,616,607	63.49
2.	Dia Vikas Capital Private Limited	30,730,000	19.99
3.	SIDBI Trustee Company Ltd- A/C Samridhi Fund	17,176,230	11.17
4.	George Thomas (in the capacity as the chairman of ESAF Staff Welfare Trust)	5,640,600	3.67
5.	Cedar Retail Private Limited	633,333	0.41
6.	Kadambelil Pailee Thomas	253,180	0.16
7.	Achamma Thomas	253,180	0.16
8.	Raphael Parambi	200,000	0.13
9.	Thomas Joseph	200,000	0.13
10.	George Thomas	174,400	0.11
11.	Alok Thomas Paul	87,500	0.06
12.	Emy Acha Paul	87,500	0.06
13.	Leo Samuel	56,666	0.04
14.	Jacob Samuel	53,000	0.03

S. No	Name of shareholder	Number of shares held	Percentage of equity shareholding (%)
15.	Saleena George	40,000	0.03
16.	Beena George	40,000	0.03
17.	Sunny Thomas	40,000	0.03
18.	Padmakumar K.	40,000	0.03
19.	Rajesh Sreedharan Pillai	40,000	0.03
20.	Kadambelil Paul Thomas	34,900	0.02
21.	George K. John	30,000	0.02
22.	Sibu K. A.	30,000	0.02
23.	Leo Joseph	30,000	0.02
24.	Sheena	20,000	0.01
25.	Mercy Jimmy	20,000	0.01
26.	Christudas K. V.	20,000	0.01
27.	Assan Khan Akbar	20,000	0.01
28.	T. D. Jose	20,000	0.01
29.	Sony V. Mathew	20,000	0.01
30.	Jubilee Sherine George	20,000	0.01
31.	Mereena Paul	15,000	0.01
32.	Joseph Varghese	14,000	0.01
33.	Elizabeth John	10,000	0.01
34.	Idicheria Ninan	10,000	0.01
35.	Soyi K. Elias	10,000	0.01
36.	Jojy Koshy Varghese	10,000	0.01
37.	Roy Alex	10,000	0.01
38.	Jijo Kuriappan	10,000	0.01
39.	Sam Thomas	10,000	0.01
40.	Philip John	10,000	0.01
41.	James Varghese	5,000	0.00
42.	Cherian Mathew	5,000	0.00
43.	E. Mathai	5,000	0.00
44.	Jose Thomas	5,000	0.00
45.	P. V. Jose	5,000	0.00
Total		**153,761,096**	**100**

Our Corporate Promoter has issued 1,804,850, 1% compulsorily convertible preference shares of face value of ₹100 each as on the date of this Draft Red Herring Prospectus. The shareholding pattern of these compulsorily convertible preference shares is as follows:

S. No	Name of shareholder	Number of shares held	Percentage of preference shareholding (%)
1% compulsorily convertible preference shares			
1.	Dia Vikas Capital Private Limited	1,804,850	100
Total		**1,804,850**	**100**

Change in control

There has been no change in the control of our Corporate Promoter in the last three years preceding the date of this Draft Red Herring 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 our Corporate Promoter is registered, shall be submitted to the Stock Exchanges, at the time of filing this Draft Red Herring Prospectus.

Interests of our Promoters

Our Promoters are interested in our Bank to the extent they have promoted our Bank and to the extent: (i) of their shareholding in the Bank and dividend payable, if any, and other distributions in respect of the Equity Shares held by them; (ii) that Kadambelil Paul Thomas is the Managing Director and Chief Executive Officer of our Bank and received remuneration from our Bank in this regard; (iii) loan against fixed deposit taken by our Corporate Promoter; and (iv) that the Promoters are also customers of our Bank and operate their savings accounts, current accounts and term deposits from our Bank. For details, see "*Capital Structure – Build-up of the shareholding of our Promoters in our Bank*", "*Our Management – Remuneration paid to the Executive Director*", and "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on pages 88, 217 and 310, respectively. Our Corporate Promoter has subscribed to tier-2 subordinate debt during Fiscal 2022 amounting to ₹200.00 million. For details, see "*Financial Statements"* on page 262. Our Individual Promoter, Kadambelil Paul Thomas is a board member of the ESAF Foundation, with whom our Bank has entered into the Trademark Agreement and pursuant to which ESAF Foundation has granted our Bank an exclusive, irrevocable license and right to use certain trademarks. For details, see "*History and Certain Corporate Matters - Key terms of other subsisting material agreements*" on page 209.

Further, Miriam Ann Philip, the daughter-in-law of our Individual Promoter, Kadambelil Paul Thomas, is an employee of our Bank. For details, see "*Our Management – Appointment of relatives of our Directors to any office or place of profit*" on page 218.

Our Promoters have no interest in any property acquired in the three years preceding the date of this Draft Red Herring 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 any of our Promoters or to the firms or companies in which our Promoters are interested as members 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 our Promoters or by such firms or companies in connection with the promotion or formation of our Bank.

Payment of benefits to our Promoter or our Promoter Group during the two years preceding the filing of this Draft Red Herring Prospectus

Except (i) lease rentals paid to Lahanti Homes in respect of the properties taken on lease from it by our Bank; (ii) commission/fees paid to ESMACO for services as business correspondents of our Bank; (iii) amounts paid to ESMACO for the corporate facility management services provided by it to our Bank; (iv) interest paid on deposits, perpetual debt instruments and sub-debt to ESMACO; (v) amounts paid to ESMACO for agency banking services; (vi) remuneration paid to Kadambelil Paul Thomas who is the Managing Director and Chief Executive Officer of our Bank as disclosed in "*Our Management"* and "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on pages 213 and 310, respectively; (vii) gross salary paid to Bosco Joseph who is in the employment of our Bank; and (viii) as disclosed in "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310, no amount or benefit has been paid or given to our Promoters or Promoter Group during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoters or Promoter Group.

Material guarantees given by our Promoters to third parties with respect to Equity Shares of our Bank

Our Promoters have not given any material guarantees to third parties with respect to the Equity Shares of our Bank.

Companies or firms with which our Promoters have disassociated in the last three years

Our Promoters have not disassociated themselves from any company or firm in the three years immediately preceding the date of this Draft Red Herring Prospectus.

Our Promoter Group

Natural persons who are part of the Promoter Group other than our Individual Promoter

The following natural persons form part of our Promoter Group as immediate relatives of Kadambelil Paul Thomas.

Name of relative	Nature of relationship
Mereena Paul	Wife of Kadambelil Paul Thomas
Kadambelil Pailee Thomas	Father of Kadambelil Paul Thomas
Achamma Thomas	Mother of Kadambelil Paul Thomas
Sunny Thomas	Brother of Kadambelil Paul Thomas
Mercy Jimmy	Sister of Kadambelil Paul Thomas
Beena George	Sister of Kadambelil Paul Thomas
Alok Thomas Paul	Son of Kadambelil Paul Thomas
Abhishek Joe Paul	Son of Kadambelil Paul Thomas
Ashish Chris Paul	Son of Kadambelil Paul Thomas
Emy Acha Paul	Daughter of Kadambelil Paul Thomas
Leo Joseph	Brother of spouse
Savio Joseph	Brother of spouse
Benno Joseph	Brother of spouse
Bosco Joseph	Brother of spouse

Entities forming part of the Promoter Group other than our Corporate Promoter

1. Dev Bhoomi Eco Tourism Private Limited;
2. ESMACO;
3. Hebron Gardens Private Limited;
4. JRK Marketing Private Limited; and
5. Lahanti Homes and Infrastructure Private Limited (*formerly ESAF Homes & Infrastructure Private Limited*).

Our Bank filed an application dated May 18, 2023 (“**Exemption Application**”) under Regulation 300(1)(c) of the SEBI ICDR Regulations to SEBI seeking relaxation from disclosing Dia Vikas Capital Private Limited, a pure financial investor in our Corporate Promoter holding 19.99% of the paid-up equity share capital of our Corporate Promoter and also holding 1,804,850, 1% compulsorily convertible preference shares of face value of ₹100 each of our Corporate Promoter, as a part of the “promoter group” of the Bank in accordance with the SEBI ICDR Regulations on the following grounds: (i) under the first proviso to Regulation 2(1)(pp) of the SEBI ICDR Regulations, a financial institution, scheduled bank, foreign portfolio investor other than individuals, corporate bodies and family offices, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the IRDAI or any other category as specified by SEBI from time to time are not deemed to be part of the promoter group merely by virtue of the fact that 20% or more of the equity share capital of the promoter of the issuer is held by such person or entity. Our Bank sought such exemption on the grounds that a financial investor such as Dia Vikas should not be considered to form part of promoter group of our Bank merely by virtue of holding more than 20% of the paid-up capital of our Corporate Promoter on a fully diluted basis; (ii) Dia Vikas has no control or special rights over the Bank either as a shareholder of the Corporate Promoter or by virtue of the Corporate Promoter SHA or the charter documents of the Corporate Promoter; (iii) Dia Vikas has not held any shares in the Bank, or had any other rights in the Bank at any point in the past, as a result of which, there has been no identifiable relation between the Bank and Dia Vikas at any point of time; and (iv) Dia Vikas does not exercise any control or influence over the Bank, nor is Dia Vikas involved in the day-to-day operations or administrative functions of the Bank. Our Bank pursuant to the Exemption Application sought exemption from (i) naming Dia Vikas as promoter group in the Offer Documents; and (ii) providing any confirmations as required to be provided by an issuer’s promoter group under the SEBI ICDR Regulations in respect of Dia Vikas in the Offer Documents. The Exemption Application has been granted by SEBI by its approval letter dated June 23, 2023.

OUR GROUP ENTITIES

In terms of the SEBI ICDR Regulations and pursuant to the resolution passed by our Board at its meeting held on June 22, 2023, group entities of our Bank shall include (i) the companies (other than our Corporate Promoter) with which there were related party transactions as per the Restated Financial Information of our Bank read with "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310, during any of the last three financial years; (ii) the companies forming part of the promoter group (other than our Corporate Promoter) with whom our Bank has entered into one or more transactions during the last completed financial year and the most recent period included in the restated financial information, if any, which individually or cumulatively exceeds 10% of the total revenue of our Bank for that financial year as per the Restated Financial Information; or (iii) such other entities as deemed material by our Board.

Accordingly, in terms of the policy adopted by our Board for determining group entities, our Board has identified the following entities as the group entities of our Bank ("**Group Entities**"):

1. ESAF Swasraya Multi-State Agro Co-operative Society Limited;
2. CEDAR Retail Private Limited (*formerly ESAF Retail Private Limited*);
3. Lahanti Homes and Infrastructure Private Limited (*formerly ESAF Homes and Infrastructure Private Limited*);
4. ESAF Swasraya Producers Company Limited;
5. Lahanti Lastmile Services Private Limited; and
6. Prachodhan Development Services.

Details of our Group Entities

Details of our top five Group Companies

1. **ESAF Swasraya Multi-State Agro Co-operative Society Limited ("ESMACO")**

Registered Office

The registration number of ESMACO is MSCS/CR/442/2011. The registered office of ESMACO is situated at 1st floor, JSR Square Building, Ollukkara P.O., Kalathode, Thrissur 680 655, Kerala, India.

Financial Performance

In accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited standalone financial statements of ESMACO for the financial years ended March 31, 2020, 2021 and 2022 are available on the website of ESMACO at www.esafcooperative.in/downloads/ESAF%20Co-operative%20Annual%20Report%202019-20.pdf, www.esafcooperative.in/downloads/ESAF%20Co-operative%20Annual%20Report%202020-21.pdf and www.esafcooperative.in/downloads/ESAF%20Co-operative%20Annual%20Report%202021-22.pdf.

It is clarified that such details available in relation to ESMACO on its website do not form a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. The link above has been provided solely to comply with the requirements of the SEBI ICDR Regulations.

2. **CEDAR Retail Private Limited (*formerly ESAF Retail Private Limited*) ("CEDAR Retail")**

Registered Office

The registered office of CEDAR Retail is situated at 7/732/ 9 -11, Green Tower, Mannuthy - Nadathara Road, Pattalakunnu, Thrissur 680 651, Kerala, India.

Financial Performance

In accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited standalone financial statements of CEDAR Retail for the financial years ended March 31, 2020, 2021 and 2022 are available on the website of CEDAR Retail at https://cedarretail.in/public-disclosures/.

It is clarified that such details available in relation to CEDAR Retail on its website do not form a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. The link above has been provided solely to comply with the requirements of the SEBI ICDR Regulations.

3. **Lahanti Homes and Infrastructure Private Limited (*formerly ESAF Homes and Infrastructure Private Limited*) ("Lahanti Homes")**

Registered Office

The registered office of Lahanti Homes is situated at Second Floor, Hephzibah Complex Mannuthy P.O. Thrissur 680 651, Kerala, India.

Financial Performance

In accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited standalone financial statements of Lahanti Homes for the financial years ended March 31, 2020, 2021 and 2022 are available on the website of our Bank at www.esafbank.com/investor-relations-info/.

It is clarified that such details available in relation to Lahanti Homes on its website do not form a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. The link above has been provided solely to comply with the requirements of the SEBI ICDR Regulations.

4. **ESAF Swasraya Producers Company Limited ("ESAF Swasraya Producers")**

Registered Office

The registered office of ESAF Swasraya Producers is situated at TC/10/121/1, Santhi Nagar Ollukkara Mannuthy Thrissur 680 651, Kerala, India.

Financial Performance

In accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit/loss after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited standalone financial statements of ESAF Swasraya Producers for the financial years ended March 31, 2020, 2021 and 2022 are available on the website of our Bank at www.esafbank.com/investor-relations-info/.

It is clarified that such details available in relation to ESAF Swasraya Producers on its website do not form a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. The link above has been provided solely to comply with the requirements of the SEBI ICDR Regulations.

5. **Lahanti Lastmile Services Private Limited ("Lahanti")**

Registered Office

The registered office of Lahanti is situated at 7/732/14, 2nd Floor, Green Tower, Mannuthy - Nadathara Road, Mannuthy Thrissur 680 651, Kerala, India.

Financial Performance

In accordance with the SEBI ICDR Regulations, the details of the reserves (excluding revaluation reserves), sales, profit after tax, basic earnings per share, diluted earnings per share and net asset value per share derived from the audited standalone financial statements of Lahanti for the financial years ended March 31, 2021, 2022 and 2023 are available on the website of Lahanti at www.lahantilastmile.in/mandatory-disclosure.html.

It is clarified that such details available in relation to Lahanti on its website do not form a part of this Draft Red Herring Prospectus. Anyone placing reliance on any other source of information, would be doing so at their own risk. The link above has been provided solely to comply with the requirements of the SEBI ICDR Regulations.

Other group companies:

6. **Prachodhan Development Services ("Prachodhan")**

Registered Office

The registered office of Prachodhan is situated at House No. 631/B/A, Koradi Road, Mankapur Square, Nagpur 440 030, Maharashtra, India.

Nature and extent of interest of our Group Entities

a. ***In the promotion of our Bank***

Our Group Entities do not have any interest in the promotion of our Bank.

b. ***In the properties acquired by our Bank or proposed to be acquired by our Bank in the preceding three years before filing this Draft Red Herring Prospectus***

Our Group Entities are not interested in the properties acquired by our Bank in the three years preceding the filing of this Draft Red Herring Prospectus or proposed to be acquired by our Bank.

However, our Bank and Lahanti Homes have entered into a deed of lease dated April 1, 2017 for leasing of office space for our Registered and Corporate Office.

c. ***In transactions for acquisition of land, construction of building and supply of machinery entered into with our Bank***

None of our Group Entities are interested in any transactions for the acquisition of land, construction of building or supply of machinery.

Common Pursuits between our Group Entities and our Bank

As of the date of this Draft Red Herring Prospectus, there are no common pursuits between our Group Entities and our Bank. However, some of our group entities have certain business interests in our Bank. For details, see " – *Business interest of our Group Entities in our Bank*" on page 242.

Related Business Transactions within the Group and significance on the financial performance of our Bank

Except (i) lease rentals paid to Lahanti Homes in respect of our Registered and Corporate Office taken on lease from it by our Bank; (ii) commission/fees paid to ESMACO and Lahanti for their services as business correspondents of our Bank; (iii) amounts paid to ESMACO in respect of the corporate facility management services provided by it to our Bank; (iv) amount paid to Prachodhan for corporate social responsibility expenses; (v) interest paid on deposits, perpetual debt instruments and sub-debt to ESMACO; (vi) amounts paid to ESMACO for agency banking services; and (vii) other transactions disclosed in the section "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310, there are no other related business transactions with the Group Entities.

Business interest of our Group Entities in our Bank

Except for (i) provision of services as business correspondents of our Bank by ESMACO and Lahanti, (ii) corporate facility management services provided by ESMACO, (iii) lease rentals paid to Lahanti Homes in respect of our Registered and Corporate Office taken on lease from it by our Bank, and (iv) corporate social responsibility services provided by Prachodhan, our Group Entities have no business interest in our Bank. For further details see "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310.

Litigation

Our Group Entities are not party to any pending litigation which will have material impact on our Bank.

Other confirmations

The equity shares of our Group Entities are not listed on any stock exchange and our Group Entities have not made any public or rights issue of securities in the preceding three years.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors 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 the regulations and guidelines made thereunder, the Articles of Association and other applicable laws, including the Companies Act, 2013. The dividend, if any, will depend on a number of factors, including but not limited to, the future expansion plans and capital requirements, profit earned during the Fiscal, past dividend trends, liquidity and applicable taxes including optimal capital adequacy ratio subject to regulatory minimum of total and Tier I capital adequacy ratio, additional regulatory requirements of capital in near future cost of raising funds from alternate sources, reinvestment opportunities and any other applicable criteria from the legal or regulatory framework applicable to our Bank. In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under loan or financing arrangements our Bank is currently availing of or may enter into to finance our fund requirements for our business activities.

As per the Articles of Association, the Bank may pay dividend by cheque or warrant or ECS or RTGS or any other mode as may be permissible under the Companies Act, 2013 or may send through post to the registered address of the member or person entitled, or in the case of joint holders, to the registered address of the joint holders first named in the register.

Our Bank has not declared any dividends for Fiscals 2021, 2022 and 2023. Further, our Bank has not declared any dividend from April 1, 2023 till the date of this Draft Red Herring Prospectus. In terms of Section 15 of the Banking Regulation Act, a banking company is permitted to declare dividends only upon all of its capitalised expenses being written off. Our Bank has no formal dividend policy.

SELECTED STATISTICAL INFORMATION

This section should be read together with "*Our Business*" on page 157, the Restated Financial Information in "*Financial Statements*" on page 262 and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 319.

Demand deposits are current account deposits. Although we do not pay interest on demand deposits, demand deposits have been included as interest-bearing liabilities in this section.

Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans and all such loans are shown as Micro Loans as at and for the years ended March 31, 2022 and 2021. Effective from October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.

The following information is included for analytical purposes. 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 Draft Red Herring 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 financial measures and other statistical and operational information 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. For more details, see "*-Certain Non-GAAP Financial Measures*" on page 260.

Average Balance Sheet, Interest Earned/Expended and Yield/Cost

The tables below present our average balances for total interest-earning assets and total interest-bearing liabilities together with the related interest earned and interest expended, resulting in the presentation of the yield and cost for the fiscal years presented.

Particulars	**Year ended March 31,**								
	2023			**2022**			**2021**		
	Average Balance(1) [A]	**Interest Earned(2)/ Expended(3) [B]**	**Yield/ Cost(4) (%) [C = B/A]**	**Average Balance(1) [A]**	**Interest Earned(2)/ Expended(3) [B]**	**Yield/ Cost(4) (%) [C = B/A]**	**Average Balance(1) [A]**	**Interest Earned(2)/ Expended(3) [B]**	**Yield/ Cost(4) (%) [C = B/A]**
	(₹ in million, except percentages)								
Interest-earning assets:									
Advances	121,335.33	25,320.45	20.87%	93,535.47	17,267.12	18.46%	73,170.11	14,735.06	20.14%
Investments	48,137.45	3,120.44	6.48%	30,264.71	1,883.08	6.22%	19,326.01	1,283.26	6.64%
Others(5)	2,620.25	95.70	3.65%	8,994.48	249.05	2.77%	10,182.48	393.41	3.86%
Total interest-earning assets*	**172,093.03**	**28,536.59**	**16.58%**	**132,794.66**	**19,399.25**	**14.61%**	**102,678.60**	**16,411.73**	**15.98%**
Non-interest-earning assets:									
Fixed assets	1,724.01	-	-	1,436.63	-	-	1,261.65	-	-
Other assets(6)	11,439.75	-	-	9,273.07	-	-	6,366.50	-	-
Total non-interest-earning assets	**13,163.76**	**-**	**-**	**10,709.70**	**-**	**-**	**7,628.15**	**-**	**-**
Total assets	**185,256.79**	**-**	**-**	**143,504.35**	**-**	**-**	**110,306.75**	**-**	**-**
Interest-bearing liabilities:									
Deposits(7)	135,740.03	8,377.18	6.17%	107,089.73	6,788.46	6.34%	80,911.38	6,045.68	7.47%
Borrowings(8)	28,640.15	1,796.01	6.27%	18,797.17	1,139.40	6.06%	14,327.51	1,150.14	8.03%
Total interest-bearing liabilities*	**164,380.18**	**10,173.19**	**6.19%**	**125,886.90**	**7,927.86**	**6.30%**	**95,238.89**	**7,195.82**	**7.56%**
Non-interest-bearing liabilities:									
Capital and reserves	15,613.56	-	-	13,281.70	-	-	11,909.32	-	-
Other liabilities	5,263.05	-	-	4,335.76	-	-	3,158.54	-	-
Total non-interest-bearing liabilities	**20,876.61**	**-**	**-**	**17,617.46**	**-**	**-**	**15,067.86**	**-**	**-**
Total liabilities	**185,256.79**	**-**	**-**	**143,504.35**	**-**	**-**	**110,306.75**	**-**	**-**

Notes:

* *Non-GAAP financial measure*

1. *Average balances are calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year. The average balances of advances are advances net of provisions for NPAs ("**Interest-Earning Advances**"), and average investments are net of depreciation or provision for investments, if any.*
2. *Interest earned on advances comprises interest/discount on advances/bills (which includes interest spread on direct assignment and interbank participation transactions. Interest earned on investments includes interest earned on government securities, treasury bills and other securities. Interest earned on others includes interest on balances with banks in other deposits accounts and money at call and short notice ("**Interest-Earning Balance with Reserve Bank of India and other Inter-Bank Funds**").*
3. *Interest expended comprises interest expended on deposits and borrowings.*
4. *Yield/Cost on average balance is a non-GAAP financial measure and is calculated as interest earned/expended divided by the average balance.*
5. *Comprises Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds.*
6. *Includes cash in hand, balance with the Reserve Bank of India in current accounts, balances with banks in current accounts and other assets.*
7. *Comprises demand deposits, savings bank deposits and term deposits. We do not pay interest on demand deposits.*
8. *Borrowings include borrowing from the Reserve Bank of India, other banks, other institutions and agencies, subordinated debt and perpetual debt instruments.*

Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate

The following tables set forth, for the fiscal years indicated, the analysis of the changes in our interest earned and interest expended between average volume and changes in rates.

Particulars	**Year ended March 31, 2023 vs. Year ended March 31, 2022**		
	Net Changes in Interest(1)	**Change in Average Volume(2)**	**Change in Average Rate(3)**
	(₹ in million)		
Interest earned:			
Advances	8,053.33	5,132.00	2,921.33
Investments	1,237.36	1,112.05	125.31
Others	(153.35)	(176.50)	23.15
Total interest earned [A]	**9,137.34**	**6,067.55**	**3,069.79**
Interest expended:			
Deposits(4)	1,588.72	1,816.15	(227.43)
Reserve Bank of India/Inter bank borrowings and others	656.61	596.64	59.97
Total interest expended [B]	**2,245.33**	**2,412.79**	**(167.46)**
Net Interest Income [A-B]	**6,892.01**	**3,654.75**	**3,237.26**

Particulars	**Year ended March 31, 2022 vs. Year ended March 31, 2021**		
	Net Changes in Interest(1)	**Change in Average Volume(2)**	**Change in Average Rate(3)**
	(₹ in million)		
Interest earned:			
Advances	2,532.06	4,101.59	(1,570.92)
Investments	599.82	726.33	(126.50)
Others	(144.36)	(45.85)	(98.14)
Total interest earned [A]	**2,987.52**	**4,782.08**	**(1,795.56)**
Interest expended:			
Deposits(4)	742.78	1,956.04	(1,213.26)
Reserve Bank of India/Inter bank borrowings and others	(10.74)	358.80	(369.54)
Total interest expended [B]	**732.04**	**2,314.84**	**(1,582.80)**
Net Interest Income [A-B]	**2,255.48**	**2,467.24**	**(212.76)**

Notes:

1. *The changes in interest earned, interest expended and Net Interest Income between fiscal years have been reflected as attributed either to volume or rate changes. For purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.*
2. *Change in average volume is computed as the increase in average balances for the year multiplied by yield/cost for Fiscal 2023 and Fiscal 2022, as the case may be.*
3. *Change in average rate represents the average balance for Fiscal 2023 and Fiscal 2022, as the case may be, multiplied by change in rates during the respective year during the relevant year.*
4. *Comprises demand deposits, savings bank deposits and term deposits. We do not pay interest on demand deposits.*

Yields, Spread, Cost of Funds and Net Interest Margin

The following table sets forth, for the periods and fiscal years indicated, the yields, spread and net interest margins on our interest-earning assets and cost of funds on our interest-bearing liabilities.

Particulars	**Year ended March 31,**		
	2023	**2022**	**2021**
	(₹ in million, except percentages)		
Interest earned [A]	28,536.59	19,399.25	16,411.73
Of which:			
Interest/discount earned on advances/bills [B]	*25,320.45*	*17,267.12*	*14,735.06*
Interest expended [C]	10,173.19	7,927.86	7,195.82

Particulars	Year ended March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Net Interest Income(1)(*) [D] = [A]-[C]	18,363.40	11,471.39	9,215.91
Average Interest-Earning Advances(2) [E]	121,335.33	93,535.47	73,170.11
Average Total Interest-Earning Assets(3) [F]	172,093.03	132,794.66	102,678.60
Average Total Assets(4) [G]	185,256.79	143,504.35	110,306.75
Average Total Interest-Bearing Liabilities(5) [H]	164,380.18	125,886.90	95,238.89
Average Total Interest-Earning Assets as a percentage of Average Total Interest-Bearing Liabilities(*) (%) [I] = [F]/[H]	104.69	105.49	107.81
Average Interest-Earning Advances as a percentage of Average Total Assets(*) (%) [J] = [E]/[G]	65.50	65.18	66.33
Average Total Interest-Earning Assets as a percentage of Average Total Assets(*) (%) [K] = [F]/[G]	92.89	92.54	93.08
Average Total Interest-Bearing Liabilities as a percentage of Average Total Assets(*) (%) [L] = [H]/[G]	88.73	87.72	86.34
Yield on Average Total Interest-Earning Assets(6)(*) (%) [M] = [A]/[F]	16.58	14.61	15.98
Yield on Average Interest-Earning Advances(7)(*) (%) [N] = [B]/[E]	20.87	18.46	20.14
Cost of Funds(8)(*) (%) [O] = [C]/[H]	6.19	6.30	7.56
Spread(9)(*) (%) [P] = [M]-[O]	10.39	8.31	8.42
Net Interest Margin(10)(*) (%) [Q] = [D]/[F]	10.67	8.64	8.98

Notes:

1. *Net Interest Income, which is a non-GAAP financial measure, is interest earned minus interest expended (“**Net Interest Income**”).*
2. *Average Interest-Earning Advances are Interest-Earning Advances calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year (“**Average Interest-Earning Advances**”).*
3. *Average Total Interest-Earning Assets are total interest-earning assets (comprising Interest-Earning Advances, interest earning investments (comprising government securities, treasury bills and other interest earning securities) and Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds) calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year (“**Average Total Interest-Earning Assets**”).*
4. *Average Total Assets are total assets calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year (“**Average Total Assets**”).*
5. *Average Total Interest-Bearing Liabilities are total interest-bearing liabilities (comprising demand deposits, savings bank deposits, term deposits and borrowings) calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year (“**Average Total Interest-Bearing Liabilities**”). We do not pay interest on demand deposits.*
6. *Yield on Average Total Interest-Earning Assets, which is a non-GAAP financial measure, is calculated as the ratio of interest earned to Average Total Interest-Earning Assets.*
7. *Yield on Average Interest-Earning Advances, which is a non-GAAP financial measure, is calculated as ratio of interest earned on advances divided by Average Interest-Earning Advances.*
8. *Cost of Funds, which is a non-GAAP financial measure, is the ratio of interest expended to Average Total Interest-Bearing Liabilities (“**Cost of Funds**”).*
9. *Spread, which is a non-GAAP financial measure, is the difference between Yield on Average Total Interest-Earning Assets and Cost of Funds.*
10. *Net Interest Margin, which is a non-GAAP financial measure, is the ratio of Net Interest Income to Average Total Interest-Earning Assets.*

(*) *Non-GAAP financial measure.*

Return on Equity and Assets and Other Financial Ratios

The following table presents selected financial ratios for the years indicated.

Particulars	Year ended March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Net Interest Income(*) [A]	18,363.40	11,471.39	9,215.91
Other income [B]	2,879.13	2,075.83	1,272.48
Operating Income(*) [C](1) = [A] + [B]	21,242.53	13,547.22	10,488.39
Operating expenses [D]	12,305.41	8,628.71	6,318.55
Operating expenses to Average AUM(*) (%) [E] = [D]/[W]	9.11	8.79	8.40
Operating expenses to Average Total Assets(*) [F] = [D]/[Q]	6.64	6.01	5.73
Cost to Income Ratio(2) (*) (%) [G] = [D]/[C]	57.93	63.69	60.24
Pre-provisioning Operating Profit (3) (*) [H] = [C] – [D]	8,937.12	4,918.51	4,169.84
Pre-provisioning Operating Profit to Average AUM(*) (%) [I] = [H]/[W]	6.62	5.01	5.55
Pre-provisioning Operating Profit to Average Total Assets(*) (%) [J] = [H]/[Q]	4.82	3.43	3.78
Provision towards NPAs and write-offs [K]	6,108.13	3,208.42	1,887.40
Provision /(write-back of provision) towards standard assets [L]	(1,281.08)	936.22	925.52
Provisions for and Write-off of Advances(4) (*) [M] = [K] + [L]	4,827.05	4,144.64	2,812.92
Provisions for and Write-off of Advances to Average AUM (*) (%) [N] = [M]/[W]	3.57	4.22	3.74
Provisions for and Write-off of Advances to Average Gross Advances (*) (%) [O] = [M]/[V]	3.86	4.25	3.79
Net profit for the year [P]	3,023.33	547.32	1,053.96
Average Total Assets [Q]	185,256.79	143,504.35	110,306.75
Average Shareholders’ Funds(5) (*) [R]	15,613.56	13,281.70	11,909.32

Particulars	Year ended March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Return on Equity(*) (%) [S]=[P]/[R]	19.36	4.12	8.85
Return on Assets(*) (%) [T]=[P]/[Q]	1.63	0.38	0.96
Average Shareholders' Funds as a percentage of Average Total Assets (6) (*) (%) [U] = [R]/[Q]	8.43	9.26	10.80
Average Gross Advances (7) [V]	125,150.37	97,610.72	74,278.07
Average AUM(8) (*) [W]	135,045.74	98,117.59	75,189.62

Notes:

1. *Operating Income, which is a non-GAAP financial measure, is calculated as Net Interest Income (interest earned minus interest expended) plus other income ("**Operating Income**").*
2. *Cost to Income Ratio, which is a non-GAAP financial measure, is calculated as a ratio of operating expenses divided by Operating Income ("**Cost to Income Ratio**").*
3. *Pre-provisioning Operating Profit, which is a non-GAAP financial measure, is calculated as Operating Income minus operating expenses ("**Pre-provisioning Operating Profit**").*
4. *Provisions for and Write-off of Advances, which is a non-GAAP financial measure, is calculated as Provision towards NPAs and write-offs plus Provision /(write-back of provision) towards standard assets ("**Provisions for and Write-off of Advances**")*
5. *Average Shareholders' Funds is capital and reserves and surplus calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year ("**Average Shareholders' Funds**").*
6. *Average Shareholders' Funds as a percentage of Average Total Assets, which is a non-GAAP financial measure, is calculated as Average Shareholders' Funds divided by Average Total Assets.*
7. *Average Gross Advances, which is a non-GAAP financial measure, is calculated on the basis of the average of the opening balance of advances at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year ("**Average Gross Advances**").*
8. *Average AUM, which is a non-GAAP financial measure, is calculated on the basis of the average AUM (gross advances plus advances originated and transferred under securitisation, assignment and inter-bank participation certificates for which we continue to hold collection responsibilities) of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year ("**Average AUM**").*

(*) Non-GAAP financial measure.

Investment Portfolio

The following table sets forth information related to our total net investment portfolio as at the dates indicated.

	As at March 31, 2023				As at March 31, 2022				As at March 31, 2021			
	Book Value	Held to Maturity	Available for Sale	Held for Trading	Book Value	Held to Maturity	Available for Sale	Held for Trading	Book Value	Held to Maturity	Available for Sale	Held for Trading
	(₹ in million)											
Government securities	47,421.02	32,814.80	14,254.50	351.72	39,940.96	27,846.19	10,392.80	1,701.97	18,889.75	18,645.37	244.38	-
Shares	116.62	-	116.62	-	153.93	-	153.94	-	81.67	-	81.67	-
Debentures and bonds	-	-	-	-	-	-	-	-	-	-	-	-
Others(1)	1,347.64	-	1,347.64	-	608.09	-	608.08	-	349.27	-	349.27	-
Total	**48,885.28**	**32,814.80**	**15,718.76**	**351.72**	**40,702.98**	**27,846.19**	**11,154.82**	**1,701.98**	**19,320.69**	**18,645.37**	**675.32**	**-**

Note:

1. *Others include investment in mutual funds, security receipts and certificate of deposits.*

Residual Maturity Profile

Available for Sale

The following table sets forth, as at the date indicated, an analysis of the residual maturity profile of our investments in securities classified as available for sale securities and their weighted average market yields.

	As at March 31, 2023									
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years		Total	
	Amount (₹ in million)	Yield(1) (%)	Amount (₹ in million)	Yield(1) (%)	Amount (₹ in million)	Yield(1) (%)	Amount (₹ in million)	Yield(1) (%)	Amount (₹ in million)	Yield(1) (%)
Government securities	4,667.41	N.A(2).	7,605.53	5.64	1,778.95	6.73	202.61	7.54	14,254.50	5.88
Shares	1,16.62	N.A.	-	-	-	-	-	-	1,16.62	N.A.
Others	1,347.64	N.A.	-	-	-	-	-	-	1,347.64	N.A.
Total	**6,131.67**	**N.A.**	**7,605.53**	**5.64**	**1,778.95**	**6.73**	**202.61**	**7,54**	**15,718.76**	**5.88**

Notes:

Yield is calculated and disclosed only for coupon-bearing instruments.

Yield on Government securities maturing up to one year is not applicable as these securities are Treasury Bills, which are discounted instruments.

Provisions towards depreciation has been deducted from the cost of investments in securities.

Held to Maturity

The following table sets forth, as at the dated indicated, an analysis of the residual maturity profile of our investments in securities classified as held to maturity securities and their weighted average market yields.

	As at March 31, 2023									
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years		Total	
	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)
Government securities	-	-	1,346.19	6.49	14,332.31	6.86	17,136.30	6.75	32,814.80	6.79
Total	**-**	**-**	**1,346.19**	**6.49**	**14,332.31**	**6.86**	**17,136.30**	**6.75**	**32,814.80**	**6.79**

Note:
1. *Provisions towards depreciation has been deducted from the cost of investments in securities.*

Held for Trading

The following table sets forth an analysis of the residual maturity profile of our investments in securities classified as held for trading securities and their weighted average market yields as at the dates indicated.

	As at March 31, 2023									
	Up to One Year		One to Five Years		Five to Ten Years		More than Ten Years		Total	
	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)	Amount (₹ in million)	Yield (%)
Government securities	-	-	251.70	7.38	49.82	7.26	50.20	7.41	351.72	7.37
Total	**-**	**-**	**251.70**	**7.38**	**49.82**	**7.26**	**50.20**	**7.41**	**351.72**	**7.37**

Note:
1. *Provisions towards depreciation has been deducted from the cost of investments in securities.*

Deposits

Average Deposits, Interest Expended and Cost by Category

For a table setting forth average deposits, interest expended and cost by category, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Net Interest Income – Average Deposits and Cost of Average Deposits and Average Borrowings and Cost of Average Borrowings*" on page 324.

Category of Deposits

For a table setting forth deposits by categories of deposits and certain ratios thereof and the percentage change from the previous year end, see "*Our Business – Our Strengths – Fast growing Retail Deposit portfolio with low concentration risk*" on page 160.

Balance to Maturity for Bulk Deposits

As at March 31, 2023, Bulk Deposits (single Rupee term deposits of ₹20.00 million and above) and the balance to maturity profiles as set out below.

Particular	As at March 31, 2023				
	Up to Three Months	Over Three Months to Six Months	Over Six Months to One Year	Over One Year	Total
	(₹ in million)				
Bulk Deposits	3,496.61	20.00	6,935.64	2,973.96	13,426.21

Deposits Based on the Location of Banking Outlets

The following table sets forth deposits and the percentage composition by the location of banking outlets as at the dates indicated.

Particulars	As at March 31,					
	2023		2022		2021	
	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Urban	57,452.99	39.18	50,548.06	39.44	34,423.13	38.25
Semi Urban	66,177.30	45.12	53,687.05	41.90	40,857.31	45.40
Rural	9,372.17	6.39	8,151.50	6.36	6,297.97	7.00
Metro	13,653.79	9.31	15,764.11	12.30	8,415.85	9.35
Total	**146,656.25**	**100.00**	**128,150.72**	**100.00**	**89,994.26**	**100.00**

Concentration of Deposits

The following table presents an analysis of our deposits by location of banking outlets by region and state/union territory as at the dates indicated.

Geographical Distribution	State / Union Territory	As at March 31,					
		2023		2022		2021	
		Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Eastern	Bihar	215.87	0.15	215.64	0.17	75.92	0.08
	Jharkhand	1,027.76	0.70	1,130.12	0.88	889.69	0.99
	Odisha	628.86	0.43	734.26	0.57	341.27	0.38
	West Bengal	512.79	0.35	327.22	0.26	281.53	0.31
	Meghalaya	56.40	0.04	42.25	0.03	9.83	0.01
	Tripura	*	*	-	-	-	-
	Assam	188.05	0.13	157.70	0.12	31.17	0.04
	Subtotal	2,629.73	1.80	2,607.19	2.03	1,629.41	1.81
Western	Gujarat	216.13	0.15	116.52	0.09	74.77	0.08
	Maharashtra	3,688.48	2.52	4,425.53	3.45	2,431.62	2.70
	Subtotal	3,904.61	2.67	4,542.05	3.54	2,506.39	2.78
Northern	Chhattisgarh	934.31	0.64	495.47	0.39	373.66	0.42
	Delhi	4,984.76	3.40	5,710.08	4.45	2,445.08	2.72
	Madhya Pradesh	2,273.41	1.55	1,283.69	1.00	544.27	0.60
	Rajasthan	159.84	0.11	242.40	0.19	41.91	0.05
	Haryana	358.26	0.24	277.18	0.22	27.26	0.03
	Uttar Pradesh	121.88	0.08	89.71	0.07	49.01	0.05
	Uttarakhand	2.21	*	-	-	-	-
	Chandigarh	547.91	0.37	212.43	0.17	22.03	0.02
	Subtotal	9,382.58	6.39	8,310.96	6.49	3,503.22	3.89
Southern	Andhra Pradesh	183.08	0.12	753.84	0.59	264.34	0.29
	Telangana	228.11	0.15	74.23	0.06	14.86	0.02
	Karnataka	2,521.70	1.72	2,658.96	2.07	1,672.12	1.86
	Kerala	122,534,14	83.55	105,325.81	82.19	77,857.62	86.51
	Puducherry	127.03	0.09	88.35	0.07	59.80	0.07
	Tamil Nadu	5,145.27	3.51	3,789.33	2.96	2,486.50	2.76
	Subtotal	130,739.33	89.14	112,690.52	87.94	82,355.24	91.51
Total domestic deposits		**146,656.25**	**100.00**	**128,150.72**	**100.00**	**89,994.26**	**100.00**

Note:
* *Below round off limit.*

Concentration of Deposits by Depositor

The table below sets forth our deposits from our largest depositor and top 20 largest depositors and as a percentage of our total deposits as at the dates indicated.

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	% of total deposits	Amount (₹ in million)	% of total deposits	Amount (₹ in million)	% of total deposits
Deposits from our largest depositor	3,099.09	2.11	6,641.07	5.18	765.34	0.85
Deposits from our 20 largest depositors	14,327.96	9.77	20,341.18	15.87	8,197.75	9.11
Total deposits	146,656.25	100.00	128,150.72	100.00	89,994.26	100.00

Borrowings

The following tables sets forth, as at and for the fiscal years indicated, information related to our borrowings, which are comprised primarily of borrowings from banks, refinances and subordinated debt.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Year-end balance	33,541.96	29,528.33	16,940.00
Average balance during the year(1)	28,640.15	18,797.17	14,327.51
Interest expended during the year	1,796.01	1,139.40	1,150.14
Cost of average borrowings (2) (*) (%)	6.19	6.06	8.03
Average interest rate at year end (3) (%)	6.93	5.80	8.13

Notes:
1. *Average is calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year.*

2. *Cost of average borrowings, which is a non-GAAP financial measure, represents the ratio of interest expended on borrowings to average borrowings calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year. All of the borrowings are interest-bearing.*
3. *Average interest per annum is calculated as the sum of interest rate of the borrowings multiplied by the closing balance of the borrowings divided by the sum of closing balance of the borrowings.*

(*) *Non-GAAP financial measure.*

Sources of Funding

For a table setting forth our sources of funding, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations –Liquidity and Capital Resources – Sources of Funding*" on page 349.

Interest Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of certain items of assets and liabilities as March 31, 2023, which is prepared/compiled based on guidelines provided by the RBI.

Particulars	As at March 31, 2023				
	Up to Three Months	Over Three Months to One Year	Over One Year to Five Years	Over Five Years	Total
	(₹ in million)				
Cash and Balances with RBI	2,005.45	1,152.19	4,217.15	20.69	7,395.48
Balances with Other Banks	268.76	2.00	4.25	0.00	275.01
Investments	22,748.77	6,349.09	19,690.82	96.60	48,885.28
Advances	12,052.59	71,408.58	49,832.33	5,949.81	139,243.31
Other Assets(1)	642.25	1,498.59	0.00	6,932.50	9,073.34
Total Assets	**37,717.82**	**80,410.45**	**73,744.55**	**12,999.60**	**204,872.42**
Capital and Reserves	-	7,228.93	-	9,862.36	17,091.29
Borrowings	8,180.65	7,586.10	17,095.20	200.00	33,061.95
Deposits	18,604.35	27,373.00	100,187.41	491.49	146,656.25
Other Liabilities(2)	333.75	3,900.40	702.10	3,126.68	8,062.93
Total Liabilities	**27,118.75**	**46,088.43**	**117,984.71**	**13,680.53**	**204,872.42**

Notes:
1. *Other assets include, among others, net inter-office adjustments, interest accrued, net tax paid in advance/tax deduced at source and net deferred tax assets.*
2. *Other liabilities include bills payable, net inter-office adjustments, interest accrued, provisions for standard assets and others (including provisions).*

Asset Liability Gap

The following table sets forth the maturity pattern of certain items of assets and liabilities as at March 31, 2023, which is prepared/compiled based on guidelines provided by the RBI.

Particulars	1-30 Days	30-90 Days	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
	(₹ in million, except percentages)							
Cash and Bank Balance	2,023.17	251.03	255.91	898.29	4,213.71	7.69	20.69	7,670.49
Advances	2,043.91	10,008.68	15,926.15	55,482.42	42,303.55	7,528.78	5,949.81	139,243.31
Investments	21,213.14	1,535.63	1,913.82	4,435.27	19,660.77	30.05	96.60	48,885.28
Fixed Assets	-	-	-	-	-	-	1,879.27	1,879.27
Other Assets	428.17	214.08	214.08	1,284.51	-	-	5,053.23	7,194.07
Total Assets	**25,708.39**	**12,009.42**	**18,309.97**	**62,100.49**	**6,178.03**	**7,566.52**	**12,999.60**	**204,872.42**
Capital & Reserve	-	-	-	7,228.93	-	-	9,862.36	17,091.29
Deposits	12,640.57	5,963.78	6,032.12	21,340.88	100,034.50	152.91	491.49	146,656.25
Borrowings	6,629.46	1,551.20	2,928.70	4,657.40	17,095.20	-	200.00	33,061.95
Other Liabilities	277.60	56.15	56.15	3,844.25	702.10	-	3,126.68	8,062.43
Total Liabilities	**19,547.62**	**7,571.13**	**9,016.97**	**37,071.46**	**117,831.80**	**152.91**	**13,680.53**	**204,872.42**
Liquidity Gap	6,160.77	4,438.29	9,293.00	25,029.03	(51,653.77)	7,413.61	(680.93)	0.00
Cumulative Liquidity Gap	6,160.77	10,599.06	19,892.06	44,921.09	(6,732.67)	680.93	0.00	0.00
Cumulative Liabilities	19,547.62	27,118.75	36,135.72	73,207.18	191,038.98	191,191.89	204,872.42	204,872.42
Cumulative Liquidity Gap as a percentage of Cumulative Liabilities (%)	31.52%	39.08%	55.05%	61.36%	(3.52)%	0.36%	0.00%	0.00%

Note:
Grouping of future Rupee cash flows in the above table is in accordance with the guidelines issued by RBI under its circular PBOD.NO.BP.BC.38/21.04.098/2007. The numbers for certain line items in the above table are different from those appearing in the same line item in the

Restated Financial Information as the above table was prepared as per RBI guidelines, which require (a) perpetual bonds to be considered as Capital, (b) the table to be prepared on a gross basis without the netting of certain items, such as provisions relating to tax, prepaid taxes and advances set off, and (c) the accumulated profit for the three months ended March 31, 2023 to be classified in other liabilities.

Advances Under Management

Breakdown of AUM by gross advances and off-balance sheet advances

The table below sets forth the breakdown of our AUM by gross advances and off-balance sheet advances as the dates indicated/

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million)		
Gross advances [A]	141,181.27	121,306.43	84,150.05
Off-balance sheet advances:			
Inter-bank participation certificates [i]	12,000.00	2,000.00	-
Assigned advances [ii]	45.17	100.48	109.25
Advances sold to ARC for which our Bank is acting as a collection agent [iii]	10,086.21	-	-
Total off-balance sheet advances [B = i + ii + iii]	22,131.38	2,100.48	109.25
AUM(*) [C = A + B]	**163,312.65**	**123,406.91**	**84,259.30**

Note:
(*) Non-GAAP financial measure.

AUM by Product Groups

For a table setting forth our AUM by product groups, see "*Our Business – Overview*" on page 157.

Disbursements

The table below sets forth our product-wise disbursements as well as their respective share for the fiscal years indicated:

Product-wise disbursements	Year ended March 31,					
	2023		2022		2021	
	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Micro Loans	96,030.60	65.37	89,979.59	75.33	44,463.67	70.73
Of which:						
Microfinance Loans(1)	76,703.83	52.21	N.A.	N.A.	N.A.	N.A.
Other Micro Loans(1)	19,326.77	13.16	N.A.	N.A.	N.A.	N.A.
Retail loans	38,458.38	26.18	21,228.75	17.77	15,917.17	25.32
MSME loans	5,360.12	3.65	4,998.37	4.18	2,391.12	3.80
Loans to financial institutions	1,400.00	0.95	-	-	-	-
Agricultural loans	5,657.41	3.85	3,245.49	2.72	91.78	0.15
Total	**146,906.51**	**100.00**	**119,452.20**	**100.00**	**62,863.74**	**100.00**

Note:
(1) *Our Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.*

Product-wise Average Yields

The table set forth below sets forth our product-wise average yields for the years indicated.

Product-wise average yields (1)	Year ended March 31,		
	2023	2022	2021
	(in %)		
Microfinance Loans	23.54	18.98	20.83
Other Micro Loans	23.28	-	-
Retail loans	11.95	10.62	11.43
MSME loans	10.04	10.67	12.19
Loans to financial institutions	12.44	10.73	10.65
Agricultural loans	18.66	12.65	9.14
Total	**20.23**	**17.69**	**19.84**

Note:

(1) *Average yield is calculated as interest/discount on advances/bills (which includes interest spread on direct assignment and interbank participation transactions) during the year divided by the average of the opening balance of gross advances at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year.*

<u>Product-Wise Average Ticket Size of Loans Disbursed</u>

The table set forth below presents our product-wise average ticket size of loans disbursed for the years indicated.

Product-wise average ticket size [(1)]	**Year ended March 31,**		
	2023	**2022**	**2021**
	(in ₹)		
Microfinance Loans	47,523.99	41,983.86	30,795.75
Other Micro Loans	71,852.09	–	–
Retail loans	118,199.74	106,070.37	106,162.07
MSME loans	1,257,296.89	442,987.19	263,255.97
Loans to Financial Institutions	128,529,411.76	85,757,575.76	105,000,000
Agricultural loans	52,833.93	50,771.01	113,447.96
Total	**63,501.99**	**49,489.25**	**39,397.76**

Note:

(1) *Average ticket size is calculated as total disbursements in a particular year divided by the number of loans disbursed in that particular year.*

Product-wise Average Weighted Tenor

The table set forth below shows our product-wise average weighted tenor (in days) as at the dates indicated.

Product-wise average weighted tenor [(1)]	**As at March 31,**		
	2023	**2022**	**2021**
Microfinance Loans	2.78	2.25	2.12
Other Micro Loans	2.37	–	–
Retail loans	2.65	3.01	2.73
MSME loans	2.74	2.51	2.94
Loans to financial institutions	2.82	2.75	2.69
Agricultural loans	2.37	2.47	3.04
Total	**2.36**	**2.34**	**2.19**

(1) *Average weighted tenor is calculated as the original tenor of each loan product weighted by disbursements.*

AUM of our Micro Loans in Terms of Collection Cycle

The table set forth below presents a breakup of our AUM of our Microfinance Loans and Other Micro Loans (combined) in terms of collection cycle as at the dates indicated.

Collection Cycles	**As at March 31,**					
	2023		**2022**		**2021**	
	Amount (₹ in million)	**% of Total**	**Amount (₹ in million)**	**% of Total**	**Amount (₹ in million)**	**% of Total**
Daily	-	-	43.69	0.04	-	-
Weekly	67,763.79	55.30	61,829.12	60.03	49,297.09	69.00
Fortnightly	22,285.88	18.18	18,721.98	18.18	9,981.09	13.97
Monthly	32,499.16	26.52	22,398.64	21.75	12,166.26	17.03
Total	**122,548.83**	**100.00**	**102,299.43**	**100.00**	**71,444.44**	**100.00**

Regional Concentration of Gross Advances

The following table presents an analysis of our domestic gross advances by region and state/union territory based on the address of the Branch where the customer is tagged as at the dates indicated. We had nil, nil and nil foreign advances as at March 31, 2023, 2022 and 2021, respectively.

Geographical Distribution	**State / Union Territory**	**As at March 31,**					
		2023		**2022**		**2021**	
		Amount (₹ in million)	**% of Total**	**Amount (₹ in million)**	**% of Total**	**Amount (₹ in million)**	**% of Total**
Eastern	Assam	183.06	0.13	345.12	0.28	428.91	0.51
	Bihar	1,212.52	0.86	1,356.91	1.12	1,028.66	1.22
	Jharkhand	1,523.57	1.08	2,229.19	1.84	1,596.49	1.90
	Odisha	1,196.24	0.85	528.49	0.44	162.76	0.19
	West Bengal	2,050.12	1.45	1,061.63	0.88	391.65	0.47
	Meghalaya	31.34	0.02	0.83	0.00	-	-
	Subtotal	**6,196.85**	**4.39**	**5,522.17**	**4.55**	**3,608.47**	**4.29**
Western	Gujarat	1,173.84	0.83	229.57	0.19	257.55	0.31

Geographical Distribution	State / Union Territory	As at March 31,					
		2023		2022		2021	
		Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
	Maharashtra	11,897.58	8.43	9,641.60	7.95	4,341.78	5.16
	Subtotal	**13,071.42**	**9.26**	**9,871.17**	**8.14**	**4,599.33**	**5.47**
Northern	Chhattisgarh	4,085.53	2.89	5,059.21	4.17	2,971.85	3.53
	Delhi	2,085.19	1.48	841.39	0.69	576.13	0.68
	Madhya Pradesh	10,540.78	7.47	10,437.05	8.60	4,413.75	5.25
	Haryana	854.20	0.61	98.35	0.08	-	-
	Chandigarh	75.00	0.05	82.86	0.07	50.00	0.06
	Uttar Pradesh	1,174.08	0.83	252.19	0.21	402.15	0.48
	Rajasthan	943.98	0.67	423.67	0.35	136.11	0.16
	Subtotal	**19,758.76**	**14.00**	**17,194.72**	**14.17**	**8,549.99**	**10.16**
Southern	Andhra Pradesh	320.21	0.23	116.89	0.10	11.57	0.01
	Telangana	277.92	0.20	60.68	0.05	109.59	0.13
	Karnataka	9,047.79	6.41	4,938.63	4.07	3,000.36	3.57
	Kerala	60,379.97	42.77	55,329.21	45.61	47,102.12	55.97
	Puducherry	706.44	0.50	642.45	0.53	474.47	0.56
	Tamil Nadu	31,421.90	22.26	27,630.51	22.78	16,694.15	19.84
	Subtotal	**102,154.23**	**72.37**	**88,718.37**	**73.14**	**67,392.26**	**80.09**
Total gross advances		**141,181.27**	**100.00**	**121,306.43**	**100.00**	**84,150.05**	**100.00**

Gross Advances Based on Locations of Borrowers

The following table sets forth our gross advances and the percentage composition by location of the borrower as at the dates indicated.

Gross Advances	As at March 31,					
	2023		2022		2021	
	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Urban	31,901.92	22.60	25,229.66	20.80	15,953.01	18.96
Semi Urban	79,507.63	56.31	74,436.55	61.36	56,393.98	67.01
Rural	9,250.25	6.55	8,428.87	6.95	5,831.03	6.93
Metro	20,521.46	14.54	13,211.35	10.89	5,972.03	7.10
Total	**141,181.27**	**100.00**	**121,306.43**	**100.00**	**84,150.05**	**100.00**

Concentration of Advances and Credit Substitutes by Industry/Economic Activity

Pursuant to RBI guidelines, exposure ceilings are 15.00% of capital funds in the case of a single borrower and 40.00% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.00%, up to 20.00% of capital funds. The borrower group exposure limit is extendable by another 10.00%, up to 50.00% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider increasing its exposure to a single borrower up to a maximum of an additional 5.00% of capital funds, subject to the borrower consenting to us making appropriate disclosure about the borrower in our annual report. There are generally no restrictions in India on exposure to a particular industry. RBI norms specify exposure to capital market, real estate, sensitive commodities listed by the RBI, venture capital funds, stockbrokers, financing for acquisition of overseas entities, and credit to overseas joint ventures. For further information, see "*Key Regulations and Policies*" on page 186.

The following table sets forth our gross fund-loans outstanding categorized by borrower industry or economic activity as at the dates indicated.

Subsector	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Agriculture-Land Development	42.56	0.03	87.94	0.07	114.35	0.14
Agri-Farm Mechanisation	853.72	0.60	123.23	0.10	168.55	0.20
Animal Husbandry	39,283.13	27.82	26,732.25	22.04	23,246.85	27.62
Crop Loans	3.15	*	2,156.68	1.78	2,491.15	2.96
Fisheries	5,220.79	3.70	2,138.04	1.76	1,814.64	2.16
Other Agri	48,322.29	34.23	28,323.31	23.35	8,061.09	9.58
Poultry	2,730.10	1.93	2,397.39	1.98	1,588.62	1.89
Consumer Durables	203.38	0.14	1,105.63	0.91	897.72	1.06
Education	277.83	0.20	701.03	0.58	1,232.82	1.47
Housing	2,052.95	1.45	1,501.50	1.24	1,177.44	1.40
Micro Manufacturing & Food Processing	6,827.71	4.84	8,498.18	7.01	9,474.43	11.26

Subsector	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total	Amount (₹ in million)	% of Total
Service	7,057.98	5.00	9,673.51	7.97	7,747.84	9.20
Trade	10,946.28	7.75	14,699.19	12.12	6,910.11	8.21
Personal and Others	17,359.40	12.31	23,168.55	19.10	19,224.44	22.85
Total	**141,181.27**	**100.00**	**121,306.43**	**100.00**	**84,150.05**	**100.00**

Note:

* *Below round off limit.*

Maturity and Interest Rate Sensitivity of Advances

The following table sets for the interest rate sensitivity of our variable rates and fixed rates gross advances as at March 31, 2023.

Interest rate classification of advances by maturity	Due in One Year or Less	Due in One Year to Five Years	Due after Five Years	Total
	(₹ in million)			
Variable rates	17,485.78	5,078.96	1,779.88	24,344.62
Fixed rates	65,975.39	44,753.37	4,169.93	114,898.69
Total	**83,461.17**	**49,832.33**	**5,949.81**	**139,243.31**

Priority Sector Lending

Small finance banks in India are required to lend, through advances or investment, 75.00% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors", subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

We are required to comply with the priority sector lending requirements on a quarterly basis. Any shortfall in the amount required to be lent to the priority sectors is required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI, which generally provide for lower than market interest rate. Therefore, if we are unable to meet the priority sector conditions requirements, it could have an adverse effect on our results of operations.

The tables below set out our outstanding Priority Sector advances (as defined by the Government and the RBI) by sector and as a percentage of our ANBC as at the dates indicated.

Particulars	As at March 31,					
	2023		2022		2021	
	Advances (₹ in million)	% of ANBC(1)	Advances (₹ in million)	% of ANBC(1)	Advances (₹ in million)	% of ANBC(1)
Agricultural and Allied Activities	79,955.15	65.91	52,458.84	62.34	37,485.27	56.74
Advances to Industry Sector	6,827.71	5.62	8,498.18	10.10	4,474.44	6.77
Advances to Services Sector	18,610.10	15.34	16,015.00	19.03	4,657.95	7.05
Personal Loans and others	7,942.06	6.55	15,075.36	17.92	6,659.72	10.08
Gross advances to the priority sector	113,335.02	93.42	92,047.38	109.39	53,277.38	80.64

Note:

(1) ANBC represents gross advances less bills re-discounted and other permissible reductions as per RBI guidelines and increased by bonds/debentures in investments eligible by priority sectors.

Capital to Risk-Weighted Assets Ratios

We are subject to the Basel II Capital Adequacy guidelines - New Capital Adequacy Framework stipulated by the RBI. Our Capital Adequacy Ratio is calculated as per the Standardized approach for Credit Risk. As per the RBI circular "DBR.NBD.No. 4502/16.13.218/2017-18" dated November 8, 2017, no separate capital charge is prescribed for market and operational risk. We have also considered an additional Risk Weight of 25% on assets under lien for our "grandfathered" legacy borrowings as per instructions received from the RBI. No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on a small finance bank as per operating guidelines issued on small finance bank by the RBI. The following table sets forth our capital to risk-weighted assets ratios as at the dates indicated.

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Tier I Capital [A]	17,096.36	14,155.47	13,889.07
Of which:			
Perpetual Debt Instruments	*480.00*	*480.00*	*480.00*
Tier II Capital [B]	1,617.25	2,166.21	1,737.39
Of which:			
Subordinated Debt	*530.00*	*810.00*	*890.00*

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million, except percentages)		
Total Capital [C] = [A]+[B]	18,713.61	16,321.68	15,626.46
Total risk weighted assets	94,372.50	87,578.18	64,489.02
Tier I Capital (%)	18.12	16.16	21.54
Tier II Capital (%)	1.71	2.47	2.69
Total Capital Adequacy Ratio (%)	**19.83**	**18.64**	**24.23**

Non-Performing Advances

The following table sets forth details on our NPAs, advances, provisions, technical write-offs and Provision Coverage Ratio as at and for the years ended March 31, 2023, 2022 and 2021.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
Opening balance of Gross NPAs at the beginning of the year	9,495.94	5,639.97	1,008.61
Additions during the year	7,190.49	6,424.56	4,734.65
Less: Reductions during the year on account of recovery	294.61	210.14	23.84
Less: Reductions during the year on account of upgradations	2,026.21	1,613.90	79.45
Less: Reductions during the year on account of write-offs (including technical write-offs)	4,965.95	744.55	-
Less: Reductions during the year on account of sale of NPAs to an asset reconstruction company	5,882.76	-	-
Gross NPAs at the end of year [A]	3,516.90	9,495.94	5,639.97
Total provision towards NPAs at the end of the year [B]	1,937.96	4,936.38	2,474.19
Net NPAs [C = A – B]	1,578.94	4,559.56	3,165.78
Gross Advances [D]	141,181.27	121,306.43	84,150.05
Net Advances [E = D – B]	139,243.31	116,370.05	81,675.86
Gross NPAs as a percentage of gross advances [F = A / D] (%)	2.49	7.83	6.70
Net NPAs as a percentage of net advances [G = C / E] (%)	1.13	3.92	3.88
Provision for standard assets(1) [H]	896.57	2,177.65	1,241.42
Total of provision towards NPAs and provision towards standard assets(1) [I = B + H]	2,834.53	7,114.03	3,715.61
Total of provision towards NPAs and provision towards standard assets held as percentage of gross advances (%) [J = I / D]*	2.01	5.86	4.41
Total provision towards NPAs held as percentage of gross NPAs (%) [K = B / A]*	55.10	51.98	43.87
Outstanding balance of technical written-off accounts [L]	127.13	1,728.03	1,063.33
Provision Coverage Ratio [M = (B+L)/(A+L)] (%)(2)	56.67	59.38	52.77

Notes:

1. *The COVID-19 pandemic has adversely affected the world economy, including India. The extent to which the COVID-19 pandemic will continue to adversely affect our operations and asset quality will depend on the future developments, which are uncertain. Considering the prevailing uncertainty over the business due to COVID-19 pandemic, we held provisions of 132.40 million, ₹660.60 million and ₹404.00 million as at March 31, 2023, 2022 and 2021, respectively, against the potential effect of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID-19 norms). The provisions we held were in excess of the RBI prescribed norms.*
2. *Provision Coverage Ratio is computed as a percentage of total provisions towards gross NPAs as at the dated indicated plus outstanding balance of technical written off accounts as at the date indicated divided by the sum of gross NPAs plus outstanding balance of technical written off accounts as at the date indicated.*

* *Non-GAAP financial measure.*

Recognition of Non-Performing Advances

We classify our advances in accordance with the RBI guidelines. Under these guidelines, an advance is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days with respect to term loans. In respect of overdraft and cash credit, an advance 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.

Substandard Advances

In accordance with RBI guidelines, a substandard advance is an advance that has remained non-performing for a period less than or equal to 12 months.

Doubtful Advances

In accordance with RBI guidelines, a doubtful advance is an advance that has remained in the sub-standard category for a period of 12 months. Further, these doubtful advances are to be classified into the following three categories, depending on the period for which such advances have been classified as doubtful:

- Advances which have remained in the doubtful category for a period of up to one year;

- Advances which have remained in the doubtful category for a period of more than one year but less than three years; and

- Advances which have remained in the doubtful category for a period of more than three years.

Loss Advances

In accordance with the RBI guidelines, a loss advance is an advance where loss has been identified by us or internal or external auditors or the RBI at the time of inspection but the amount has not been written off / provided for wholly.

In cases of serious credit impairment, an advance is required to be immediately classified as doubtful or as a loss advance, as appropriate. Further, erosion in the value of the security provided may also be considered significant when the realisable value of the security is less than 50.00% of the value as assessed by us or as accepted by the RBI at the time of the last inspection of the security, as the case may be. In such a case, the advance secured by such impaired security may immediately be classified as doubtful and provisioning should be made as applicable to doubtful advance. If the realisable value of the security, as assessed by us or approved valuers or by the RBI, is less than 10.00% of the outstanding in the borrower's accounts, the existence of security should be ignored and the advance should be immediately classified as a loss asset and it may be either written off or fully provided for by us.

The table below sets forth our non-performing advances by category as well as our standard advances as at the dates specified.

Gross Advances	**As at March 31,**		
	2023	**2022**	**2021**
	(₹ in million)		
Sub-standard advances	3,334.31	6,419.19	4,733.05
Doubtful advances	145.11	3,076.75	906.92
Loss advances	37.48	-	-
Gross NPAs	***3,516.90***	***9,495.94***	***5,639.97***
Standard advances	137,664.37	111,810.49	78,510.08
Gross Advances	**141,181.27**	**121,306.43**	**84,150.05**

Non-accrual Policy

Once a loan account is identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In accordance with RBI guidelines, interest realised on NPAs may be credited to a bank's income account provided that such credited interest is not out of fresh or additional credit facilities sanctioned to the borrower. The RBI has also stipulated that in the absence of a clear agreement between us and the borrower for the purpose of appropriating recoveries in NPAs (i.e., towards principal or interest due), banks should adopt an accounting principle and exercise the right of appropriation of recoveries in a uniform and consistent manner.

In the case of NPAs where recoveries are effected, our policy is to appropriate the same against the demand of the customers. If any of a borrower's advances are classified as an NPA, all advances to such borrower are classified as NPAs. For more information on the recognition and provisioning of NPAs, see the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies – Advances*" on page 332.

Policy for Making Provisions for Non-Performing Advances

Our policy for making provisions for non-performing advances, which is in accordance with the RBI's policy on provisioning, described below:

Provisions for Standard Advances

In accordance with RBI guidelines, a general provision is made on all standard advances based on the category of advances identified in the RBI's guidelines.

Changes Implemented Pursuant to the RBI's COVID-19 Relief Package

COVID-19 virus, a global pandemic, has adversely affected the world economy, including India's economy. The extent to which the COVID-19 pandemic will continue to adversely affect our operations and asset quality will depend on the future developments, which are uncertain.

The RBI on March 27, 2020, April 17, 2020 and May 23, 2020, announced the 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of these RBI guidelines, the lending institutions were permitted to grant an effective moratorium of six months on payment of all instalments/interest as applicable, falling due between March 1, 2020 and August 31, 2020 (the "**Moratorium Period**"). As such, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the Moratorium Period, wherever granted, was excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms.

Considering the prevailing uncertainty over the business due to COVID-19 pandemic (including the second wave), we held provisions of ₹132.40 million, ₹660.60 million and ₹404.00 million as at March 31, 2023, March 31, 2022 and March 31, 2021, respectively, against the potential impact of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID-19 norms). The provisions we held were in excess of the RBI's prescribed norms.

The Honourable Supreme Court in *Gajendra Sharma v. Union of India & Anr* vide its Interim order dated September 3, 2020 directed banks that the accounts that were not declared NPAs till August 31, 2020 shall not be declared NPAs till further orders. On March 23, 2021, in *Small Scale Industrial Manufactures Association v. Union of India and others*, the Supreme Court directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. As per the RBI's notification dated April 7, 2021, for the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable RBI asset classification norms.

Substandard Advances

The general provisioning requirement for substandard advances is 15.00% of the amount outstanding without making any allowance for ECGC guarantee cover and securities available and in respect of "unsecured exposures" identified as "substandard", an additional provision of 10.00% of the amount outstanding (i.e., a total of 25.00% in the outstanding balance).

As at March 31, 2021, 85.50% of our advances (net of provisions) were unsecured. As per our Board approved policy, unsecured loans that are classified as 'substandard' and 'doubtful' attract a total of 25.00% and 100.00% provisioning on the day of slippages, respectively.

Accordingly, the provisioning on the substandard category, as approved by the Board, is as follows:

Period for which the advance has remained in 'Substandard' category	Provision requirement (%) (secured loan)	Provision requirement (%) (unsecured loan)
On classification	15.00	25.00
After the end of Quarter 1	15.00	40.00
After the end of Quarter 2	15.00	60.00
After the end of Quarter 3	15.00	80.00

Doubtful Advances

The following provisions are made for doubtful advances.

Doubtful "up to one year" – 100.00% of the unsecured portion and 25.00% of the secured portion;

Doubtful "one to three years" – 100.00% of the unsecured portion and 40.00% of the secured portion; and

Doubtful "more than three years" – 100.00% of the unsecured portion and, 100.00% of the secured portion.

Loss Advances

Loss advances are provided for 100.00% or written off.

The above-mentioned provisions are the minimum provisions that have to be provided for non-performing advances in accordance with the RBI's policy. We provide for more than the stipulated rates if we feel that the credit deterioration of the customer requires us to do so.

Floating Provisions

We do not carry any floating provisions in our books.

Analysis of Non-Performing Advances by Industry Sector

The tables below sets forth our non-performing advances by the borrower's industry or economic activity as at the dates indicated.

Sector	As at March 31,								
	2023			2022			2021		
	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry
Agriculture-land development	4.80	2.50	0.14	14.04	10.01	0.15	20.59	13.99	0.37
Agri-farm mechanization	5.60	2.76	0.16	18.92	14.34	0.20	30.45	20.93	0.54

Sector	As at March 31,								
	2023			2022			2021		
	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry	Gross NPA (₹ in million)	Provision (₹ in million)	% of NPA in Industry
Animal husbandry	930.00	494.45	26.44	2,430.25	1,333.39	25.59	1,647.89	665.85	29.22
Crop loans	0.38	0.20	0.01	206.37	127.57	2.17	355.26	261.51	6.30
Fisheries	67.92	36.05	1.93	179.57	100.22	1.89	217.38	76.53	3.85
Other agricultural loan	643.65	347.14	18.30	45.25	29.49	0.48	157.85	53.01	2.80
Poultry	83.26	43.89	2.37	204.86	108.81	2.16	115.89	49.02	2.05
Consumer durables	23.75	12.44	0.68	77.46	52.80	0.82	87.56	37.30	1.55
Education	22.21	11.51	0.63	217.72	123.92	2.29	121.06	42.48	2.15
Housing	35.79	27.37	1.02	54.37	36.21	0.57	55.89	26.93	0.99
Micro manufacturing	336.92	180.75	9.58	1,330.16	812.80	14.01	1,051.38	454.91	18.64
Services	412.87	243.28	11.74	1,071.25	630.21	11.28	737.73	308.88	13.08
Trade	510.99	265.14	14.53	875.70	475.16	9.22	481.50	218.29	8.54
Other	125.73	100.95	3.57	809.95	397.12	8.53	185.21	82.23	3.28
Personal	313.03	169.53	8.90	1,960.07	684.33	20.64	374.33	162.32	6.64
Total	**3,516.90**	**1,937.96**	**100.00**	**9,495.94**	**4,936.38**	**100.00**	**5,639.97**	**2,474.19**	**100.00**

Analysis of our NPA Portfolio

The table below sets forth our non-performing advances by category of advance and as a percentage of gross advances as at the dates indicated.

Particulars	As at March 31,					
	2023		2022		2021	
	Gross NPAs (₹ in million)	% of Gross Advances	Gross NPAs (₹ in million)	% of Gross Advances	Gross NPAs (₹ in million)	% of Gross Advances
Microfinance Loans(1)	3,141.60	2.23	9,254.16	7.63	5,329.90	6.33
Other Micro Loans(1)	3.87	*	-	-	-	-
Retail loans	267.12	0.19	159.39	0.13	270.69	0.32
MSME and corporate loans	49.43	0.04	41.86	0.03	-	0.00
Loans to Financial Institutions	39.38	0.03	39.38	0.03	39.38	0.05
Agricultural loans	15.50	0.01	1.15	0.00	-	-
Total	**3,516.90**	**2.49**	**9,495.94**	**7.83**	**5,639.97**	**6.70**
Gross Advances	141,181.27	100.00	121,306.43	100.00	84,150.05	100.00

Note:

(1) *Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be micro loans and all such loans are shown as Microfinance Loans as at and for the years ended March 31, 2022 and 2021. Effective from October 17, 2022, we segregated our micro loans into Microfinance Loans and Other Micro Loans.*

* *Below round off limit*

Movement in our Provisions for NPAs

The table below sets forth the movement in our provision for NPAs.

Provisions for NPAs	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Opening balance at the beginning of the year	4,936.38	2,474.19	586.91
Additions during the year	7,355.97	3,815.32	1,944.55
Deductions during the year	10,354.39	1,353.13	57.27
Provisions at the close of the year	**1,937.96**	**4,936.38**	**2,474.19**

Upgradations of Loan Accounts Classified as NPAs

If arrears of interest and principal are paid by the borrower in the case of loan account classified as NPAs, the account will no longer be treated as non-performing and be classified as a 'standard' account.

Restructuring of Advances

All of our loans 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 decrease the interest rate as per the borrower's request are 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 a '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' except as permitted by the RBI.

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. 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'. Specified Period means a period of 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 restructuring package.

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. If due to lack of expertise/ appropriate infrastructure, a bank finds it difficult to ensure computation of diminution in the fair value of advances, as an alternative to the methodology prescribed above for computing the amount of diminution in the fair value, banks will have the option of notionally computing the amount of diminution in the fair value and providing therefore, at 5.00% of the total exposure, in respect of all restructured accounts where the total dues to bank(s) are less than ₹10.00 million.

Additional finance approved under the resolution plan is treated as a '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.

On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan ("**Resolution Framework 1.0**"), along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility was applicable for accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plans had to be finalized by December 31, 2020 and implemented within 180 days from the date of invocation. Restructuring of loans was also allowed for MSMEs. The table below sets forth certain details of our advances under Resolution Framework 1.0 as at the dates indicated.

Particulars	**As at March 31, 2023**	**As at March 31, 2022**	**As at March 31, 2021**
	(₹ in million, except for percentages)		
Gross advances under Resolution Framework 1.0 [A]	143.50	169.35	192.60
Gross advances [B]	141,181.27	121,306.43	84,150.05
Gross advances under Resolution Framework 1.0 as percentage of gross advances [C] = [A] / [B] (%)	0.10	0.14	0.23

On May 5, 2021, the RBI announced the resolution framework 2.0 ("**Resolution Framework 2.0**") to protect individuals and MSMEs from the adverse effect of the second wave of COVID-19. The Resolution Framework 2.0 was applicable for accounts classified as 'Standard' as at March 31, 2021, wherein individuals and MSMEs having an aggregate loan exposure of up to ₹250 million who have not availed restructuring under any of the earlier restructuring frameworks and who were classified as 'Standard' as on March 31, 2021 were allowed to restructure their loans. Restructuring under the proposed framework was able to be invoked up to September 30, 2021 and had to be finalised and implemented within 90 days after invocation of the resolution process (with the last date to implement the restructuring for banks being December 31, 2021). The Resolution Framework 2.0 included rescheduling of loan equated monthly instalments and the granting of a moratorium as per our Board-approved policy. In accordance with Resolution Framework 2.0 and our Board approved policy, our Bank restructured loans that were standard as at March 31, 2021. For the purpose of restructuring, the balance outstanding as at the date of restructuring includes interest accrued as at such date, which is considered to be residual debt, and the equated monthly instalment is fixed for such debt by extending the tenure of the loan, if required. Our Bank also provided initial holidays at the customer's request to start repaying their loan as per Resolution Framework 2.0. Our Bank restructured 706,061 accounts amounting to ₹16,735.77 million as per Resolution Framework 2.0. The table below sets forth certain details of our advances under Resolution Framework 2.0 as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022
	(₹ in million, except for percentages)	
Gross advances under Resolution Framework 2.0 [A]	1,110.31	9,115.67
Gross advances [B]	141,181.27	121,306.43
Gross advances under Resolution Framework 2.0 as percentage of gross advances [C] = [A] / [B] (%)	0.79%	7.51%
Gross standard advances under Resolution Framework 2.0	868.33	5,515.25
Provision for gross standard advances under Resolution Framework 2.0	130.73	850.47
Gross NPAs under Resolution Framework 2.0	241.98	3,600.42
Provision for NPAs under Resolution Framework 2.0	92.68	929.88

For further details on loans restructured under Resolution Framework 1.0 and Resolution Framework 2.0, as per the disclosure prepared in line with the RBI Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021 (as amended), see "*Financial Statements – Note 19 – Notes to Accounts Forming Part of Restated Financial Information – Disclosures as Laid Down by RBI Circulars – Note 4.8 – Disclosure under Resolution framework for Covid-19 related stress*" on page 302.

Productivity Ratios

The following tables set forth certain information relating to our productivity ratios as at and for the fiscal years indicated.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
Number of banking outlets	700	575	550
Number of employees	5,034	4,141	3,803
Lending accounts (in million)	3.36	3.56	3.12
Deposit accounts (in million)	6.48	5.59	4.72
AUM	163,312.65	123,406.91	84,259.30
AUM per banking outlet (₹ in million)	233.30	214.62	153.20
AUM per employee (₹ in million)	32.44	29.80	22.16
Disbursements	146,906.51	119,452.20	62,863.74
Disbursements per banking outlet (₹ in million)	209.87	207.74	114.30
Disbursements per employee (₹ in million)	29.18	28.84	16.53
Deposits	146,656.24	128,150.72	89,994.26
Deposits per banking outlet (₹ in million)	209.51	222.87	163.63
Deposits per employee (₹ in million)	29.13	30.95	23.66

Certain Non-GAAP Financial Measures

The body of generally accepted accounting principles is commonly referred to as "GAAP." Our management believes that the presentation of certain non-GAAP financial measures provides additional useful information to investors regarding our performance and trends related to our results of operations. Accordingly, we believe that when non-GAAP financial information is viewed together with GAAP financial information, investors are provided with a more meaningful understanding of our ongoing operating performance and financial results.

We use a variety of financial and operational performance indicators to measure and analyse our operational performance from period to period, and to manage its business. Our management also uses other information that may not be entirely financial in nature, including statistical and other comparative information commonly used within the Indian banking industry to evaluate our financial and operating performance. For these reasons, we have included certain non-GAAP financial measures in this section and elsewhere in this Draft Red Herring Prospectus, including, among others: Cost to Income Ratio; Net Interest Income; Net Interest Margin; Yield on Average Interest-Earning Advances; Yield on Average Interest-Earning Investments; Yield on Average Interest-Earning Balance with Reserve Bank of India and other Inter-Bank Funds, Yield on Average Total Interest-Earning Assets; net worth; net asset value per Equity Share; return on net worth; operating expenses to Net Interest Income; operating profit; return on equity; return on assets; Average Total Interest-Earning Assets as a percentage of Average Total Interest-Bearing Liabilities; Average Interest-Earning Advances as a percentage of Average Total Assets; Average Total Interest-Earning Assets as a percentage of Average Total Assets; Average Total Interest-Bearing Liabilities as a percentage of Average Total Assets; Cost of Funds; spread; operating income; Average Shareholders' Funds as a percentage of Average Total Assets; operating expenses to Average Total Assets; CASA to total deposits ratio; total of provision towards NPAs and provision towards standard assets held as percentage of gross advances; total provision towards NPAs held as a percentage of gross NPAs; provision made towards income tax as percentage of Net Profit Before Tax; earnings before interest, tax, depreciation and amortisation (EBITDA); Cost of Average Borrowings; Cost of Average Interest-Bearing Liabilities; Cost of

Average Savings Bank Deposits; Cost of Average Term Deposits; Cost of Average Total Deposits and Cost of Average CASA, as well as certain other metrics based on or derived from those non-GAAP financial measures. These financial and operational performance indicators have limitations as analytical tools. These non-GAAP financial measures are not calculated in accordance with Indian GAAP and, therefore, should not be viewed as substitutes for performance or profitability measures under Indian GAAP. As a result, these financial and operational performance indicators should not be considered in isolation from, or as a substitute for, analysis of our historical financial performance, as reported under Indian GAAP and presented in our Restated Financial Information. Our use of these terms may vary from the use of similarly titled measures by other banks due to potential inconsistences in the method of calculation and differences due to items subject to interpretation and, as such, they may not be comparable to similar financial or performance indicators used by other banks or financial institutions.

Sets forth below are the non-GAAP financial measures presented in this section and in other sections of the Draft Red Herring Prospectus that are able to be reconciled to a directly comparable GAAP measure that have not already been reconciled to a directly comparable GAAP measure in the tables above or in the tables in other sections of this Draft Red Herring Prospectus.

Provision made towards income tax as percentage of Net Profit Before Tax

Particulars	**Year ended March 31,**		
	2023	**2022**	**2021**
	(₹ in million, except percentages)		
Current tax expense [A]	771.17	485.00	602.48
Deferred tax [B]	265.94	(293.82)	(242.70)
Provision made towards income tax [C] = [A] + [B]	1,037.12	191.18	359.78
Net profit for the year [D]	3,023.33	547.32	1,053.96
Net Profit Before Tax [E]=[C]+[D]	4,060.45	738.50	1,413.73
Provision made towards income tax as percentage of Net Profit Before Tax [F] = [C]/[E] (%)	**25.54**	**25.89**	**25.45**

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

In accordance with the SEBI ICDR Regulations, the audited financial statements of our Bank as at and for the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021 prepared by our 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 our Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time (collectively, the "**Audited Financial Statements**") are available on our website at www.esafbank.com/investor-relations-info/.

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 and the reports thereon do not constitute, (i) a part of this Draft Red Herring 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 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 and the reports thereon 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 the BRLMs, 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 and the reports thereon, or the opinions expressed therein.

The following pages set forth the Auditor's Examination Report on the Restated Financial Information and the Restated Financial Information.

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Deloitte Haskins & Sells
Chartered Accountants
19th Floor, Shapath-V
S.G. Highway
Ahmedabad – 380 015
Gujarat, India
Tel: +91 79 6682 7300
Fax: +91 79 6682 7400

Abarna & Ananthan
Chartered Accountants
521, 3rd Main Rd, 2nd Phase
6th Block, Banashankari 3rd Stage
Bengaluru,
Karnataka – 560 085

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED FINANCIAL INFORMATION

The Board of Directors
ESAF Small Finance Bank Limited

Dear Sirs,

1. We have jointly examined (as appropriate, refer paragraph 5 below) the attached Restated Financial Information of ESAF Small Finance Bank Limited (the "Bank" or the "Issuer"), comprising the Restated Statements of Assets and Liabilities as at 31 March 2023, 2022 and 2021 the Restated Profit and Loss Accounts, the Restated Cash Flow Statements for the years ended 31 March 2023, 2022 and 2021, the Summary Statement of Significant Accounting Policies, and other explanatory information (collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Bank at their meeting held on 8 June 2023 for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") prepared by the Bank in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

    a) Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended (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 management is responsible for the preparation of the Restated Financial Information which have been approved by the Board of Directors for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India in connection with the proposed IPO. The Restated Financial Information have been prepared by the management of the Bank on the basis of preparation stated in note 2.2 to the Restated Financial Information. The Board of Directors of the Bank are responsible for 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 jointly examined such Restated Financial Information taking into consideration:

    a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated 29 May 2023 in connection with the proposed IPO of equity shares of the Issuer;

b) The Guidance Note. 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 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 IPO.

4. The Restated Financial Information have been compiled by the management from the audited financial statements as at and for the years ended 31 March 2023, 2022 and 2021, prepared by the Bank in accordance with the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time, accounting principles generally accepted in India including Accounting Standards prescribed under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Act and current practices prevailing within the banking industry in India, which have been approved by the Board of Directors at their meetings held on 10 May 2023, 10 May 2022 and 26 May 2021, respectively.

5. For the purpose of our joint examination, we have relied on:

   a) Auditors' report issued by us dated 10 May 2023 on the audited financial statements of the Bank as at and for the year ended 31 March 2023 as referred in Paragraph 4 above.

   b) Auditors' reports issued by Deloitte Haskins & Sells, the previous auditors of the Bank and who continue to be one of the joint auditors (the "Previous Auditors"), dated 10 May 2022 and 26 May 2021 on the audited financial statements of the Bank as at and for the years ended 31 March 2022 and 2021, respectively, as referred in Paragraph 4 above.

   The auditors' report on the financial statements of the Bank as at and for the year ended 31 March 2022 includes the following Emphasis of Matter paragraph:

   "We draw attention to Note 18A.16 to the financial statements which describes that the potential impact of the continuing COVID 19 pandemic on the Bank's results are dependent on future developments which are uncertain.

   Our opinion is not modified in respect of this matter."

   The auditors' report on the financial statements of the Bank as at and for the year ended 31 March 2021 includes the following Emphasis of Matter paragraph:

   "We draw attention to Note 18A.7(i) to the Financial Statements which fully describes that the Bank has recognized additional contingency provision on loans to reflect the continuing uncertainties arising from the COVID 19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID 19 pandemic.

   Our opinion is not modified in respect of this matter."

The audits of the financial statements of the Bank for the years ended March 31, 2022 and 2021 were conducted by the Previous Auditors. The Previous Auditors have examined the special purpose restated financial information as at and for the years ended March 31, 2022 and 2021 and accordingly reliance has been placed by Abarna & Ananthan, on the restated statement of assets and liabilities and the restated statement of profit and loss, restated statement of cash flows, the summary statement of significant accounting policies, and other explanatory information (collectively, the "Special Purpose Restated Financial Information") examined by the Previous Auditors for the said years. The examination report included for the said years is based solely on the report submitted by the Previous Auditors. The Previous Auditors have also confirmed that the Special Purpose 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 31 March 2022 and 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2023, as applicable;

b) do not require any adjustment for modification as there is no modification in the underlying audit reports. There are items relating to emphasis of matter (refer paragraphs 5(a) and 5(b) above), which do not require any adjustment to the Special Purpose Restated Financial Information; and

c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

6. Based on our examination and according to the information and explanations given to us and also as per the reliance placed by Abarna & Ananthan on the examination reports submitted by the Previous Auditors, as mentioned in paragraphs 5, 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 31 March 2022 and 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31 March 2023, as applicable;

   b) do not require any adjustment for modification as there is no modification in the underlying audit reports. There are items relating to emphasis of matter (refer paragraphs 5(a) and 5(b) above), which do not require any adjustment to the Restated Financial Information; and

   c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

7. Each of the joint auditors on its behalf confirms that they have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

8. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective date of the reports on the audited financial statements mentioned in paragraph 5 above.

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 the Previous Auditors, 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 DRHP to be filed with Securities and Exchange Board of India in connection with the 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 **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
(UDIN:23109839BGXQAF2365)

Place: Mumbai
Date: June 20, 2023

For **Abarna & Ananthan**
Chartered Accountants
(Firm's Registration No.000003S)

Mohan Rao G
Partner
Membership No. 203737
(UDIN: 23203737BGZDDZ4337)

Place: Bengaluru
Date: June 20, 2023

ESAF SMALL FINANCE BANK LIMITED

RESTATED STATEMENT OF ASSETS AND LIABILITIES

Rs. in Million

Particulars	Note Reference	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
CAPITAL AND LIABILITIES				
Capital	3	4,494.74	4,494.74	4,494.74
Employee Stock Options Outstanding		58.75	48.06	-
Reserves and Surplus	4	12,596.55	9,573.22	9,025.90
Deposits	5	1,46,656.25	1,28,150.72	89,994.26
Borrowings	6	33,541.95	29,528.33	16,940.00
Other Liabilities and Provisions	7	4,888.33	5,280.57	2,931.62
Total		**2,02,236.57**	**1,77,075.64**	**1,23,386.52**
ASSETS				
Cash and Balances with Reserve Bank of India	8	7,395.48	13,006.68	16,180.72
Balances with Banks and Money at Call and Short Notice	9	275.01	2,112.36	2,010.54
Investments	10	48,885.28	40,702.98	19,320.69
Advances	11	1,39,243.31	1,16,370.05	81,675.86
Fixed Assets	12	1,879.27	1,594.75	1,385.12
Other Assets	13	4,558.22	3,288.82	2,813.59
Total		**2,02,236.57**	**1,77,075.64**	**1,23,386.52**
Contingent Liabilities	14	18.98	20.52	15.04
Bills for collection		-	-	-
Significant Accounting Policies and notes to accounts forming part of Restated financial information	2 & 19			

The accompanying Notes are an integral part of this Restated financial information.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm's Registration Number: 117365W

For and on behalf of the Board of Directors

G K Subramaniam
Partner
Membership No. : 109839

P R Ravi Mohan
Chairman
DIN:08534931

Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Place : Mumbai
Date : 20 June 2023

For **Abarna & Ananthan**
Chartered Accountants
Firm's Registration Number: 000003S

Thomas Jacob Kalappila
Director
DIN: 00812892

Mohan Rao G.
Partner
Membership No. : 203737

Gireesh C P
Chief Financial Officer

Ranjith Raj P
Company Secretary

Place : Bengaluru
Date : 20 June 2023

Place : Mannuthy
Date : 8 June 2023

ESAF SMALL FINANCE BANK LIMITED

RESTATED PROFIT AND LOSS ACCOUNT

Rs. in Million

Particulars	Note Reference	Year Ended 31 March 2023	Year Ended 31 March 2022	Year Ended 31 March 2021
I. INCOME				
Interest Earned	15	28,536.59	19,399.25	16,411.73
Other Income	16	2,879.13	2,075.83	1,272.48
Total		**31,415.72**	**21,475.08**	**17,684.21**
II. EXPENDITURE				
Interest Expended	17	10,173.19	7,927.86	7,195.82
Operating Expenses	18	12,305.41	8,628.71	6,318.55
Provisions and Contingencies		5,913.79	4,371.19	3,115.88
Total		**28,392.39**	**20,927.76**	**16,630.25**
III. PROFIT				
Net Profit for the year (I - II)		**3,023.33**	**547.32**	**1,053.96**
Add: Balance in Restated Profit and Loss Account brought forward from Previous year		3,214.96	3,062.43	2,271.96
		6,238.29	**3,609.75**	**3,325.92**
IV. APPROPRIATIONS				
Transfer to Statutory Reserve		755.83	136.83	263.49
Transfer to Capital Reserve		2.76	37.29	-
Transfer to Investment Fluctuation Reserve Account		59.48	220.67	-
Balance carried over to Restated Statement of Assets and Liabilities		5,420.22	3,214.96	3,062.43
Total		**6,238.29**	**3,609.75**	**3,325.92**
Earnings per share (Face Value of Rs.10/- each) (Rs.)				
(Refer Note B.1 of Note 19)				
Basic (Rs.)		6.73	1.22	2.46
Diluted (Rs.)		6.71	1.22	2.46
Significant Accounting Policies and notes to accounts forming part of Restated financial information	2 & 19			

The accompanying Notes are an integral part of this Restated financial information.

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm's Registration Number: 117365W

For and on behalf of the Board of Directors

G K Subramaniam
Partner
Membership No. : 109839

P R Ravi Mohan
Chairman
DIN:08534931

Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Place : Mumbai
Date : 20 June 2023

For Abarna & Ananthan
Chartered Accountants
Firm's Registration Number: 000003S

Thomas Jacob Kalappila
Director
DIN: 00812892

Mohan Rao G.
Partner
Membership No. : 203737

Gireesh C P
Chief Financial Officer

Ranjith Raj P
Company Secretary

Place : Bengaluru
Date : 20 June 2023

Place : Mannuthy
Date : 8 June 2023

ESAF SMALL FINANCE BANK LIMITED

RESTATED CASH FLOW STATEMENT

Rs. In Million

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022	Year Ended 31 March 2021
Cash Flows from Operating Activities			
Net Profit before tax	4,060.45	738.50	1,413.73
Adjustments for:			
Depreciation on Bank's property	417.89	327.74	285.73
Amortisation of Premium on HTM Investments	62.70	80.35	68.46
Profit on sale of investments (net)	(156.35)	(435.14)	(230.40)
Profit/(Loss) on sale of Fixed Assets	3.38	(0.06)	23.34
Provision for Non Performing Advances	6,157.91	3,206.75	1887.27
Provision for Standard Advances	(1,281.08)	936.22	925.52
Expense on Employee Stock Option	10.69	48.06	-
Provision for Depreciation on investments	913.88	233.06	(11.44)
Provision/ (Reversal) for Other Contingencies	54.52	34.10	(57.07)
	10,243.99	**5,169.58**	**4,305.14**
Adjustments for :-			
(Increase)/ Decrease in Investments (other than HTM Investments)	(3,976.14)	(11,979.40)	4,075.38
(Increase)/ Decrease in Advances	(29,031.17)	(37,900.94)	(18,084.91)
(Increase)/ Decrease in Fixed Deposit with Banks (Original Maturity greater than 3 months)	-	(2.94)	2,264.25
Increase in Other Assets	(1,693.47)	(497.39)	(424.03)
Increase in Deposits	18,505.51	38,156.46	19,710.44
Increase/ (Decrease) in Other liabilities and provisions	834.32	1,378.63	521.25
Direct taxes (paid)/refund	(613.04)	(169.02)	(1,093.07)
Net Cash Flows from/(used in) Operating Activities (A)	**(5,730.00)**	**(5,845.02)**	**11,274.45**
Cash Flows Used in Investing Activities			
Purchase of Fixed Assets	(716.51)	(540.14)	(495.01)
Proceeds from Sale of Fixed Assets	10.72	2.83	1.89
(Increase)/ Decrease in Held to Maturity Investments	(5,026.38)	(9,281.16)	(5,886.43)
Net Cash Used in Investing Activities (B)	**(5,732.17)**	**(9,818.47)**	**(6,379.55)**
Cash Flows from Financing Activities			
Proceeds from Issue of Share Capital (including Share Premium)	-	-	1,625.87
Increase/(Decrease) in Borrowings	4,013.62	12,588.33	4,906.83
Cash Flows from Financing Activities (C)	**4,013.62**	**12,588.33**	**6,532.70**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(7,448.55)**	**(3,075.16)**	**11,427.60**

ESAF SMALL FINANCE BANK LIMITED
RESTATED CASH FLOW STATEMENT

Rs. In Million

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022	Year Ended 31 March 2021
Cash and Cash Equivalents at the beginning of year	**15,112.79**	**18,187.95**	**6,760.35**
Cash and Cash Equivalents at the end of year (refer note below)	**7,664.24**	**15,112.79**	**18,187.95**
Note:			
Cash in Hand [Refer Note 8 (I)]	1,544.46	1,466.22	1,155.33
Balance with RBI in Current Account [Refer Note 8 (II) (i)]	5,851.02	5,200.46	3,125.39
Balance with Banks in India in Current Account [Refer Note 9 I (i) (a)]	268.76	356.11	2,007.23
Money at Call and Short Notice [Refer Note 9 (I)(ii) (a)]	-	1,750.00	-
Balance with RBI in Other Account [Refer note 8 (II) (ii)]	-	6,340.00	11,900.00
Cash and cash equivalents at the end of the year	**7,664.24**	**15,112.79**	**18,187.95**

The above restated Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 - Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with the Companies (Account) Rules, 2014.

The accompanying Notes are an integral part of this Restated financial information.

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Firm's Registration Number: 117365W

G K Subramaniam
Partner
Membership No. : 109839

Place : Mumbai
Date : 20 June 2023

For **Abarna & Ananthan**
Chartered Accountants
Firm's Registration Number: 000003S

Mohan Rao G.
Partner
Membership No. : 203737

Place : Bengaluru
Date : 20 June 2023

For and on behalf of the Board of Directors

P R Ravi Mohan
Chairman
DIN:08534931

Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Thomas Jacob Kalappila
Director
DIN: 00812892

Gireesh C P
Chief Financial Officer

Ranjith Raj P
Company Secretary

Place : Mannuthy
Date : 8 June 2023

ESAF SMALL FINANCE BANK LIMITED

NOTE 1 - Restated Statement of Material Adjustments, Regroupings and changes in Accounting polices

Appropriate adjustments have been made(read with Note 2.3.1) in the Restated Statement of Assets and Liabilities, Restated Profit and Loss Account and Restated statement of cash flows in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended), by reclassification of the corresponding items of income, expense, assets, liabilities and cash flows in order to bring them in line with the groupings and accounting policies as per the audited financials statements for the year ended 31 March 2023.

Part A

i.Regroupings in Restated Statement of Assets and Liabilities and Restated Profit and Loss Account

i. for the year ended 31 March 2022

Rs. in Million

Particulars	As per Audited Financial Statements	Changes due to Regrouping	As per Restated Summary Statements
Assets and Liabilities *			
Cash and Balances with Reserve Bank of India	6,666.68	6,340.00	13,006.68
Balances with Banks and Money at Call and Short Notice	8,452.36	-6,340.00	2,112.36

ii. for the year ended 31 March 2021

Rs. in Million

Particulars	As per Audited Financial Statements	Changes due to Regrouping *	As per Restated Summary Statements
Assets and Liabilities *			
Cash and Balances with Reserve Bank of India	4,280.72	11,900.00	16,180.72
Balances with Banks and Money at Call and Short Notice	13,910.54	-11,900.00	2,010.54
Income and Expenditure **			
Other income	1,261.04	11.44	1,272.48
Provisions and Contingencies	3,127.32	-11.44	3,115.88

* regrouping is on account of change in classification of Lending under Reverse Repo (RBI) from Note 9 - Balances with Banks and Money at Call and Short Notice to Note 8 - Cash and Balances with Reserve Bank of India as required by 'Master Direction on Financial Statements - Presentation and Disclosure' issued by Reserve Bank of India dated 30 August 2021 (as updated).

** regrouping is on account of change in classification revaluation of profit & loss on investment from Provisions and Contingencies to Other Income as required by 'Master Direction on Financial Statements - Presentation and Disclosure' issued by Reserve Bank of India dated 30 August 2021 (as updated).

Part B. Regroupings in Restated Statement of Cash Flows - Nil

Other Adjustments

Adjustments for Audit Qualifications	Nil
Other Material Adjustments	Nil
Changes in Accounting Policy	Nil
Tax Adjustments	Nil

Part C

Non Adjusting Items

1. There are no qualifications in auditor's report for the financial years ended 31 March 2023, 31 March 2022 and 31 March 2021

2. **Emphasis of matter paragraph in auditor's report on the financial statements for the year ended 31 March 2022:**

The auditor's report dated May 10, 2022 on the Financial Statements as at and for the year ended 31 March 2022 includes the following Emphasis of Matter paragraph:
"We draw attention to Note 18A.16 to the Financial Statements which describes that the potential impact of the continuing COVID 19 pandemic on the Bank's results are dependent on future developments which are uncertain. Our opinion is not modified in respect of this matter".

3. Emphasis of matter paragraph in auditor's report on the financial statements for the year ended 31 March 2021:

The auditors' report on the financial statements for the year ended 31 March, 2021 included following Emphasis of Matter paragraph on:
We draw attention to Note 18 A. 7(i) to the Financial Statement which fully describes that the Bank has recognized additional contingency provision on loans to reflect the continuing uncertainties arising from the COVID 19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID 19 pandemic.

ESAF SMALL FINANCE BANK LIMITED

NOTE 2 -SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF RESTATED FINANCIAL INFORMATION

1.Background

ESAF Small Finance Bank Limited ("the Bank") is a public limited company incorporated on 5 May 2016 in India, after receiving in principal approval from the Reserve Bank of India ("RBI") to establish a small finance bank in the private sector under section 22 of the Banking Regulation Act, 1949 on 16 September 2015. The Bank received the license from the Reserve Bank of India on 18 November 2016 and commenced its banking operations from 10 March 2017. As per RBI Approval, the name of the Bank is included in the Second Schedule to the Reserve Bank of India Act, 1934 w.e.f 12 November 2018.The Bank provides micro, retail and corporate banking, para banking activities such as debit card, third party financial product distribution, in addition to treasury and permitted foreign exchange business.

In order to get the shares listed in stock exchange, the Bank is in the process of filing of Draft Red herring prospectus.

2.Basis of Preparation

The restated financial information of the Bank comprise of the Restated Statements of Assets and Liabilities as at 31 March 2023, 2022 and 2021, the Restated Profit and Loss Accounts and Restated Cash Flow Statement for the years ended 31 March 2023, 2022 and 2021, and the Summary of Significant Accounting Policies and explanatory notes (collectively, the "Restated Financial Information"). The Restated Financial Information is prepared by the management of the Bank for the purpose of inclusion in the draft red herring prospectus ("DRHP") prepared by the Bank in connection with its proposed Initial Public Offer ("IPO") in terms of the requirements of:

i. Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended (the "Act");

ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "ICDR Regulations"); and

iii. The Guidance Note on Reports on Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended (the "Guidance Note").

The Bank had earlier filed DRHP on 06 January 2020 and 24 July 2021 with the Securities and Exchange Board of India (the "SEBI") and the Registrar of Companies (the "ROC") which are now time barred for the purpose of proposed IPO. Hence, the Bank proposes to prepare and file an updated DRHP with the SEBI and the ROC in connection with its proposed IPO and include this Restated Financial Information in such updated DRHP.

The Restated Financial Information has been compiled by the Management from the audited financial statements as at and for the years ended 31 March 2023, 2022 and 2021, prepared by the Bank in accordance with the requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by RBI from time to time, accounting principles generally accepted in India including Accounting Standards prescribed under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent applicable and other relevant provisions of the Act and current practices prevailing within the Banking industry in India, which have been approved by the Board of Directors at their meeting held on 10 May 2023, 10 May 2022 and 26 May 2021 respectively.

The Bank follows historical cost convention and accrual method of accounting in the preparation of the financial statements, except otherwise stated. The accounting policies have been consistently applied by the Bank in preparation of the Restated Financial Information and are consistent with those adopted in the preparation of financial statements for the year ended 31 March 2023 (read with Note 19.A.2.3.1 of Restated Financial Information).

The Restated Financial Information does not reflect the effects of events that occurred subsequent to the respective dates of the Board approval of financial statements as at and for the each of the years ended 31 March 2023, 2022 and 2021.

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 31 March 2022 and 2021 to reflect the same accounting treatment as per the accounting policy and grouping/classifications followed as at and for the year ended 31 March 2023, as applicable.

b) do not require any adjustment for modification as there is no modification in the underlying audit reports.

i. The auditors' report on the Financial Statements of the Bank as at and for the year ended 31 March 2022 includes the following Emphasis of Matter paragraph:

"We draw attention to Note 18A.16 to the Financial Statements which describes that the potential impact of the continuing COVID 19 pandemic on the Bank's results are dependent on future developments which are uncertain.

Our opinion is not modified in respect of this matter."

ii. The auditor's reports dated May 26, 2021 on the Financial Statements as at and for the year ended 31 March 2021 includes the following Emphasis of Matter paragraph:

"We draw attention to Note 18A.7(i) to the Financial Statements which fully describes that the Bank has recognized additional contingency provision on loans to reflect the continuing uncertainties arising from the COVID 19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID 19 pandemic

Our opinion is not modified with respect to this matter."

The above emphasis of matter paragraphs do not require any adjustment to the Restated Financial Information.

These Restated Financial Information were approved by the Board of Directors on 08 June 2023.

The Restated Financial Information are presented in Indian Rupees "INR" or "Rs." and all values are stated as INR or Rs. millions, except when otherwise indicated.

3. Use of Estimation

The preparation of Restated Financial Information requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Bank's management believes that the estimates used in the preparation of the Restated Financial Information are prudent and reasonable. Actual results could differ from this estimate. Any revision to accounting estimates are recognized prospectively in current and future periods.

4.Significant Accounting Policies

4.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

i. Interest Income is recognized in the Restated Profit and Loss Account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognized on realization basis as per the prudential norms issued by the RBI. Interest is not charged on the delayed remittances for the overdue period on microloans.

ii. Profit or Loss on sale of investments is recognised in the Restated Profit and Loss Account. However, the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve'.

iii Income on non-coupon bearing discounted instruments is recognized over the tenure of the instrument on a straight line basis. In case of coupon bearing discounted instruments, discount income is recognized over the tenor of the instrument on yield basis.

iv Dividend on Investments in shares and units of Mutual Funds are accounted when the Bank's right to receive the dividend is established.

v Processing Fee/ upfront fee, handling charges and similar charges collected at the time of sanctioning or renewal of loan/ facility is recognised at the inception/ renewal of loan on upfront basis.

vi Other fees and Commission income (including commission income on third party products) are recognised when due, except in cases where the Bank is uncertain of ultimate collection and in case of non performing assets.

vii Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis taking into account the amounts outstanding and the rates applicable.

viii. Guarantee commission is recognised on a straight line basis over the period of contract.

ix. Locker rent is recognised on realisation basis.

x. For a securitization or direct assignment transaction, the Bank recognizes profit upon receipt of the funds and loss is recognized at the time of sale. The unrealised gains, associated with expected future margin income is recognised in profit and loss account on receipt of cash, after absorbing losses, if any.

xi. Fees received on sale of priority sector lending certificates is considered as Miscellaneous income, while fees paid for purchase is expended as other expenditure in accordance with the guidelines issued by RBI on the date of purchase/ sale on upfront basis.

4.2 Investments

i. Classification:

Investments are classified into three categories, viz Held to Maturity ("HTM"), Available for Sale ("AFS") and held for Trading ("HFT") at the time of purchase as per guidelines issued by RBI.

However for disclosure in the Restated Statement of Assets and Liabilities, Investments in India are classified under six groups - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Others.

Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting.

ii. Basis of classification:

Investments that the Bank intends to hold till maturity are classified as HTM category.

Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.

Investments which are not classified in either of the above two categories are classified under AFS category.

iii. Acquisition Cost:

The Cost of investments is determined on the weighted average basis. Broken period interest in debt instruments and government securities is treated as a revenue item. The transaction cost including brokerage, commission etc. paid at the time of acquisition of investments are charged to the Restated Profit and Loss Account.

iv. Disposal of investments:

Investments classified as HFT or AFS - Profit or loss on sale or redemption is recognised in the Restated Profit and Loss Account. Investments classified as HTM - Profit on sale or redemption of investments is recognised in the Restated Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognised in the Restated Profit and Loss Account.

v. Valuation:

HTM securities are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.

AFS and HFT securities are valued periodically as per RBI guidelines.

The market/ fair value for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is measured with respect to the market price of the scrip as available from the trades/ quotes on the stock exchanges, SGL account transactions, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the YTM rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FBIL. Securities are valued scrip wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

Treasury bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

Non Performing investments are identified and valued based on RBI guidelines.

vi. Repo Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in Government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

vii. Investment Fluctuation Reserve ("IFR")

With a view to building up of adequate reserves to protect against increase in yields in accordance with RBI guideline, bank started to create an IFR with effect from the Financial Year 2018-19.

Amount appropriated from Net Profit to IFR is not less than lower of the following:

(i) net profit on sale of investments during the year or

(ii) net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the IFR shall be utilized by way of draw down, in accordance with the provisions of the Reserve Bank of India guidelines

Viii. Short Sales

The short sale transactions in Central Government dated securities undertaken by the bank shall be accounted in the following manner in accordance with RBI guidelines.

- The short position is categorised under HFT category and netted off from investments in Restated Statement of Assets and Liabilities.
- The short position is marked to market at periodical intervals and loss, if any, is charged to the Restated Profit and Loss Account while gain, if any, is ignored.
- Profit / Loss on settlement of the short position is recognised in the Restated Profit and Loss Account.

ix. Transfer of Securities between Categories:

The transfer/shifting of securities between categories of investments is accounted in accordance with the RBI guidelines.

4.3 Advances

i. Advances are classified into performing assets ("Standard") and non-performing assets ("NPA") as per the RBI guidelines and are stated net of unrealised interest/charges in suspense for non performing advances and provisions made towards NPAs and principal portion of advance prepaid by customer, if any. Interest/other charges on Non-performing advances is not recognised in Restated Profit and Loss Account and is transferred to an unrealised interest suspense account till the actual realisation. Interest portion of advance prepaid by the customer is disclosed as other liability and recognised to profit and loss account on due basis. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at /or above the minimum required level in accordance with the provisioning policy adopted by the Bank and as per the guidelines and circulars of the RBI on matters relating to prudential norms.

ii. Provision for standard advances is made as per the extant RBI guidelines. Additional Provision on standard assets is made as per the policy decided by the Board .

iii. The Bank transfers advances through interbank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

iv Non Performing Advances are written off as per the Bank's policy. Amounts recovered against debts written off/ technically written off are recognised in the Restated Profit and Loss account and included under “Other Income”.

v. The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower’s financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines, as amended from time to time. In accordance with RBI guidelines on the prudential framework for restructure of stressed assets and the resolution framework for Covid 19 related stress, the Bank in accordance with its Board approved policy, carried out one time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

vi. Priority Sector Lending Certificate (PSLC): The Bank enters into transactions for the sale and/ or purchase of priority sector lending certificates (PSLC). In case of a sale transaction, the Bank sells the fulfillment of priority sector obligations and in the case of a purchase transaction, the Bank buys the fulfillment of priority sector obligations through the RBI trading platform. There is no transfer of loan assets or risks. The fees received for the sale of PSLC is recorded as other income and fees paid for purchase of PSLC is recorded as other expenditure in Restated profit and loss account.

vii. Securitisation Transaction and Direct Assignments:

The Bank transfers its loan receivables through Direct Assignment route as well as transfer to Special Purpose Vehicle (SPV).

The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Sales/ transfer that do not meet true sale criteria are accounted for as borrowings. For a securitization or direct assignment transaction, the Bank recognizes profit upon receipt of that funds and loss is recognized at the time of sale.
The unrealised gains, associated with expected future margin income is recognised in profit and loss account on receipt of cash, after absorbing losses, if any.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.
In respect of stressed assets sold under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.
Investments in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (SPVs), are accounted at acquisition cost and are classified as investments. Loans bought through the direct assignment route which are classified as advances and are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

4.4 Fixed Assets (Property Plant & Equipment and Intangible Assets) and Depreciation / Amortization

Fixed Assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any.

Cost includes cost of purchase inclusive of freight, duties, incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use.
Gains or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Restated Profit and Loss Account.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by the Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets, based on technical evaluation done by the management are given below:

Class of Asset (Tangible and Intangible)	Estimated useful life as assessed by the Bank (in years)	Estimated useful life specified under Schedule II of the Companies Act, 2013 (in years)
Office Equipment's	4-5	5
Computers	2- 3	3
Furniture & Fixtures	9-10	10
Motor Vehicles	2-5	8
Servers	5	6

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
Intangible assets comprising of software is amortised on straight line basis over a period of 4 years, unless it has a shorter useful life.
For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by the Bank.
Capital work-in-progress includes costs incurred towards creation of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

4.5 Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

4.6 Retirement and employee benefits

i. Short Term Employee Benefit

The undiscounted amount of short-term employee benefits which are expected to be paid in exchange for the services rendered by employees are recognised during the year when the employee renders the service.

ii. Long Term Employee Benefit

a. Defined Contribution Plan:

Provident Fund: In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund are recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its fixed contribution**.**

b. Defined Benefit Plan:

Gratuity: The Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972. The Bank's liability is actuarially determined (using Projected Unit Credit Method) as at the Balance Sheet date. The actuarial gain or loss arising during the year is recognised in the Restated Profit and Loss Account.

Compensated Absences: The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is actuarially determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Restated Profit and Loss Account in the year in which they arise.

4.7 Share Issue expenses

Share issue expenses are adjusted from Share Premium Account as permitted by Section 52 of the Companies Act, 2013 on issue of underlying securities pending which is recognised as "other assets" in the Restated Statement of Assets and Liabilities.

4.8 Income Taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act,1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent year(s).

Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each reporting date, the Bank re-assesses 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Restated Statement of Assets and Liabilities date. Changes in deferred tax assets / liabilities on account of changes in enacted tax rates are given effect to in the Restated Profit and Loss Account in the year of change.

4.9 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice with an original maturity of three months or less (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

4.10 Segment Information

In accordance with guidelines issued by RBI and Accounting Standard 17 (AS-17) on "Segment Reporting", the Banks' business has been segregated into Treasury, Wholesale Banking, Retail Banking Segments and other Banking Operations.

a) Treasury: The treasury segment revenue primarily consists of interest earnings on investments portfolio of the bank, gains or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses. Treasury segment liability also includes allocation of deposits received from customers.
b) Wholesale Banking: Wholesale Banking segment provides loans to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on loans made to corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.
c) Retail banking: The Retail Banking segment provides loans to non-corporate customers identified on the basis of RBI guidelines and also includes deposits from customers. Revenues of this segment consist of interest earned on loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/ deposits received and other expenses.
d) Other Banking Operations: This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs.

Segment revenues consist of earnings from external customers and other allocated revenues. Segment expenses consist of allocated interest expenses, operating expenses and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth.

e) Unallocated: All items which are reckoned at an enterprise level are classified under this segment. This includes capital, reserves and other un allocable assets and liabilities such as fixed assets, deferred tax, tax paid in advance and income tax provision etc.

Geographical Segment

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

4.11 Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting/adjusting for attributable taxes) by the weighted average number of equity shares outstanding during the year The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

4.12 Provisions and contingent assets/liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not 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 Restated Financial Information.

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Restated Statements of Assets and Liabilities date and adjusted to reflect the current best estimate. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the reporting date. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are neither recognized nor disclosed in the Restated Financial Information.

4.13 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating lease. Operating lease payments are recognised as an expense in the Restated Profit and Loss Account on a straight line basis over the lease term in accordance with AS 19 - Leases.

4.14 Transactions involving Foreign Exchange

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

Foreign currency monetary items are reported using the exchange rate prevailing at the Restated Statement of Assets and Liabilities date.

Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

4.15 Employee Share based payments

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee’s Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. Fair market value of an equity share, as determined by a Category I Merchant Banker registered with SEBI, based on the Board Approved Financial Statements within one year prior to the date of Grant.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee’s Stock Option (Grant) Outstanding accounts is transferred to Restated Profit & Loss Account.

ESAF SMALL FINANCE BANK LIMITED

NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 3 - RESTATED STATEMENT OF CAPITAL			
Authorised Capital			
Number of Equity Shares (in Million) of Rs. 10/- each	600.00	600.00	600.00
Equity Share Capital (Authorised)	6,000.00	6,000.00	6,000.00
Issued, Subscribed and Paid up Capital #			
Number of Equity Shares (in Million)	449.47	449.47	449.47
Face Value per Equity Share (in Rs.)	10.00	10.00	10.00
Equity Share Capital	4,494.74	4,494.74	4,494.74
Total	**4,494.74**	**4,494.74**	**4,494.74**
NOTE 4 - RESTATED STATEMENT OF RESERVES AND SURPLUS			
I. Statutory Reserve			
Opening balance	1,171.40	1,034.57	771.08
Additions during the year	755.83	136.83	263.49
	1,927.23	**1,171.40**	**1,034.57**
II. Capital Reserves			
(a) Revaluation Reserve			
Opening balance	-	-	-
Additions during the year	-	-	-
	-	**-**	**-**
(b) Others			
Opening balance	37.29	-	-
Additions during the year ^	2.76	37.29	-
	40.05	**37.29**	**-**
III. Share premium			
Opening balance	4,887.63	4,887.63	3,478.54
Additions during the year#	-	-	1,409.09
	4,887.63	**4,887.63**	**4,887.63**
IV. Revenue and Other Reserves			
Investment Fluctuation Reserve			
Opening Balance	261.94	41.27	41.27
Additions during the year	59.48	220.67	-
	321.42	**261.94**	**41.27**
V. Balance in Restated Profit and Loss Account	**5,420.22**	**3,214.96**	**3,062.43**
Total (I to V)	**12,596.55**	**9,573.22**	**9,025.90**

During the year ended 31 March 2021, the Bank has raised Tier I capital amounting to Rs.1,625.87 Million by way of private placement of 21.68 Million Equity Shares having the face value of Rs.10/- each at an issue price of Rs.75/- per Equity Share.

^ Includes appropriations made by the Bank for profit on sale of investments in held-to-maturity category, net of taxes and transfer to Statutory Reserve

ESAF SMALL FINANCE BANK LIMITED

NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 5 - RESTATED STATEMENT OF DEPOSITS			
A. I. Demand Deposits			
i. From Banks	78.78	66.88	66.73
ii. From Others	2,558.75	2,131.03	1,465.11
	2,637.53	**2,197.91**	**1,531.84**
II. Savings Bank Deposits	28,736.94	27,076.07	15,944.61
III. Term Deposits			
i. From Banks	11,820.27	19,374.60	7,296.06
ii. From Others	1,03,461.51	79,502.14	65,221.75
	1,15,281.78	**98,876.74**	**72,517.81**
Total (I to III)	**1,46,656.25**	**1,28,150.72**	**89,994.26**
B. I. Deposits of branches in India	1,46,656.25	1,28,150.72	89,994.26
II. Deposits of branches outside India	-	-	-
Total (I and II)	**1,46,656.25**	**1,28,150.72**	**89,994.26**
NOTE 6 - RESTATED STATEMENT OF BORROWINGS			
I. Borrowings in India			
i. Reserve Bank of India	6,740.00	6,960.00	1,460.00
ii. Other Banks	-	-	-
iii. Other institutions and agencies	24,871.95	20,488.33	13,100.00
iv. Subordinated Debt	1,450.00	1,600.00	1,900.00
v. Perpetual Debt Instrument	480.00	480.00	480.00
	33,541.95	**29,528.33**	**16,940.00**
II.Borrowings outside India	-	-	-
Total (I and II)	**33,541.95**	**29,528.33**	**16,940.00**
Secured Borrowings included in I and II above	12,129.46	10,385.83	1,460.00
NOTE 7- RESTATED STATEMENT OF OTHER LIABILITIES AND PROVISIONS			
I. Bills Payable	49.67	36.48	26.26
II. Inter - office adjustments (Net)	-	-	-
III. Interest accrued	556.44	407.92	219.11
IV. Provision for Standard Assets	896.57	2,177.65	1,241.42
V. Others (including Provisions)	3,385.65	2,658.52	1,444.83
Total (I to V)	**4,888.33**	**5,280.57**	**2,931.62**

ESAF SMALL FINANCE BANK LIMITED

NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 8 - RESTATED STATEMENT OF CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand	1,544.46	1,466.22	1,155.33
II. Balance with Reserve Bank of India			
i. in Current Accounts	5,851.02	5,200.46	3,125.39
ii. in Other Accounts	-	6,340.00	11,900.00
Total (I and II)	**7,395.48**	**13,006.68**	**16,180.72**
NOTE 9 - RESTATED STATEMENT OF BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i. Balances with Banks			
a. in Current Accounts	268.76	356.11	2,007.23
b. in Other Deposit Accounts	6.25	6.25	3.31
Total	**275.01**	**362.36**	**2,010.54**
ii. Money at Call and Short Notice			
a. With Banks	-	1,750.00	-
b. With Other Institutions	-	-	-
Total	**-**	**1,750.00**	**-**
Total (I)	**275.01**	**2,112.36**	**2,010.54**
II. Outside India			
i. in Current Accounts	-	-	-
ii. in Other Deposit Accounts	-	-	-
iii. Money at call and short notice	-	-	-
Total (II)	**-**	**-**	**-**
Total (I and II)	**275.01**	**2,112.36**	**2,010.54**
NOTE 10- RESTATED STATEMENT OF INVESTMENTS (NET OF PROVISION)			
I. Investments in India in :			
i. Government Securities	47,421.02	39,940.96	18,889.75
ii. Other approved Securities	-	-	-
iii. Shares	116.62	153.93	81.67
iv. Debentures and Bonds	-	-	-
v. Subsidiaries/ Joint Ventures	-	-	-
vi. Others [Certificate of Deposits (CDs), Mutual Funds, Security Receipts (SRs) etc.]	1,347.64	608.09	349.27
Total (I)	**48,885.28**	**40,702.98**	**19,320.69**
II. Investments outside India	-	-	-
Total (II)	-	-	-
Total (I and II)	**48,885.28**	**40,702.98**	**19,320.69**
Gross Investments	49,905.27	40,942.93	19,327.57
Less: Depreciation/ Provision for Investments	1,019.99	239.95	6.88
Net Investments	**48,885.28**	**40,702.98**	**19,320.69**

ESAF SMALL FINANCE BANK LIMITED

NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 11 - RESTATED STATEMENT OF ADVANCES (NET OF PROVISIONS)			
A. i. Bills purchased and discounted	427.18	254.29	89.44
ii. Cash credits, overdrafts and loans repayable on demand	2,051.14	1,207.81	762.87
iii. Term loans	1,36,764.99	1,14,907.95	80,823.55
Total	**1,39,243.31**	**1,16,370.05**	**81,675.86**
B. i. Secured by tangible assets (includes advances against book debts)	34,316.69	19,095.62	11,839.85
ii. Covered by Bank/Government guarantees	-	-	-
iii. Unsecured	1,04,926.62	97,274.43	69,836.01
Total (A&B) (Net of Provisions)	**1,39,243.31**	**1,16,370.05**	**81,675.86**
C. I. Advances in India			
i. Priority Sectors	1,11,500.64	87,215.57	50,889.74
ii. Public Sector	-	-	-
iii. Banks	-	-	-
iv. Others	27,742.67	29,154.48	30,786.12
Total (I)	**1,39,243.31**	**1,16,370.05**	**81,675.86**
II.Advances outside India			
i. Due from Banks	-	-	-
ii. Due from Others	-	-	-
a) Bills purchased and discounted	-	-	-
b) Syndicated Loans	-	-	-
c) Others	-	-	-
Total (II)	**-**	**-**	**-**
Total (C I and C II)	**1,39,243.31**	**1,16,370.05**	**81,675.86**

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 12 - RESTATED STATEMENT OF FIXED ASSETS			
I OWNED ASSETS			
a. Other Fixed Assets			
(including furniture and fixtures)			
Gross Block			
At the beginning of the year	2,672.88	2,086.93	1,657.95
Additions during the year	714.86	598.46	477.91
Deductions during the year	37.66	12.51	48.93
Closing Balance	**3,350.08**	**2,672.88**	**2,086.93**
Depreciation			
As at the beginning of the year	1,078.86	760.86	498.83
Charge for the year	417.89	327.74	285.73
Deductions during the year	23.57	9.74	23.70
Depreciation to date	**1,473.18**	**1,078.86**	**760.86**
Net Block	**1,876.90**	**1,594.02**	**1,326.07**
II. Capital work in progress	**2.37**	**0.73**	**59.05**
Total (I and II)	**1,879.27**	**1,594.75**	**1,385.12**

ESAF SMALL FINANCE BANK LIMITED

NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
NOTE 13 - RESTATED STATEMENT OF OTHER ASSETS			
I. Inter - office adjustments (net)	-	-	-
II. Interest accrued	2,140.80	1,091.55	678.07
III. Tax paid in advance/Tax Deducted at source (Net of provision)	117.58	275.71	591.69
IV. Stationery and Stamps	0.45	0.53	1.02
V. Non-banking assets acquired in satisfaction of claims	-	-	-
VI. Deferred tax asset (net)	384.18	650.12	356.30
VII. Others	1,915.21	1,270.91	1,186.51
Total (I to VII)	**4,558.22**	**3,288.82**	**2,813.59**
NOTE 14 - RESTATED STATEMENT OF CONTINGENT LIABILITIES			
I. Claims against the Bank not acknowledged as debts	-	-	-
II. Liability on account of outstanding forward exchange contracts	-	-	-
III. Guarantees given on behalf of constituents - in India	13.98	15.52	13.04
IV. Acceptances, endorsements and other obligations	-	-	-
V. Other items for which the Bank is contingently liable	5.00	5.00	2.00
Total (I to V)	**18.98**	**20.52**	**15.04**

ESAF SMALL FINANCE BANK LIMITED
NOTES FORMING PART OF THE RESTATED FINANCIAL INFORMATION

Rs. in Million

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022	Year Ended 31 March 2021
NOTE 15 - RESTATED STATEMENT OF INTEREST EARNED			
I. Interest/discount on advances/bills	25,320.45	17,267.12	14,735.06
II. Income on investments	3,120.44	1,883.08	1,283.26
III.Interest on balances with Reserve Bank of India and other inter-bank funds	95.70	249.05	393.41
IV. Others	-	-	-
Total (I to IV)	**28,536.59**	**19,399.25**	**16,411.73**
NOTE 16 - RESTATED STATEMENT OF OTHER INCOME			
I. Commission, exchange and brokerage	1,994.83	1,507.23	645.01
II. Profit on sale of investments (Net)	156.35	435.14	230.40
III. Profit / (Loss) on revaluation of investments (Net)	(913.88)	(233.06)	11.44
IV. Profit/ (Loss) on sale of land, buildings and other assets (Net)	(3.38)	0.06	(23.34)
V. Profit on foreign exchange transactions (Net)	11.12	9.24	5.48
VI. Income earned by way of dividends etc. from companies	2.04	1.56	1.10
VII. Miscellaneous income*	1,632.05	355.66	402.39
Total (I to VII)	**2,879.13**	**2,075.83**	**1,272.48**
** includes Income from :*			
Recovery of written off Accounts	*691.97*	*79.86*	*29.03*
Cash received on sale of technical written off portfolio (Refer para A. 4.6 (i) of Note 19)	*380.90*	-	-
NOTE 17 - RESTATED STATEMENT OF INTEREST EXPENDED			
I. Interest on deposits	8,377.18	6,788.46	6,045.68
II. Interest on Reserve Bank of India/Inter bank borrowings	330.07	204.16	79.20
III.Others	1,465.94	935.24	1,070.94
Total (I to III)	**10,173.19**	**7,927.86**	**7,195.82**
NOTE 18 - RESTATED STATEMENT OF OPERATING EXPENSES			
I. Payments to and provisions for employees	2,779.98	2,321.37	1,877.84
II. Rent, taxes and lighting	748.01	600.21	420.39
III. Printing and stationery	73.80	67.42	52.91
IV. Advertisement and publicity	154.68	58.97	27.10
V. Depreciation on Bank's Property	417.89	327.74	285.73
VI. Directors' fees, allowances and expenses	16.28	14.80	14.04
VII. Auditors' fees and expenses	14.21	7.49	6.30
VIII. Law charges	10.41	4.33	2.61
IX. Postage, Telegrams, Telephones etc.	189.50	109.42	91.68
X. Repairs and maintenance	46.98	17.62	15.78
XI. Insurance	150.90	127.33	108.35
XII. Other expenditure *	7,702.77	4,972.01	3,415.82
Total (I to XII)	**12,305.41**	**8,628.71**	**6,318.55**

* includes expenditure towards Corporate Social Responsibility and Business Correspondent Expenses (refer table below)

Rs. in Million

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022	Year Ended 31 March 2021
Corporate Social Responsibility (Refer Note B. 10 of Note 19)	82.60	87.60	71.55
Business Correspondent Expense	5,442.36	3,486.58	2,328.08

A. DISCLOSURES AS LAID DOWN BY RBI CIRCULARS:

1. Regulatory Capital:

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) stipulated by RBI. The Capital Adequacy Ratio (CRAR) of the Bank is calculated as per the Standardized approach for Credit Risk.

As per RBI circular "DBR.NBD.No. 4502/16.13.218/2017-18" dated 8 November 2017, no separate capital charge is prescribed for market and operational risk. The total Capital Adequacy ratio of the Bank at 31 March 2023 is 19.83%, 31 March 2022 is 18.64%, 31 March 2021 is 24.23% against the regulatory requirement of 15.00% prescribed by RBI.

No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

1.1. Composition of Regulatory Capital

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
i)Common Equity Tier I Capital (CET1)	16,616.36	13,675.47	13,409.07
ii) Additional Tier 1 Capital	480.00	480.00	480.00
iii) Tier I Capital - A	17,096.36	14,155.47	13,889.07
iv) Tier II Capital - B	1,617.25	2,166.21	1,737.39
v) Total Capital (A)+(B)	18,713.61	16,321.68	15,626.46
vi) Total Risk Weighted Assets (RWAs)	94,372.50	87,578.18	64,489.02
Capital Ratios:			
vii) CET I Capital (%) [CET 1 as a percentage of RWAs]	17.61%	15.62%	20.79%
viii) Tier I Capital (%) [Tier I Capital as a percentage of RWAs]	18.12%	16.16%	21.54%
ix) Tier II Capital (%) [Tier II Capital as a percentage of RWAs]	1.71%	2.47%	2.69%
x) Total CRAR % [Total Capital as a percentage of RWAs]	19.83%	18.64%	24.23%
xi) Leverage Ratio	8.45%	7.99%	11.26%
(xii) Percentage of the shareholding of the Government of India in Public Sector Banks	NA	NA	NA
(xiii) Amount of paid up capital raised during the year *(Including Share Premium)*	-	-	1,625.87
(xiv) Amount of non- equity Tier I capital raised during the year	-	-	-
(xv) Amount of Tier II Capital raised during the year of which			
Basel III Compliant Subordinated debt Instruments	-	200.00	-

1.2. Draw Down from Reserves

There has been no draw down from reserves as disclosed in Note 4

2. Asset Liability Management

2.1. Maturity Pattern of certain items of assets and liabilities

a.As at 31 March 2023:

Rs. in Million

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 months and up to 3 months	Over 3 Months and up to 6 months	Over 6 Months and up to 1 year	Over 1 Year and up to 3 years	Over 3 Year and up to 5 years	Over 5 years	Total
Advances	68.13	408.78	476.91	1,090.09	5,004.34	5,004.34	15,926.16	55,482.42	42,303.55	7,528.78	5,949.81	1,39,243.31
Investments	20,464.71	-	-	748.43	689.73	845.90	1,913.82	4,435.27	19,660.77	30.05	96.60	48,885.28
Deposits	1,398.85	4,779.39	2,654.32	3,808.01	3,509.37	2,454.42	6,032.12	21,340.89	1,00,034.50	152.90	491.48	1,46,656.25
Borrowings	-	6,629.46	-	-	386.70	1,164.50	2,928.69	4,657.40	17,095.20	-	680.00	33,541.95
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b.As at 31 March 2022:

Rs. in Million

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 months and up to 3 months	Over 3 Months and up to 6 months	Over 6 Months and up to 1 year	Over 1 Year and up to 3 years	Over 3 Year and up to 5 years	Over 5 years	Total
Advances	285.14	1,710.85	1,995.99	4,562.26	4,748.80	4,748.80	14,979.98	32,396.64	43,722.13	5,889.64	1,329.82	1,16,370.05
Investments	19.60	25.85	14.83	22.03	1,410.85	1,006.37	201.50	221.62	219.18	6,982.52	30,578.63	40,702.98
Deposits	1,382.48	3,235.12	3,023.66	5,244.46	7,423.09	7,690.75	22,060.62	41,173.33	35,586.44	798.05	532.72	1,28,150.72
Borrowings	-	2,936.04	489.79	-	-	547.50	2,720.00	4,922.50	16,832.50	400.00	680.00	29,528.33
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

c. As at 31 March 2021:

Rs. in Million

Particulars	Day - 1	2-7 Days	8-14 Days	15-30 Days	31 Days & up to 2 months	Over 2 months and up to 3 months	Over 3 Months and up to 6 months	Over 6 Months and up to 1 year	Over 1 Year and up to 3 years	Over 3 Year and up to 5 years	Over 5 years	Total
Advances	271.69	1,630.12	1,901.80	4,346.98	5,527.93	5,527.93	14,579.72	20,203.66	22,552.55	4,149.68	983.80	81,675.86
Investments	100.00	-	-	249.27	-	81.67	-	-	-	2,021.19	16,868.56	19,320.69
Deposits	884.96	2,253.88	1,463.06	3,401.38	6,475.55	4,708.47	13,221.26	21,516.45	34,667.59	924.36	477.30	89,994.26
Borrowings	-	-	4,000.00	-	-	585.00	2,225.00	2,197.50	6,202.50	1,250.00	480.00	16,940.00
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by the Bank's Management for compiling the returns submitted to RBI, which has been relied upon by the auditors.

2.2.Liquidity Coverage Ratio

a. Year ended 31 March 2023 **Rs. in Million**

	Particulars	Three Month period ended 30 June 2022		Three Month period ended 30 September 2022		Three Month period ended 31 December 2022		Three Month period ended 31 March 2023	
		Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)
High Quality Liquid Assets (HQLA)									
1	Total High Quality Liquid Assets (HQLA)	-	35,329.70		45,429.50	-	39,679.43		31,565.63
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
	i Stable deposits	83,053.90	4,152.70	90,442.59	4,522.13	96,370.11	4,818.51	1,00,708.90	5,035.45
	ii Less stable deposits	10,597.00	1,059.70	5,429.97	543.00	9,608.40	960.80	10,545.90	1,054.59
3	Unsecured wholesale funding, of which								
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	iii Unsecured debt	26,461.40	24,484.20	31,026.69	24,239.96	23,565.68	21,380.15	18,600.69	16,730.88
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	455.60	83.50	651.29	113.92	948.03	244.71	1,010.65	173.58
6	Other Contractual funding obligations	1,767.80	1,767.80	3,020.56	3,020.56	4,447.56	4,447.56	3,661.60	3,661.60
7	Other contingent funding obligations	15.50	0.50	13.98	0.42	13.98	0.42	13.98	0.42
	Total Cash Outflows		**31,548.40**		**32,439.99**		**31,852.15**		**26,656.52**
Cash Inflows									
8	Secured lending (e.g. reverse repos)	-	-						
9	Inflows from fully performing exposures	5,150.20	2,575.10	5,519.74	2,759.87	5,348.13	2,674.06	5,834.25	2,917.12
10	Other cash inflows	237.00	237.00	507.53	507.53	588.73	588.73	-	-
	Total Cash Inflows	**5,387.20**	**2,812.10**	**6,027.27**	**3,267.40**	**5,936.86**	**3,262.79**	**5,834.25**	**2,917.12**
11	Total HQLA (a)	-	35,329.70		45,429.50		39,679.43		31,565.60
12	Total Net Cash outflows (b)		28,736.30		29,172.59		28,589.36		23,739.40
	Liquidity Coverage Ratio (%) (a/b)		**122.94%**		**155.73%**		**138.79%**		**132.97%**

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.

b. Year ended 31 March 2022 **Rs. in Million**

	Particulars	Three Month period ended 30 June 2021		Three Month period ended 30 September 2021		Three Month period ended 30 December 2021		Three Month period ended 31 March 2022	
		Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)
High Quality Liquid Assets (HQLA)									
1	Total High Quality Liquid Assets (HQLA)	-	30,524.50	-	30,741.50	-	30,959.50	-	33,271.00
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
	i Stable deposits	65,759.10	3,288.00	70,194.50	3,509.70	73,850.20	3,692.50	78,066.80	3,903.30
	ii Less stable deposits	7,064.50	706.40	7,284.80	728.50	7,362.80	736.30	9,108.10	910.80
3	Unsecured wholesale funding, of which								
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	iii Unsecured debt	15,875.00	14,236.90	17,355.60	15,539.40	22,361.60	19,895.70	24,254.80	21,963.60
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	333.20	109.90	321.50	109.50	256.60	80.40	105.10	21.50
6	Other Contractual funding obligations	1,378.80	1,378.80	1,534.50	1,534.50	1,260.80	1,260.80	1,638.80	1,638.80
7	Other contingent funding obligations	13.00	0.40	13.00	0.40	12.50	0.40	14.10	0.40
	Total Cash Outflows		**19,720.40**		**21,422.00**		**25,666.10**		**28,438.40**
Cash Inflows									
8	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
9	Inflows from fully performing exposures	5,843.70	2,921.80	4,627.60	2,313.80	4,422.80	2,211.40	4,717.70	2,358.90
10	Other cash inflows	115.70	115.70	116.20	116.20	75.00	75.00	416.70	416.70
	Total Cash Inflows	**5,959.40**	**3,037.50**	**4,743.80**	**2,430.00**	**4,497.80**	**2,286.40**	**5,134.40**	**2,775.60**
11	Total HQLA (a)	-	30,524.50	-	30,741.50	-	30,959.50	-	33,271.00
12	Total Net Cash outflows (b)		16,682.90		18,992.00		23,379.70		25,662.80
	Liquidity Coverage Ratio (%) (a/b)		**182.97%**		**161.87%**		**132.42%**		**129.65%**

The average weighted and unweighted amounts are calculated taking simple average based on daily observations from the respective quarters.

c. Year ended 31 March 2021 **Rs. in Million**

	Particulars	Three Month period ended 30 June 2020		Three Month period ended 30 September 2020		Three Month period ended 30 December 2020		Three Month period ended 31 March 2021	
		Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)	Total Unweighted Value (average)	Total weighted Value (average)
High Quality Liquid Assets (HQLA)									
1	Total High Quality Liquid Assets (HQLA)	-	19,645.80	-	24,520.90	-	31,057.90	-	27,731.90
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
	i Stable deposits	55,169.80	2,758.50	60,135.90	3,006.80	64,095.10	3,204.80	64,574.40	3,228.70
	ii Less stable deposits	4,800.30	480.00	5,564.60	556.50	5,472.10	547.20	6,749.90	675.00
3	Unsecured wholesale funding, of which								
	i Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	ii Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
	iii Unsecured debt	10,066.00	8,992.60	12,021.50	10,755.50	12,820.40	11,416.40	13,851.70	12,537.80
4	Secured wholesale funding	-	0.30	-	42.00	-	0.30	-	0.10
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	292.80	107.70	296.80	108.00	307.50	108.70	330.10	110.60
6	Other Contractual funding obligations	1,270.20	1,270.20	1,491.90	1,491.90	1,745.70	1,745.70	2,413.80	2,413.80
7	Other contingent funding obligations	13.00	0.40	12.90	0.40	12.90	0.40	13.00	0.40
	Total Cash Outflows		**13,609.70**		**15,961.10**		**17,023.50**		**18,966.40**
Cash Inflows									
8	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
9	Inflows from fully performing exposures	-	-	2,652.40	1,326.20	4,985.40	2,492.70	5,288.60	2,644.30
10	Other cash inflows	495.30	495.30	4,045.50	4,045.50	83.40	83.40	83.30	83.30
	Total Cash Inflows	**495.30**	**495.30**	**6,697.90**	**5,371.70**	**5,068.80**	**2,576.10**	**5,371.90**	**2,727.60**
11	Total HQLA (a)	-	19,645.80	-	24,520.90	-	31,057.90	-	27,731.90
12	Total Net Cash inflows (b)	-	13,114.40	-	10,589.40	-	14,447.40	-	16,238.80
	Liquidity Coverage Ratio (%) (a/b)		**149.80%**		**231.56%**		**214.97%**		**170.78%**

Average of all Quarters is simple average of monthly observations for the Quarter.

Qualitative disclosure around LCR

The Reserve Bank of India has prescribed monitoring of sufficiency of Bank's liquid assets using Basel III – Liquidity Coverage Ratio (LCR). The LCR is aimed at measuring and promoting short-term resilience of Banks to potential liquidity disruptions by ensuring maintenance of sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The LCR requirement has been introduced in a phased manner and the Bank is required to maintain minimum ratio of 100% from 1 April 2021.

The LCR requirement has been introduced in a phased manner with banks required to maintain minimum LCR of 60% till December 2017, 70% from January 2018 and the requirement is increased by 10% annually to 100% by January 2021. However on account of COVID Outbreak and in terms of RBI Circular DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020, banks were permitted to maintain 80% from the date of circular to 30 September 2020, 90% from 1 October 2020 to 31 March 2021 and 100% from 1 April 2021.

The ratio comprises of high quality liquid assets (HQLAs) as numerator and net cash outflows in 30 days as denominator. HQLA has been divided into two parts i.e. Level 1 HQLA which comprises of primarily cash, excess CRR, SLR securities in excess of minimum SLR requirement and a portion of mandatory SLR as permitted by RBI (under MSF) and Level 2 HQLA which comprises of investments in highly rated non-financial corporate bonds and listed equity investments considered at prescribed haircuts. Cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Bank monitors the LCR periodically and has maintained LCR well above the regulatory threshold.As on 31 March 2023, 31 March 2022 and 31 March 2021, the average LCR stood at 132.97%, 129.65% and 170.78% respectively.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Risk Management Department (RMD), Finance and Treasury. Treasury is the central repository of funds within the Bank and is vested with the responsibility of managing liquidity risk within the risk appetite of the Bank. Bank has incorporated Basel Liquidity Standards - LCR for liquidity risk. In computing the above information, certain estimates and assumptions have been made by the Bank's management which have been relied upon by auditors.

2.3 Net Stable Funding Ratio
For Year ended 31 March 2023

As at 31 March 2023

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	18,467.84	-	-	1,450.00	19,917.84
2	*Regulatory capital*	18,467.84	-	-	1,450.00	19,917.84
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	15,980.37	11,235.87	89,618.06	1,24,592.16
5	*Stable deposits*	-	7,902.11	11,235.87	65,553.39	1,16,436.08
6	*Less stable deposits*	-	8,078.26	-	24,064.67	8,156.08
7	Wholesale funding: (8+9)	-	5,743.06	13,101.73	26,620.40	25,267.60
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,743.06	13,101.73	26,620.40	25,267.60
10	Other liabilities: (11+12)	4,050.50	14,022.38	729.72	1,216.60	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	4,050.50	14,022.38	729.72	1,216.60	-
13	**Total ASF (1+4+7+10)**	22,518.34	35,745.81	25,067.32	1,18,905.06	1,69,777.60
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	7,395.49	-	-	47,421.02	14,775.59
15	Deposits held at other financial institutions for operational purposes	268.77	-	-	-	134.39
16	Performing loans and securities: (17+18+19+21+23)	103.85	28,955.96	55,723.34	48,064.25	82,588.18
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	1,013.17	1,093.24	-	698.59
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	27,942.13	54,629.73	46,365.48	80,696.58
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	0.66	0.37	1,698.77	1,104.74
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	103.85	-	-	-	88.27
24	Other assets: (sum of rows 25 to 29)	8,160.74	-	-	6,143.23	14,303.99
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	8,160.74	-	-	6,143.23	14,303.99
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	15,928.85	28,955.96	55,723.34	1,01,628.50	1,11,802.15
32	**Net Stable Funding Ratio (%)**					**151.86%**

As at 31 December 2022

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	18,200.42	-	-	1,450.00	19,650.44
2	*Regulatory capital*	18,200.42	-	-	1,450.00	19,650.44
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	20,839.23	9,165.25	85,477.94	1,11,296.32
5	*Stable deposits*	-	15,562.12	8,710.39	63,160.51	86,051.84
6	*Less stable deposits*	-	5,277.11	454.86	22,317.43	25,244.48
7	Wholesale funding: (8+9)	-	4,327.40	6,071.73	11,550.00	16,749.57
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	4,327.40	6,071.73	11,550.00	16,749.57
10	Other liabilities: (11+12)	3,126.52	23,240.71	-	-	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	3,126.52	23,240.71	-	-	-
13	**Total ASF (1+4+7+10)**	21,326.94	48,407.34	15,236.98	98,477.94	1,47,696.33
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	6,697.52	-	-	47,599.06	12,541.44
15	Deposits held at other financial institutions for operational purposes	410.37	-	-	-	205.19
16	Performing loans and securities: (17+18+19+21+23)	115.63	38,638.80	37,690.04	35,675.14	68,269.86
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	271.18	1,213.64	-	647.50
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	38,367.62	36,476.40	34,566.11	66,803.20
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	-	-	1,109.03	720.88
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	115.63	-	-	-	98.28
24	Other assets: (sum of rows 25 to 29)	11,065.43	-	-	5,557.33	16,622.76
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	11,065.43	-	-	5,557.33	16,622.76
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	18,288.95	38,638.80	37,690.04	88,831.53	97,639.25
32	**Net Stable Funding Ratio (%)**					**151.27%**

As at 30 September 2022

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	18,171.94	-	-	1,450.00	19,621.94
2	*Regulatory capital*	18,171.94	-	-	1,450.00	19,621.94
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	24,842.39	13,742.52	69,453.71	1,03,058.76
5	*Stable deposits*	-	19,600.55	13,170.20	42,588.63	73,647.46
6	*Less stable deposits*	-	5,241.84	572.32	26,865.08	29,411.30
7	Wholesale funding: (8+9)	-	5,370.48	8,686.22	12,670.00	19,698.34
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,370.48	8,686.22	12,670.00	19,698.34
10	Other liabilities: (11+12)	3,500.60	24,593.55	-	-	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	3,500.60	24,593.55	-	-	-
13	**Total ASF (1+4+7+10)**	21,672.54	54,806.42	22,428.74	83,573.71	1,42,379.04
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	6,829.96	1,250.00	-	52,632.69	13,092.04
15	Deposits held at other financial institutions for operational purposes	579.51	-	-	-	289.75
16	Performing loans and securities: (17+18+19+21+23)	117.30	39,212.65	32,833.30	31,031.13	62,227.13
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	217.78	818.71	-	442.02
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	38,994.87	32,014.59	30,052.19	61,049.10
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	-	-	978.94	636.31
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	117.30	-	-	-	99.70
24	Other assets: (sum of rows 25 to 29)	11,211.63	-	-	6,783.22	17,994.87
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	11,211.63	-	-	6,783.22	17,994.87
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	18,738.40	40,462.65	32,833.30	90,447.04	93,603.79
32	**Net Stable Funding Ratio (%)**					**152.11%**

As at 30 June 2022

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	17,943.39	-	-	1,450.00	19,393.39
2	*Regulatory capital*	17,943.39	-	-	1,450.00	19,393.39
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	25,399.65	22,675.54	51,816.95	94,451.91
5	*Stable deposits*	-	18,278.86	21,495.72	26,302.19	64,018.08
6	*Less stable deposits*	-	7,120.79	1,179.82	25,514.76	30,433.83
7	Wholesale funding: (8+9)	-	6,165.41	16,261.09	14,765.00	25,978.24
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	6,165.41	16,261.09	14,765.00	25,978.24
10	Other liabilities: (11+12)	3,445.20	21,118.80	-	-	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	3,445.20	21,118.80	-	-	-
13	**Total ASF (1+4+7+10)**	21,388.59	52,683.86	38,936.63	68,031.95	1,39,823.54
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	6,945.00	2,630.00	0.00	47,934.10	9,946.53
15	Deposits held at other financial institutions for operational purposes	497.12	-	-	-	248.57
16	Performing loans and securities: (17+18+19+21+23)	134.98	36,278.74	34,745.77	34,380.48	64,270.44
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	1,201.21	102.10	-	231.20
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	35,077.53	34,643.60	33,583.26	63,406.31
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	-	0.07	797.22	518.20
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	134.98	-	-	-	114.73
24	Other assets: (sum of rows 25 to 29)	9,783.74	-	-	7,711.03	17,494.77
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	*9,783.74*	-	-	*7,711.03*	*17,494.77*
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	17,360.84	38,908.74	34,745.77	90,025.61	91,960.31
32	**Net Stable Funding Ratio (%)**					**152.05%**

Qualitative Disclosure

As per the RBI guideline on Net Stable Funding Ratio (NSFR) dated May 17, 2018, the Bank is required to maintain the NSFR on an ongoing basis. The minimum NSFR requirement set out in the RBI guideline effective October 1, 2021 is 100%. The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) to ensure resilience over a longer time horizon by requiring banks to fund their activities with more stable sources of funding. NSFR is defined as the amount of Available Stable Funding relative to the amount of Required Stable Funding. “Available Stable Funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by NSFR, which extends to one year. The amount of “Required Stable Funding” (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by the institution as well as those of its off-balance sheet (OBS) exposures.

In computing the above information, certain estimates and assumptions have been made by Bank's management which have been relied upon by the auditors.

2.3 Net Stable Funding Ratio
For year ended 31 March 2022

As at 31 March 2022

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	16,725.60	-	-	1,450.00	18,175.60
2	*Regulatory capital*	16,725.60	-	-	1,450.00	18,175.60
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	25,961.83	26,285.17	40,410.20	87,449.90
5	*Stable deposits*	-	21,372.59	25,094.20	20,102.06	63,970.37
6	*Less stable deposits*	-	4,589.24	1,190.97	20,308.14	23,479.53
7	Wholesale funding: (8+9)	-	5,869.59	19,555.14	15,982.50	28,694.86
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,869.59	19,555.14	15,982.50	28,694.86
10	Other liabilities: (11+12)	3,150.98	21,684.62	-	-	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	3,150.98	21,684.62	-	-	-
13	**Total ASF (1+4+7+10)**	19,876.58	53,516.04	45,840.31	57,842.70	1,34,320.36
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	6,666.68	6,340.00	-	39,940.96	12,349.54
15	Deposits held at other financial institutions for operational purposes	362.36	-	-	-	181.18
16	Performing loans and securities: (17+18+19+21+23)	146.23	35,376.04	32,396.64	36,793.64	64,184.73
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	2,371.12	78.87	-	395.10
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	33,003.80	32,314.53	34,916.23	62,337.99
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	1.12	3.24	1,877.41	1,327.34
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	146.23	-	-	-	124.30
24	Other assets: (sum of rows 25 to 29)	9,464.64	-	-	9,588.34	19,052.99
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	9,464.64	-	-	9,588.34	19,052.99
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	16,639.91	41,716.04	32,396.64	86,322.94	95,768.44
32	**Net Stable Funding Ratio (%)**					**140.26%**

As at 31 December 2021

Rs. in Million

		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	16,184.22	-	-	1,400.00	17,584.22
2	*Regulatory capital*	16,184.22	-	-	1,400.00	17,584.22
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers: (5+6)	-	21,427.44	25,185.57	42,112.76	84,587.46
5	*Stable deposits*	-	17,567.43	24,400.68	36,301.59	75,177.00
6	*Less stable deposits*	-	3,860.01	784.89	5,811.17	9,410.46
7	Wholesale funding: (8+9)	-	5,107.16	17,552.91	13,584.92	24,826.24
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	5,107.16	17,552.91	13,584.92	24,826.24
10	Other liabilities: (11+12)	2,624.70	10,129.88	-	-	-
11	*NSFR derivative liabilities*	-	-	-	-	-
12	*All other liabilities and equity not included in the above categories*	2,624.70	10,129.88	-	-	-
13	**Total ASF (1+4+7+10)**	18,808.92	36,664.48	42,738.48	57,097.68	1,26,997.92
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)	5,819.79	6,700.00	-	35,526.90	8,749.86
15	Deposits held at other financial institutions for operational purposes	281.13	-	-	-	140.57
16	Performing loans and securities: (17+18+19+21+23)	106.60	31,288.55	27,783.64	25,436.02	50,867.38
17	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
18	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	324.78	25.12	-	61.28
19	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	30,963.70	27,757.90	24,104.31	49,849.53
20	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
21	*Performing residential mortgages, of which:*	-	0.07	0.62	1,331.71	865.98
22	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	-	-	-	-	-
23	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	106.60	-	-	-	90.59
24	Other assets: (sum of rows 25 to 29)	6,831.69	-	-	15,535.22	22,366.94
25	*Physical traded commodities, including gold*	-	-	-	-	-
26	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	-	-	-	-	-
27	*NSFR derivative assets*	-	-	-	-	-
28	*NSFR derivative liabilities before deduction of variation margin posted*	-	-	-	-	-
29	*All other assets not included in the above categories*	6,831.69	-	-	15,535.22	22,366.94
30	Off-balance sheet items	-	-	-	-	-
31	**Total RSF (14+15+16+24+30)**	13,039.21	37,988.55	27,783.64	76,498.14	82,124.75
32	**Net Stable Funding Ratio (%)**					**154.64%**

Qualitative Disclosure

As per the RBI guideline on Net Stable Funding Ratio (NSFR) dated May 17, 2018, the Bank is required to maintain the NSFR on an ongoing basis. The minimum NSFR requirement set out in the RBI guideline effective Oct 1, 2021 is 100%. The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) to ensure resilience over a longer time horizon by requiring banks to fund their activities with more stable sources of funding. NSFR is defined as the amount of Available Stable Funding relative to the amount of Required Stable Funding. “Available Stable Funding” (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by NSFR, which extends to one year. The amount of “Required Stable Funding” (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by the institution as well as those of its off-balance sheet (OBS) exposures.

In computing the above information, certain estimates and assumptions have been made by Bank's management which have been relied upon by the auditors.

2.3.1 Net Stable Funding Ratio is applicable effective from 01 December 2021, hence information period prior to December quarter of FY 2021 is not provided.

ESAF SMALL FINANCE BANK LIMITED

NOTE 19 - NOTES TO ACCOUNTS FORMING PART OF RESTATED FINANCIAL INFORMATION

3. Investments

3.1 Composition of Investment Portfolio

a) As at 31 March 2023 — **Rs. in Million**

Sl. No.	Particulars	Investments in India						
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India
I.	**Held to Maturity**							
	Gross	32,814.80	-	-	-	-	-	32,814.80
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Net	32,814.80	-	-	-	-	-	32,814.80
II	**Available for sale**							
	Gross	14,545.03	-	131.21	-	-	2062.24*	16,738.48
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	
	Less: Provision for depreciation	290.53	-	14.59	-	-	714.60*	1,019.72
	Net	14,254.50	-	116.62	-	-	1,347.64	15,718.76
III	**Held for Trading**							
	Gross	351.99	-	-	-	-	-	351.99
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	0.27	-	-	-	-	-	0.27
	Net	351.72	-	-	-	-	-	351.72
IV	**Total Investments**	**47,711.82**	**-**	**131.21**	**-**	**-**	**2,062.24**	**49,905.27**
	Less: Provision for non-performing investments	-	-	-	-	-	-	-
	Less: Provision for depreciation	**290.80**	**-**	**14.59**	**-**	**-**	**714.60**	**1,019.99**
	Net	**47,421.02**	**-**	**116.62**	**-**	**-**	**1,347.64**	**48,885.28**

As on 31 March 2023, the bank does not have Investments outside India. Hence corresponding disclosures are not made

* This includes Security Receipts issued by ARC on account of transfer of NPA and technical write off pool. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis (Refer para A. 4.6 (i) of Note 19)

b) As at 31 March 2022 — **Rs. in Million**

Sl. No.	Particulars	Investments in India						
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India
I.	**Held to Maturity**							
	Gross	27,846.19	-	-	-	-	-	27,846.19
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Net	27,846.19	-	-	-	-	-	27,846.19
II	**Available for sale**							
	Gross	10,606.19	-	162.87	-	-	608.26	11,377.32
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	213.39	-	8.93	-	-	0.18	222.50
	Net	10,392.80	-	153.94	-	-	608.08	11,154.82
III	**Held for Trading**							
	Gross	1,719.42	-	-	-	-	-	1,719.42
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	17.45	-	-	-	-	-	17.45
	Net	1,701.97	-	-	-	-	-	1,701.97
IV	**Total Investments**	**40,171.80**	**-**	**162.87**	**-**	**-**	**608.26**	**40,942.93**
	Less: Provision for non-performing investments	**-**	**-**	-	**-**	**-**	**-**	**-**
	Less: Provision for depreciation	**230.84**	**-**	**8.93**	**-**	**-**	**0.18**	**239.95**
	Net	**39,940.96**	**-**	**153.94**	**-**	**-**	**608.08**	**40,702.98**

As on 31 March 2022, the bank does not have Investments outside India. Hence corresponding disclosures are not made

c) As at 31 March 2021 **Rs. in Million**

Sl. No.	Particulars	Investments in India						
		Government securities	Other approved securities	Shares	Debentures and bonds	Subsidiaries and/or joint ventures	Others	Total Investments in India
I.	**Held to Maturity**							
	Gross	18,645.37	-	-	-	-	-	18,645.37
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Net	18,645.37	-	-	-	-	-	18,645.37
II	**Available for sale**							
	Gross	245.73	-	87.20	-	-	349.27	682.20
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	1.35	-	5.53	-	-	-	6.88
	Net	244.38	-	81.67	-	-	349.27	675.32
III	**Held for Trading**							
	Gross	-	-	-	-	-	-	-
	Less: Provision for non performing investments (NPI)	-	-	-	-	-	-	-
	Less: Provision for depreciation	-	-	-	-	-	-	-
	Net	-	-	-	-	-	-	-
IV	**Total Investments**	**18,891.10**	**-**	**87.20**	**-**	**-**	**349.27**	**19,327.57**
	Less: Provision for non-performing investments	-	-	-	-	-	-	-
	Less: Provision for depreciation	**1.35**	**-**	**5.53**	**-**	**-**	**-**	**6.88**
	Net	**18,889.75**	**-**	**81.67**	**-**	**-**	**349.27**	**19,320.69**

As on 31 March 2021, the bank does not have Investments outside India. Hence corresponding disclosures are not made

3.2 Movement of Provisions for Depreciation and Investment Fluctuation Reserve : **Rs. in Million**

Particulars		As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
1	**Movement of provisions held towards depreciation on investments**			
i.	Opening Balance	239.95	6.88	18.32
ii.	Add : Provisions made during the year	1,037.36	287.48	17.26
iii.	Less : Write off/ Write back of excess provisions made during the year	257.32	54.41	28.70
iv.	Closing Balance	1,019.99	239.95	6.88
2	**Movement of Investment Fluctuation Reserve**			
i.	Opening Balance	261.94	41.27	41.27
ii.	Add : Amount transferred during the year	59.48	220.67	-
iii.	Less : Drawdown	-	-	-
iv.	Closing Balance	321.42	261.94	41.27
3	**Closing balance in IFR as a percentage of closing balance of Investments in AFS and HFT Category**	2.00%	2.04%	6.11%

3.3. Sale/ transfer of securities to/from HTM category

During the years ended 31 March 2023, 31 March 2022 and 31 March 2021 there was no sale/transfer of securities to/from HTM category in excess of 5% of book value of investments held in HTM category at the beginning of the year

In accordance with the RBI guidelines, sales from, and transfers to / from, HTM category exclude the following from the 5% cap

a) one-time transfer of securities permitted to be undertaken by banks at the beginning of the accounting year with approval of the Board of Directors;

b) sales to the RBI under pre-announced open market operation auctions and the Government securities acquisition program;

c) additional shifting of securities explicitly permitted by the RBI from time to time;

d) direct sales from HTM for bringing down SLR holdings in the HTM category consequent to a downward revision in SLR investments by RBI.

e) repurchase of state development loans by respective state governments under buyback/ switch operations.

3.4. Disclosure in respect of Non-SLR Investment Portfolio:

a) Non-performing Non-SLR investments:

The Bank does not have any non performing non-SLR Investments during the years ended 31 March 2023 , 31 March 2022 and 31 March 2021.

b) i. Issuer Composition of Non SLR Investments as at 31 March 2023 **Rs. in Million**

Sl.No	Issuer	Amount	Extent of Private placement	Extent of 'Below Investment grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] [1]	[5] [1]	[6] [1 2]	[7] [1 2]
1	PSUs	25.18	-	-	-	-
2	FIs	5.04	-	-	-	-
3	Banks	1,229.32	725.20	-	-	-
4	Private Corporates	87.77	7.70	-	-	7.70
5	Subsidiaries / Joint ventures	-	-	-	-	-
6	Others	846.14	714.60	-	-	125.00
7	Provision held towards depreciation	(729.19)	-	-	-	-
	Total	**1,464.26**	**1,447.50**	**-**	**-**	**132.70**

[1] Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive

[2] Excludes Investments in Equity shares, Equity Oriented Mutual Funds, Certificate of Deposits and Security Receipts issued by ARCs registered with Reserve Bank in line with extant RBI guidelines

ii. Issuer Composition of Non SLR Investments as at 31 March 2022 **Rs. in Million**

Sl.No	Issuer	Amount	Extent of Private placement	Extent of 'Below Investment grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] [1]	[5] [1]	[6] [1 2]	[7] [1 2]
1	PSUs	12.99	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	623.10	-	-	-	-
4	Private Corporates	121.04	7.70	-	-	7.70
5	Subsidiaries / Joint ventures	-	-	-	-	-
6	Others	13.99	-	-	-	-
7	Provision held towards depreciation	(9.11)	-	-	-	-
	Total	**762.01**	**7.70**	**-**	**-**	**7.70**

[1] Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive
[2] Excludes Investments in Equity shares, Equity Oriented Mutual Funds and Certificate of Deposits in line with extant RBI guidelines

iii. Issuer Composition of Non SLR Investments as at 31 March 2021 **Rs. in Million**

Sl.No	Issuer	Amount	Extent of Private placement	Extent of 'Below Investment grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
[1]	[2]	[3]	[4] [1]	[5] [1]	[6] [1 2]	[7] [1 2]
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	288.46	-	-	-	-
4	Private Corporates		-	-	-	-
5	Subsidiaries / Joint ventures	48.01	7.70	-	-	7.70
6	Others	100.00	-	-	-	-
7	Provision held towards depreciation	(5.53)	-	-	-	-
	Total	**430.94**	**7.70**	**-**	**-**	**7.70**

[1] Amount reported under Columns 4,5,6 and 7 above are not mutually exclusive
[2] Excludes Investments in Equity shares, Equity Oriented Mutual Funds and Certificate of Deposits in line with extant RBI guidelines

3.5 Details of Repo /Reverse Repos including Liquidity Adjustment Facility (LAF) Transactions in (face value terms)

As at 31 March 2023 **Rs. in Million**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year *	Outstanding as on 31 March 2023
Securities sold under repos				
i. Government securities	6,960.00	17,991.46	10,195.55	10,889.46
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	-	9,880.00	2,057.76	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

* daily average is considered for entire year including the days when outstanding were nil

As at 31 March 2022 **Rs. in Million**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year *	Outstanding as on 31 March 2022
Securities sold under repos				
i. Government securities	1,460.00	10,604.60	4,931.55	10,385.83
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	500.00	12,700.00	6,899.67	6,340.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

* daily average is considered for entire year including the days when outstanding were nil

As at 31 March 2021 **Rs. in Million**

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year *	Outstanding as on 31 March 2021
Securities sold under repos				
i. Government securities	1,460.00	1,630.00	1,538.00	1,460.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repos				
i. Government securities	2,700.00	13,150.00	8,289.50	11,900.00
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

* daily average is considered for entire year including the days when outstanding were nil

4. Asset Quality

4.1. Classification of Advances and Provision held

As at 31 March 2023 **Rs. in Million**

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening Balance	1,11,810.49	6,419.19	3,076.75	-	9,495.94	1,21,306.43
Add: Additions during the year					7,190.49	
Less: Reductions during the year *					13,169.53	
Closing balance	1,37,664.37	3,334.31	145.11	37.48	3,516.90	1,41,181.27
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					294.61	
ii) Upgradations					2,026.21	
iii)Technical / Prudential Write-offs					4,947.46	
iv) Write-offs other than those under (iii) above					18.49	
v) Sale of NPA to Asset Reconstruction company (ARC)					5,882.76	
Provisions (excluding floating provisions)						
Opening balance of provision held	2,177.65	1,859.63	3,076.75	-	4,936.38	7,114.03
Add: Fresh provisions made during the year					7,355.97	
Less: Excess provision reversed/ written off loans#					10,354.39	
Closing balance of provisions held	896.57	1,755.37	145.11	37.48	1,937.96	2,834.53
# includes provision utilised towards technical write off Rs. 4947.50 Million and Sale to ARC Rs.4531.60 Million (Refer para A. 4.6 (i) of Note 19)						
Net NPAs						
Opening Balance		4,559.56	-	-	4,559.56	
Add: Fresh Additions during the year					2,886.54	
Less: Reductions during the year					5,867.16	
Closing balance		1,578.94	-	-	1,578.94	
Floating Provisions						
Opening balance						-
Add: Additional provisions during the year						-
Less: Amount draw down during the year						-
Closing balance of floating provisions						-
Technical write- offs and the recoveries made thereon						
Opening balance of Technical/ prudential write off accounts						1,728.03
Add: Technical/ prudential write off accounts during the year						4,947.46
Less: Recoveries made from previously technical/ prudential written off accounts during the year						691.97
Less: sacrifice made from previously technical/ prudential written off accounts during the year						989.62
Less: Sale of Technical/ prudential written off accounts to Asset Reconstruction company (ARC)						4,866.77
Closing Balance						127.13

ESAF SMALL FINANCE BANK LIMITED
NOTE 19 - NOTES TO ACCOUNTS FORMING PART OF RESTATED FINANCIAL INFORMATION

As at 31 March 2022 — **Rs. in Million**

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening Balance	78,510.08	4,733.04	906.93	-	5,639.97	84,150.05
Add: Additions during the year					6,424.56	
Less: Reductions during the year *					2,568.59	
Closing balance	1,11,810.49	6,419.19	3,076.75	-	9,495.94	1,21,306.43
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					210.14	
ii) Upgradations					1,613.90	
iii)Technical / Prudential Write-offs					744.55	
iv) Write-offs other than those under (iii) above					-	
* includes provision utilised towards technical write off Rs. 744.60 Million						
Provisions (excluding floating provisions)						
Opening balance of provision held	1,241.42	1,567.26	906.93	-	2,474.19	3,715.61
Add: Fresh provisions made during the year					3,815.32	
Less: Excess provision reversed/ written off loans#					1,353.13	
Closing balance of provisions held	2,177.65	1,859.63	3,076.75	-	4,936.38	7,114.03
# includes provision utilised towards technical write off Rs. 744.60 Million.						
Net NPAs						
Opening Balance		3,165.78	-	-	3,165.78	
Add: Fresh Additions during the year					4,563.45	
Less: Reductions during the year					3,169.67	
Closing balance		4,559.56	-	-	4,559.56	
Floating Provisions						
Opening balance						-
Add: Additional provisions during the year						-
Less: Amount draw down during the year						-
Closing balance of floating provisions						-
Technical write- offs and the recoveries made thereon						
Opening balance of Technical/ prudential write off accounts						1,063.33
Add: Technical/ prudential write off accounts during the year						744.55
Less: Recoveries made from previously technical/ prudential written off accounts during the year						79.85
Closing Balance						1,728.03

As at 31 March 2021 — **Rs. in Million**

Particulars	Standard	Non-performing				Total
	Total Standard Advances	Sub-Standard	Doubtful	Loss	Total NPA	
Gross Standard Advances and NPAs						
Opening Balance	65,056.50	787.29	221.32	-	1,008.61	66,065.11
Add: Additions during the year					4,734.65	
Less: Reductions during the year *					103.29	
Closing balance	78,510.08	4,733.04	906.93	-	5,639.97	84,150.05
* Reductions in Gross NPAs due to:						
i) Recoveries (excluding recoveries made from upgraded accounts)					23.84	
ii) Upgradations					79.45	
iii)Technical / Prudential Write-offs					-	
iv) Write-offs other than those under (iii) above					-	
Provisions(excluding floating provisions)						
Opening balance of provision held	315.90	365.60	221.31	-	586.91	902.81
Add: Fresh provisions made during the year					1,944.55	
Less: Excess provision reversed/ written off loans					57.27	
Closing balance of provisions held	1,241.42	1,567.26	906.93	-	2,474.19	3,715.61
Net NPAs						
Opening Balance		421.70	-	-	421.70	
Add: Fresh Additions during the year					3,167.38	
Less: Reductions during the year					423.30	
Closing balance		3,165.78	-	-	3,165.78	

Floating Provisions	
Opening balance	-
Add: Additional provisions during the year	-
Less: Amount draw down during the year	-
Closing balance of floating provisions	-
Technical write- offs and the recoveries made thereon	
Opening balance of Technical/ prudential write off accounts	1,091.97
Add: Technical/ prudential write off accounts during the year	-
Less: Recoveries made from previously technical/ prudential written off accounts during the year	28.64
Closing Balance	1,063.33

Asset Quality Ratios

Particulars	31 March 2023	31 March 2022	31 March 2021
Gross NPA to Gross Advances (%)	2.49%	7.83%	6.70%
Net NPA to Net advances (%)	1.13%	3.92%	3.88%
Provision Coverage ratio (%)	56.67%	59.38%	52.77%

4.2. Sector-wise Advances and Gross NPAs

Rs. in Million

SI. No	Sector	As at 31 March 2023		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	**Priority Sector**			
1	Agricultural and Allied Activities	79,955.15	1,735.43	2.17%
2	Advances to Industries Sector eligible as Priority sector lending	6,827.71	351.23	5.14%
3	Services	18,610.10	927.13	4.98%
4	Personal Loans	7,942.06	377.40	4.75%
	Sub-Total (A)	**1,13,335.02**	**3,391.19**	**2.99%**
B	**Non Priority Sector**			
1	Agricultural and Allied Activities	16,500.60	-	-
2	Industry	-	-	-
3	Services	5,915.01	39.38	0.67%
4	Personal loans	5,430.64	86.33	1.59%
	Sub-Total (B)	**27,846.25**	**125.71**	**0.45%**
	Total (A+B)	**1,41,181.27**	**3,516.90**	**2.49%**

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management), which has been relied upon by the auditors.

Rs. in Million

SI. No	Sector	As at 31 March 2022		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	**Priority Sector**			
1	Agricultural and Allied Activities	52,458.84	3,735.52	7.12%
2	Advances to Industries Sector eligible as Priority sector lending	8,498.18	1,375.41	16.18%
3	Services	16,015.00	1,949.71	12.17%
4	Personal Loans	15,075.36	2,297.60	15.24%
	Sub-Total (A)	**92,047.38**	**9,358.24**	**10.17%**
B	**Non Priority Sector**			
1	Agricultural and Allied Activities	9,500.00	-	-
2	Industry	-	-	-
3	Services	8,599.41	-	-
4	Personal loans	11,159.64	137.70	1.23%
	Sub-Total (B)	**29,259.05**	**137.70**	**0.47%**
	Total (A+B)	**1,21,306.43**	**9,495.94**	**7.83%**

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management), which has been relied upon by the auditors.

Rs. in Million

SI. No	Sector	As at 31 March 2021		
		Gross Advances	Gross NPAs	Percentage of Gross NPAs to Gross Advances in that Sector
A	**Priority Sector**			
1	Agricultural and Allied Activities	37,485.27	2,546.53	6.79%
2	Advances to Industries Sector eligible as Priority sector lending	4,474.44	1,051.55	23.50%
3	Services	4,657.95	1,219.57	26.18%
4	Personal Loans	6,659.72	637.11	9.57%
	Sub-Total (A)	**53,277.38**	**5,454.76**	**10.24%**
B	**Non Priority Sector**			
1	Agricultural and Allied Activities	-	-	-
2	Industry	5,000.00	-	-
3	Services	10,000.00	-	-
4	Personal loans	15,872.67	185.21	1.17%
	Sub-Total (B)	**30,872.67**	**185.21**	**0.60%**
	Total (A+B)	**84,150.05**	**5,639.97**	**6.70%**

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management), which has been relied upon by the auditors.

4.3. Overseas Assets, NPAs and Revenue:

The Bank does not have any overseas assets during the years ended 31 March 2023, 31 March 2022 and 31 March 2021.

4.4 Resolution of stressed assets- Revised frame work

The Bank is having Nil loan account for resolution of stressed asset (revised framework) as on 31 March 2023, 31 March 2022 and 31 March 2021 as per the RBI Circular DBR.No. BP.BC.45/21.04.048/ 2018-19 dated 7 June 2019, as amended.

4.5. Divergence in asset Classification and provisioning

RBI vide circular no. DOR.ACC.REC.No.74/21.04.018/2022-23 dated 11 October 2022, has directed that banks shall make suitable disclosures, wherever (a) the additional provisioning requirement assessed by RBI exceeds 5 percent of the reported profit before provisions and contingencies for the reference period, or (b) the additional Gross NPA identified by RBI exceeds 5 percent of the published incremental Gross NPA for the reference period, or both. Based on the annual inspection conducted with respect to the Bank's position as at 31 March 2022 there are no reportable matters under (a) and (b) of the above-mentioned circular during the year ended 31 March 2023 .

4.6. Disclosure of transfer of loan exposures

Details of loans transferred / acquired during the year ended 31 March 2023 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021. Hence the Disclosures are not made for the year ended 31 March 2022 and 31 March 2021.

i) Details of Stressed loans transfers are given below:

For the year ended 31 March 2023

Rs. in Million

Sl no.	Particulars	To Asset Reconstruction Company (ARC)	To Permitted Transferees	To other transferees
1	No. of Accounts	4,17,648	-	-
2	Aggregate principal outstanding of loans transferred *	10,749.53	-	-
3	Weighted average residual tenure of loans transferred (in Years) #	0.83	-	-
4	Net Book Value of Loans transferred (at the time of transfer)	1,351.18	-	-
5	Aggregate Consideration	2,054.80	-	-
6	Additional Consideration realised in respect of accounts transferred in earlier years	-	-	-

* includes advances which had been technicaly written off and fully provided there off

Not applicable to technically write off pool

The Bank has received Security Receipts (SRs) as part of the consideration for transfer of stress loans to ARC. The recovery ratings of the SRs would be obtained within 6 months as per relevant RBI guidelines. Investments in SRs are valued at Nil/ fully provided for in the books of account on a prudent basis.

The Bank has recognised the other income to the extent of cash received, with respect to the technical written off portfolio amounting to Rs. 380.90 Million

The Bank has not transferred any stressed assets duriing years ended 31 March 2022 and 31 March 2021.

ii) The bank has not transferred any Special Mention Account (SMA) and loan not in default, except reported in (i) above (Years ended 31 March 2022 and 31 March 2021 : Nil).

iii) The Bank has not acquired any loans not in defualt from other entities through assignment (Years ended 31 March 2022 and 31 March 2021: Nil)

iv) The Bank has not acquired any stressed loan (Years ended 31 March 2022 and 31 March 2021: Nil)

4.7. Fraud Accounts

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
Number of frauds reported	86	39	10
Amount involved in fraud (Rs. Million)	14.40	8.50	0.50
Amount of provision made for such frauds *	7.90	6.50	0.29
Amount of unmortised provision debited from 'other reserves' as at the end of the year	-	-	-

**Provision is made net of recovery*

4.8 Disclosure under Resolution framework for Covid-19 related stress

The RBI Circular is effective from Half year ended 30 September 2021 and as per the RBI guidelines, the disclosure is required only on half yearly basis. Hence the Disclosures are not made for the year ended 31 March 2021

For the year ended 31 March 2023

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

-

Particulars	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended 30 September 2022 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 31 March 2023	of (A) amount written off during the half - year	of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of this half year ended 31 March 2023
Personal Loans	575.08	94.03	-	241.63	239.42
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	1,964.33	235.96	-	1,163.30	565.07
Total	**2,539.41**	**329.99**	**-**	**1,404.93**	**804.49**

For the year ended 31 March 2022

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 (Resolution Framework 1.0) and 5 May 2021 (Resolution framework 2.0) are given below.

Rs. in Million

Particulars	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of the previous half year ended 30 September 2021 (A)	of (A) aggregate debt that slipped into NPA during the half year ended 31 March 2022	of (A) amount written off during the half - year	of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as standard consequent to implementation of resolution plan - position as at the end of this half year ended 31 March 2022
Personal Loans	3,558.32	1,006.44	-	1,470.45	1,081.43
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	11,799.04	2,544.69	-	4,816.70	4,437.65
Total	**15,357.36**	**3,551.13**	**-**	**6,287.15**	**5,519.08**

5. Exposures

5.1. Exposure to Real Estate Sector:

Rs. in Million

	Particulars	31 March 2023	31 March 2022	31 March 2021
	Direct exposure			
i	Residential Mortgages –	2,704.04	1,569.47	1,244.50
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;			
	of which individual Housing loans eligible for inclusion in priority sector advances	*1,797.17*	*1,402.46*	*970.54*
ii	Commercial Real Estate - Lending secured by mortgages on commercial real estate's (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure also includes non-fund based (NFB) limits	-	-	-
iii	Investments in Mortgage Backed Securities (MBS) and other securitized exposures			
	- Residential	-	-	-
	- Commercial Real Estate	-	-	-
	Indirect Exposure			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	493.25	-	-
	Total Exposure to Real Estate Sector	**3,197.29**	**1,569.47**	**1,244.50**

5.2. Exposure to Capital Market

Rs. in Million

	Particulars	31 March 2023	31 March 2022	31 March 2021
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;	112.90	176.87	187.20
ii	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-	-
iii	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-	-
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-	-
vii	Bridge loans to companies against expected equity flows / issues;	-	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-	-
ix	Financing to stockbrokers for margin trading;	-	-	-
x	All exposures to Venture Capital Funds (both registered and unregistered)	-	-	-
	Total Exposure to Capital Market	**112.90**	**176.87**	**187.20**

5.3. Risk category wise country exposure

The Bank does not have any country exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure.

5.4. Unsecured Advances

During the years ended 31 March 2023, 31 March 2022 and 31 March 2021 the Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc.

5.5. Details of factoring exposure:

The factoring exposure of the Bank is Nil as at 31 March 2023, 31 March 2022 and 31 March 2021.

5.6. Intra Group Exposures

The Bank does not have any intra group exposures for years ended 31 March 2023, 31 March 2022 and 31 March 2021. Exposure is computed as per RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

5.7. Unhedged foreign currency exposure

The Bank held Rs.1.20 Million towards unhedged foreign currency exposure as on 31 March 2023. The bank held no incremental capital on advances to borrowers with unhedged foreign currency as on 31 March 2023 and the bank does not have any unhedged foreign currency as at 31 March 2022 and 31 March 2021.

6. Concentration of deposits, advances, exposures and NPAs

6.1. Concentration of deposits: **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Total deposits of twenty largest depositors	14,327.96	20,341.18	8,197.75
Percentage of deposits of twenty largest depositors to total deposits of the Bank	9.77%	15.87%	9.11%

6.2 Concentration of advances: **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Total advances to twenty largest borrowers	4,817.43	3,902.23	2,999.83
Percentage of advances to twenty largest borrowers to total advances of the bank	3.44%	3.24%	3.58%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

6.3. Concentration of exposures: **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Total exposure to twenty largest borrowers/customers	4,817.43	3,902.23	2999.83
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	3.44%	3.23%	3.58%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

The Bank has compiled the data for the purpose of disclosure in Note No. 6.1 to 6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

6.4. Concentration of NPAs: **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Total Exposure to top twenty NPA Accounts	70.20	69.64	59.37
Total Exposure to top twenty NPA accounts to Gross NPA	2.00%	0.73%	1.05%

7. Derivatives

The Bank did not have any transactions in derivative instruments. Hence, the disclosure is not applicable with respect to forward rate agreement / interest rate swap, exchange traded interest rate derivatives, risk exposure in derivatives and credit default swaps for the years ended 31 March 2023, 31 March 2022 and 31 March 2021.

8. Disclosures relating to Securitization

The Bank has not undertaken any securitised transaction during the years ended 31 March 2023, 31 March 2022 and 31 March 2021. Hence the disclosure is not applicable to the Bank.

9. Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms) during the years ended 31 March 2023, 31 March 2022, and 31 March 2021.

10. Transfer to Depositor Education and Awareness Fund (DEAF)

During the years ended 31 March 2023, 31 March 2022 and 31 March 2021 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

11. Disclosure of Complaints

a. Customer Complaints

Sl.no.	Particulars	31 March 2023	31 March 2022	31 March 2021
(a)	No. of complaints pending at the beginning of the Year	84	218	33
(b)	No. of complaints received during the year	7,658	12,894	7,393
(c)	No. of complaints disposed during the year	7,522	13,028	7,208
	Of which, number of complaints rejected by the bank	*2*	*1*	-
(d)	No. of complaints pending at the end of the year	220	84	218

Customer Compaints above includes:

i. ATM transaction disputes relating to Banks customers on Banks ATM

Sl.no.	Particulars	31 March 2023	31 March 2022	31 March 2021
(a)	No. of complaints pending at the beginning of the Year	1	12	-
(b)	No. of complaints received during the year	362	818	378
(c)	No. of complaints disposed during the year	361	829	366
	Of which, number of complaints rejected by the bank	-	-	-
(d)	No. of complaints pending at the end of the year	2	1	12

ii. ATM transaction disputes relating to Banks customers on other Banks ATM

Sl.no.	Particulars	31 March 2023	31 March 2022	31 March 2021
(a)	No. of complaints pending at the beginning of the Year	38	101	6
(b)	No. of complaints received during the year	2,692	5,580	4,047
(c)	No. of complaints disposed during the year	2,692	5,643	3,952
	Of which, number of complaints rejected by the bank	-	-	-
(d)	No. of complaints pending at the end of the year	38	38	101

b. Maintainable complaints received by the bank from Office of Ombudsman

Sl.no.	Particulars	31 March 2023	31 March 2022	31 March 2021
(a)	Number of maintainable complaints received by the bank from Office of Ombudsman	51	32	31
	Of (a) , number of complaints resolved in favour of the bank by Office of Ombudsman	51	32	31
	Of (a) , number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-	-
	Of (a) , number of complaints resolved after passing of Awards by Office of Ombudsman against	-	-	-
(b)	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-	-

C. Top five grounds of complaints received by the bank from customers

Year ended 31 March 2023

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM Cards/ Debit Cards	43	3,475	(51.06%)	42	-
Internet banking/ Mobile Banking/ Electronic banking	40	4,122	(28.25%)	178	-
Account opening/difficulty in operation of accounts	1	28	21.74%	-	-
Loans and advances	-	14	7.69%	-	-
Levy of charges without prior notice/excessive charges/foreclosure charges	-	8	100.00%	-	-
Others	-	11	10.00%	-	-
Total	**84**	**7,658**	**(40.61%)**	**220**	**-**

Year ended 31 March 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM Cards/ Debit Cards	150	7,101	40.61%	43	-
Internet banking/ Mobile Banking/ Electronic banking	68	5,745	153.53%	40	1
Account opening/difficulty in operation of accounts	-	23	(59.65%)	1	-
Loans and advances	-	13	(18.75%)	-	-
Para Banking	-	2	100.00%	-	-
Others	-	10	233.33%	-	-
Total	**218**	**12,894**	**74.41%**	**84**	**1**

Year ended 31 March 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
(1)	(2)	(3)	(4)	(5)	(6)
ATM Cards/ Debit Cards	23	5,050	(2.13%)	150	2
Internet banking/ Mobile Banking/ Electronic banking	10	2,266	177.00%	68	-
Account opening/difficulty in operation of accounts	-	57	(8.06%)	-	-
Loans and advances	-	16	(54.28%)	-	-
Cheques/drafts/bills	-	1	100.00%	-	-
Others	-	3	(76.90%)	-	-
Total	**33**	**7,393**	**21.41%**	**218**	**2**

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system and has been furnished by the management) which has been relied upon by the auditors.

12. Disclosure of penalties imposed by RBI

During the year ended 31 March 2023, Reserve Bank of India imposed a penalty of Rs.0.06 Million on RBI Circular DCM (RMMT) No.S153/11.01.01/2021-22 dated August 10, 2021 and addendum dated January 03, 2022 on cash out at ATM of more than ten hours in a month by the Bank under the provision of (i) Banking Regulation Act, 1949. During the years ended 31 March 2023 and 31 March 2022 no penalty has been imposed by Reserve Bank of India on the Bank under (ii) the provision of Payment and Settlement system act, 2007 and (iii) Government Securities Act, 2006 (for bouncing of SGL).

No penalty has been imposed during years ended 31 March 2022 and 31 March 2021.

13. Disclosure of Remuneration

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

The Nomination, Remuneration and Compensation committee ("NRC") comprises of 5 directors, majority being independent directors of the Bank. Key mandate of the NRC is to oversee the overall design and operation of the compensation policy of the Bank, formalising criteria for appointment of Directors based on qualification, experience, track record and integrity.

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

Objective of Banks' Compensation Policy is:

- to establish guidelines for the fair and equitable administration of salary and benefits in accordance with the policies of the Bank;
- to ensure effective governance of compensation and alignment of compensation practices with prudent risk taking;
- to have mechanisms in place for effective supervisory oversight and Board engagement in compensation. The remuneration process is aligned to the Bank's Compensation Policy objectives.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank has a policy to set apart a portion of the total compensation of senior and middle management as variable.
In addition, remuneration process provides for 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration:
All bonus (performance linked pay) pay-outs are capped at 70% of the fixed pay . The Head of Control functions will be evaluated independent of business results by the Chairman of the respective Board Committee and their compensation and rewards will be approved by the Board NRC. The Bank does not have any guaranteed bonus as part of any contract with employees or any severance pay other than what is stipulated by Law; However, any bonus at the time of joining/ sign on bonus will be limited only to the first year and would need to be approved by the Board NRC.

e) A discussion of the banks' policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:
Nil

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:
Variable remuneration in the form of Cash or in the form ESOP is paid periodically.
The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality and longevity of the assignments performed.

B. Quantitative Disclosures

sl No.	Particulars	31 March 2023	31 March 2022	31 March 2021
1	Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.	5 Remuneration paid:Rs. 0.90 Million	9 Remuneration paid:Rs. 1.80 Million	7 Remuneration paid:Rs. 1.30 Million
2	(i) Number of employees having received a variable remuneration awards during the financial year	Five (MD& CEO and one level below MD & CEO.)	Four (disclosure covering MD& CEO and one level below.)	Four (disclosure covering MD& CEO and one level below.)
	(ii) Number and total amount of sign in/ joining bonus made during the financial year	Nil	Nil	Nil
	(iii) Details of Severance pay, in addition to accrued benefits, if any	Nil	Nil	Nil
3	i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms	Remuneration Payable in cash to MD& CEO as on 31-03-2023 Rs.6.90 Million	Remuneration Payable in cash to MD& CEO as on 31-03-2022- Rs.6.15 Million	Nil
	ii) Total amount of deferred remuneration paid out in the financial year	1.10 Million	Nil	Nil
4	Breakdown of amount of remuneration awards for the financial year to show fixed, variable, deferred and non deferred	Fixed Salary : Rs. 45.55 Million Variable pay :Rs. 8.74 Million Deferred Variable Pay : Rs. 1.10 Million	Fixed Salary : Rs. 25.92 Million Variable pay :Rs.8.04 Million Deferred Variable Pay : Rs. 6.15 Million	Fixed Salary : Rs. 25.20 Million Variable pay : Rs. 1.40 Million Deferred Variable Pay : Rs. Nil
5	(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) the amount of reductions during the financial year due to ex post implicit adjustments	Nil	Nil	Nil
6	Number of Material Risk Takers (MRTs) identified	1	1	1
7	(i) Number of cases where malus has been exercised (ii) number of cases where clawback has been exercised (iii) Number of cases where both malus and clawback have been exercised	Nil	Nil	Nil
8	The mean pay for the bank as a whole (excluding sub- staff) and the deviation of the pay of each of its WTDs from the mean pay	The mean of the Pay of the Bank as a whole is Rs. 0.50 Million as on 31 March 2023. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 52:1 as on 31 March 2023. For the purpose this calculation CTC of the employees is considered	The mean of the Pay of the Bank as a whole is Rs. 0.51 Million as on 31 March 2022. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 48:1 as on 31 March 2022	The mean of the Pay of the Bank as a whole is Rs. 0.50 Milliom as on 31 March 2021. The Ratio of the Remuneration of the Managing Director to the mean pay of the Bank as a whole is 51:1 as on 31 March 2021

14. Other Disclosures

14.1. Business ratios / information:

Particulars	31 March 2023	31 March 2022	31 March 2021
Interest income as a percentage to working funds *	15.42%	13.75%	14.76%
Non interest income as a percentage of Working Funds*	1.56%	1.47%	1.13%
Cost of deposits &	6.24%	6.45%	7.50%
Net interest margin@@	10.44%	8.86%	8.97%
Operating profit # as a percentage of Working Funds*	4.83%	3.49%	3.74%
Return on assets ## *	1.63%	0.39%	0.95%
Business ^ (deposit plus advance) per employee (Rupees in Million)$	54.35	54.35	43.20
Profit per employee $ (Rupees in Million)	0.60	0.13	0.28

* For the purpose of computing the ratio, Working Fund represents the average of total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949

& Cost of deposits is calculated as a percentage of Interest expense on deposits to Average deposits.

@@ Net interest Margin is calculated as percentage of Net Interest Income to Average Earning Assets. Average earning assets consist of Net Advances, Investments, Balances with other banks in Deposit Accounts and Balances with Bank and Money at call and short notice. Average represents monthly average.

For the purpose of this ratio, Operating profit is net profit for the year before provisions and contingencies

Return on Assets is computed as a percentage of Profit after tax to the working fund

$ For the purpose of computing the ratio, number of employees (excluding part-time employees) as on respective closing year end date is considered.

^ Business is sum of net advances and deposits as reported to the RBI under section 27 of the Banking Regulation Act, 1949. Interbank deposits are excluded for the purposes of computation of this ratio.

14.2. Bancassurance Business

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
Fees/remuneration received from Bancassurance business:			
- For selling life insurance policies	180.53	133.83	75.66
- For selling non-life insurance policies	12.27	12.90	11.78
- For selling pension products	2.83	2.01	0.94
- For Mutual Fund business	*	*	-
Total	**195.63**	**148.74**	**88.38**

** Amount is below Rs. 0.05 Million*

14.3. Marketing and distribution

The Bank does not receive any fees/remuneration in respect of Marketing and Distribution function (excluding bancassurance business) during the years ended 31 March 2023, 31 March 2022 and 31 March 2021.

14.4. Priority sector lending certificates

The amount of PSLCs (Category wise) sold/ purchased

Rs. in Million

Sl No.	Type of PSLCs	31 March 2023		31 March 2022		31 March 2021	
		Purchase	Sale	Purchase	Sale	Purchase	Sale
1	Agriculture	-	-	-	-	-	-
2	Micro enterprises	-	-	-	8,500.00	-	10,000.00
3	General	-	-	-	-	-	10,000.00
4	Small and Marginal Farmer	-	16,500.00	-	9,500.00	-	-

14.5 . Provisions and Contingencies

Breakup of "Provisions and Contingencies" (including write-offs; net of write-backs) shown under the head Expenditure in Profit and Loss Account:

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
Provision towards NPA / Write offs	6,108.13	3,208.42	1,887.40
Provision towards/(write back off of provision) Standard Assets #	(1,281.08)	936.22	925.52
Provision made towards income tax			
-Current Tax expense *	771.17	485.00	602.48
-Deferred Tax	265.94	(293.82)	(242.70)
Other Provision and Contingencies	49.63	35.37	(56.82)
Total Provisions and Contingencies	**5,913.79**	**4,371.19**	**3,115.88**

(Refer para 16 of Note 19)

14.6. Implementation of IFRS converged Indian Accounting Standards (INDAS)

The Bank submits its Proforma Ind-AS financials on half yearly basis to RBI based on the GAP assessment carried out by the Bank. The Bank is currently handling the impact analysis and reporting offline by using excel based models. However, the Bank is in the process of implementing system solutions (IndAS 109 and 116) and hiring skilled resources to implement Ind-AS accounting.

14.7. Payment of Deposit Insurance and Credit Guarantee Corporation ("DICGC") Insurance Premium (Refer para A. 4.6 (i) of Note 19)

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
i) Payment of DICGC Insurance Premium (Including taxes)	161.53	125.65	98.95
ii) Arrears in payment of DICGC Premium	Nil	Nil	Nil

14.8. Unamortised Pension and Gratuity Liabilities

There are no unamortised pension and gratuity liabilities as at 31 March 2023, 31 March 2022 and 31 March 2021.

15. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank

During the years ended 31 March 2023, 31 March 2022 and 31 March 2021 the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

16. COVID -19 Provisioning

a) Year ended 31 March 2023

During the year ended 31 March 2023 the impact of disruptions resulting from Covid 19 has eased substantially, however the Bank continues to monitor the developments/ ongoing impact resulting from Covid-19 Pandemic and any action to contain its spread or mitigate its impact. The Bank was carrying an additional contingency provision of Rs. 660.70 Million as on 31 March 2022 and further made a provision of Rs. 134.20 Million during the year, which has been utilised to the extent of Rs. 662.50 Million in the current year and consequently provision as at 31 March 2023 is Rs.132.40 Million.

b) Year ended 31 March 2022

The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant volatility in the financial markets and slowdown in the economic activities. Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional restrictions continued to be implemented in areas, as India witnessed two more waves of COVID -19 pandemic during the year ended 31 March 2022. Currently, while the number of covid cases have been reduced significantly and Government of India has withdrawn most of the COVID- 19 restrictions, the Bank continues to carry an additional contingency provision of Rs. 660.60 Million as at 31 March 2022 (March 2021 : Rs. 404.00 Million). The extent to which the COVID-19 pandemic including subsequent waves, if any, may impact the Bank operations and asset quality will depend on the future developments, which are highly uncertain.

c) Year ended 31 March 2021

COVID-19 virus, a global pandemic has affected the world economy including India. The extent to which the COVID-19 pandemic including the current second wave witnessed in the country, will continue to impact the Bank's operations and asset quality will depend on the future developments, which are uncertain.

The RBI on 27 March 2020, 17 April 2020 and 23 May 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of these RBI guidelines, the lending institutions have been permitted to grant an effective moratorium of six months on payment of all instalments/interest as applicable, falling due between 1 March 2020 and 31 August 2020 ('moratorium period'). As such, in respect of all accounts classified as standard as on 29 February 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms.

Considering the prevailing uncertainty over the business due to COVID 19 pandemic (including Second Wave), the Bank holds provisions of Rs 404.00 Million as at 31 March 2021 (31 March 2020: Rs. 44.08 Million) against the potential impact of COVID-19 as additional contigency provision on standard assets (other than provisions held for restructuring under COVID 19 norms) based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

The Honourable Supreme Court (SC) in PIL by Gajendra Sharma Vs Union of India & Anr vide its Interim order dated 3 September 2020 has directed Banks that the accounts which were not declared NPA till 31 August 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not classified any borrowal account which has not been declared as NPA as at 31 August 2020 as per the RBl Prudential norms on Income Recognition, Asset classification, provisioning and other related matters as Non-Performing Asset (NPA) after 31 August 2020. The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021 vlde the Judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association Vs. Union of India and Others and other connected matter. In accordance with the instructions in paragraph 5 of the RBI circular dated 7 April 2021 issued In this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions/ IRAC norms.

Disclosure as per RBI Circular on DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020

Rs. in Million

Particulars	31 March 2021
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	3,719.60
Respective amount where asset classification benefits is extended	30,149.80
Provision made in terms of Para 5 of the Circular	88.20
Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-
Residual provisions as of 31 March 2021, in terms of Paragraph 6 of the Circular	88.20

17. Details of Non Performing Financial Assets Purchased

The Bank did not purchase any Non Performing Financial Assets during the years ended 31 March 2023, 31 March 2022 and 31 March 2021.

18. Details of Special Mention Account (SMA) or Stressed Financial Assets Purchased

The Bank did not purchase any Special Mention Account (SMA) or Stressed Financial Assets during the years ended 31 March 2023, 31 March 2022 and 31 March 2021.

19. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured accounts in accordance with RBI Circular on 'Micro, Small and Medium Enterprises (MSME) sector — Restructuring of Advances' - DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No. BP.BC/4/21.04.048/2020-21 dated August 6, 2020.

Rs. in Million

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Number of Accounts Restructured	60	111	117
Amount	6.54	18.12	21.40

ESAF SMALL FINANCE BANK LIMITED
NOTE 19 - NOTES TO ACCOUNTS FORMING PART OF RESTATED FINANCIAL INFORMATION

B.OTHER DISCLOSURES:

1. Earnings per Equity Share:

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
Net Profit attributable to equity Share holders(A)	3,023.33	547.32	1,053.96
Weighted average number of equity shares used in computation of basic earnings per share (B) (In Million)	449.47	449.47	427.80
Add: Effect of dilution - Stock options granted to employees	0.78	0.64	-
Weighted average number of equity shares used in computation of diluted earnings per share (C)(In Million)	450.25	450.11	427.80
Basic (Rs.)[A/B]	6.73	1.22	2.46
Diluted (Rs.)[A/C]	6.71	1.22	2.46
Nominal value per share (Rs.)	10.00	10.00	10.00

2. Segment Reporting:
Part A- Business Segments
The business of the Bank has been segregated into four Segments as per RBI guidelines : Treasury, Wholesale Banking, Retail Banking and Other Banking Operations:

Rs. in Million

	31 March 2023				
Particulars	**Treasury**	**Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**
Segment Revenue	2,471.94	576.71	27,870.56	496.51	31,415.72
Segment Results	**(276.48)**	**283.10**	**3,591.59**	**462.24**	**4,060.45**
Income Tax Expenses					1,037.12
Net Profit					3,023.33
Segment Assets	55,783.55	6,608.74	1,37,463.25	-	1,99,855.54
Unallocated Assets					2,381.03
Total Assets					**2,02,236.57**
Segment Liabilities	38,108.67	26.43	1,43,565.78	-	1,81,700.88
Unallocated Liabilities					3,444.40
Share Capital and Reserves and Surplus					17,091.29
Total Liabilities					**2,02,236.57**

Rs. in Million

	31 March 2022				
Particulars	**Treasury**	**Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**
Segment Revenue	2,342.22	344.11	18,427.24	361.51	21,475.08
Segment Results	**(61.32)**	**150.81**	**302.81**	**346.20**	**738.50**
Income Tax Expenses					191.18
Net Profit					547.32
Segment Assets	55,039.09	4,097.58	1,15,418.39	-	1,74,555.06
Unallocated Assets					2,520.58
Total Assets				-	**1,77,075.64**
Segment Liabilities	33,208.23	16.23	1,27,076.64	-	1,60,301.10
Unallocated Liabilities					2,706.58
Share Capital and Reserves and Surplus					14,067.96
Total Liabilities					**1,77,075.64**

Rs. in Million

	31 March 2021				
Particulars	**Treasury**	**Wholesale Banking**	**Retail Banking**	**Other Banking Operations**	**Total**
Segment Revenue	1,925.31	167.58	15,372.14	219.18	17,684.21
Segment Results	**13.86**	**59.65**	**1,150.42**	**189.81**	**1,413.74**
Income Tax Expenses					359.78
Net Profit					1,053.96
Segment Assets	36,640.62	2,588.40	81,824.39	-	1,21,053.41
Unallocated Assets					2,333.11
Total Assets			-	-	**1,23,386.52**
Segment Liabilities	24,889.14	10.34	83,521.57	-	1,08,421.05
Unallocated Liabilities			-		1,444.83
Share Capital and Reserves and Surplus					13,520.64
Total Liabilities			-	-	**1,23,386.52**

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions.
The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

ESAF SMALL FINANCE BANK LIMITED

NOTE 19 - NOTES TO ACCOUNTS FORMING PART OF RESTATED FINANCIAL INFORMATION

The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. Indian Banks' Association (IBA) has formed DBU Working Group which include representatives of banks and RBI. The reporting of Digital Banking as a separate sub-segment of Retail Banking Segment will be implemented by the Bank based on the decision of the DBU Working Group. The Bank has not formed any DBU as at 31 March 2023, 31 March 2022 and 31 March 2021 and is in the process of setting up DBUs in the future and hence the same has not been disclosed as a segment.

Part B - Geographical Segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

3. Lease Disclosures:

The Bank has taken premises under operating lease for period ranging from 11 months to 120 months. The lease expenses recognised in the profit and loss account during the years ended 31 March 2023 - Rs.601.26 Million, 31 March 2022 - Rs.499.14 Million and 31 March 2021 - Rs. 350.64 Million.

The future minimum lease payments under non cancellable operating leases is given below

Rs. in Million

Particulars	**31 March 2023**	**31 March 2022**	**31 March 2021**
not later than one year	576.72	475.80	366.10
later than one year but not later than five years	2,861.68	2,156.20	1,731.30
later than five years	859.34	815.60	772.50

The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

4. Deferred Taxes: **Rs. in Million**

Particulars	**As at 31 March 2023**	**As at 31 March 2022**	**As at 31 March 2021**
Deferred Tax Asset			
Provision for Employee Benefits	21.43	18.68	21.60
Provision for Standard assets	225.65	548.07	285.90
Fixed Assets : on differences between book balances and tax balance of fixed asset	47.66	29.61	23.00
Other Provisions	89.44	53.76	25.80
Deferred Tax Asset	**384.18**	**650.12**	**356.30**

5. Credit card reward points:

The Bank does not have credit card products. Hence reward points are not applicable.

6. Fixed Assets as per Note 12 include intangible assets relating to purchased software and system development expenditure which are as follows:

Particulars **Rs. in Million**

Gross Block	**As at 31 March 2023**	**As at 31 March 2022**	**As at 31 March 2021**
At cost on 31st March of the preceding year	295.44	208.18	151.14
Additions during the year	128.79	87.26	57.04
Deductions during the year	-	-	-
Total	**424.23**	**295.44**	**208.18**
Depreciation / Amortization			
As at 31st March of the preceding year	159.72	126.12	90.51
Charge for the year	56.14	33.60	35.61
Deductions during the year	-	-	-
Depreciation to date	**215.86**	**159.72**	**126.12**
Net Block	**208.37**	**135.72**	**82.06**

7. Related Party Disclosures:

Related Party #	**Nature of Relationship**
ESAF Financial Holdings Private Limited ("erstwhile ESAF Microfinance and Investments Private Ltd.")("EFHL")	Significant Investor *
Cedar Retail Private Limited ("erstwhile ESAF Retail Private Ltd.") ("CEDAR Retail")	Entities in which Key Managerial Person (KMP)is a member (shareholder)
Lahanti Homes and Infrastructure (P) Ltd. [Erstwhile ESAF Homes and Infrastructure Private Ltd] ("Lahanti Homes")	Entities in which KMP is a member (shareholder)
ESAF Swasraya Producers Company Ltd. ("ESAF Producer Company")	Entities in which KMP is a member (shareholder)
K. Paul Thomas	Key Managerial Person (MD and CEO)
Mereena Paul	Relative of KMP
Emy Acha Paul	Relative of KMP
Alok Paul Thomas	Relative of KMP
Abhishek Joe Paul	Relative of KMP
Ashish Krish Paul	Relative of KMP
Beena George	Relative of KMP
ESAF Swasraya Multi State Agro Co operative Society Ltd.	Enterprises over which KMP has significant influence through relative (Upto 13 March 2021)
Lahanti Last Mile Service Limited ("LLMS")	Entities over which KMP has significant influence through relative (Upto 15 March 2021)
ESAF Foundation [erstwhile Evangelical Social Action Forum]	Enterprises over which KMP has significant influence
Prachodhan Development services ("Prachodhan")	Enterprises over which KMP has significant influence through relative

#Related parties are identified and disclosed as per Accounting Standard 18 - Related Party Disclosures specified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

*EFHL holds 62.46%, 62.46% and 62.46% of the equity share capital of the Bank during the years ended 31 March 2023, 31 March 2022 and 31 March 2021 respectively. However, since the voting rights of any investor in Banks are restricted to 26% pursuant to the provisions of RBI guidelines, EFHL has been considered as Significant Investor.

ESAF SMALL FINANCE BANK LIMITED
NOTE 19 - NOTES TO ACCOUNTS FORMING PART OF RESTATED FINANCIAL INFORMATION

During the financial year 2020-21 effective from 13 March 2021 Ms Mereena Paul and Mr Alok Thomas Paul (Relatives of MD&CEO) have resigned as Directors of ESAF Swasraya Multi State Agro Cooperative Society Ltd (ESCO) Further effective from 24 January 2021 Ms Emy Acha Paul and Mr Sunny Thomas (Relatives of MD&CEO) have relinquished the Directorships as well shareholding in Lahanti Lastmile Services Private Limited (LLMS) and Mr Samu John (Relative of MD&CEO) has resigned as director of LLMS on 15 March 2021. Resulting from the above both ESCO and LLMS ceases to be related parties effective from 13 March 2021 and 15 March 2021 respectively. However, the normal business transactions with the said related parties is disclosed for the full financial year 2020-21. Since the relationship does not exist as on the Restated Statement of Assets and Liabilities, closing balances of the said related parties are not disclosed for the year ended 31 March 2021. During the years ended 31 March 2023 and 31 March 2022 no disclosure has been made for the said related parties.

Transactions during the year with the Related Party

Rs. in Million

Nature of Transaction	Related Party	31 March 2023	31 March 2022	31 March 2021
Liabilities				
Term Deposit placed	ESCO	NA	NA	90.00
	ESAF Foundation	31.50	6.10	-
	LLMS	NA	NA	22.00
	K. Paul Thomas	-	-	4.00
	Emy Acha Paul	0.50	0.50	-
	Beena George	1.05	0.20	0.10
	Cedar Retail	-	5.00	80.00
	EFHL	-	724.20	-
Term Deposit Matured	EFHL	-	1,089.20	-
	Cedar Retail	5.00	-	117.50
	K. Paul Thomas	-	2.90	-
	Beena George	0.10	0.10	0.20
	ESAF Foundation	13.00	3.60	-
	Emy Acha Paul	0.50	0.70	-
	LLMS	NA	NA	5.00
Transactions in Demand Deposit (net)	ESCO	NA	NA	1.00
	Cedar Retail	9.36	24.30	(10.10)
	ESAF Foundation	*	*	(0.90)
	EFHL	9.88	0.40	(12.60)
	LLMS	NA	NA	22.60
	Lahanti Homes	-	(1.90)	1.90
	Prachodan	0.10	0.10	0.40
Transactions in Savings Deposit(net)	K. Paul Thomas	1.39	2.80	(3.70)
	Mereena Paul	0.81	3.50	(1.70)
	ESCO	NA	NA	(130.30)
	Emy Acha Paul	0.88	0.10	0.10
	Alok Paul Thomas	0.08	*	*
	ESAF Foundation	13.79	29.50	8.50
	Prachodhan	(1.64)	(4.80)	9.80
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	*	(0.30)	0.20
	ESAF Producer Company	*	(0.10)	0.20
Interest accrued and due on Deposits	ESCO	NA	NA	27.50
	Cedar Retail	*	0.10	0.50
	EFHL	2.26	49.40	52.10
	ESAF Foundation	6.26	4.90	3.20
	LLMS	NA	NA	2.40
	K. Paul Thomas	0.67	0.80	0.70
	Mereena Paul	0.27	0.10	0.10
	Emy Acha Paul	0.03	0.10	0.10
	Alok Paul Thomas	*	*	*
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	0.09	*	*
	Prachodan	0.32	0.80	0.60
Interest Accrued & Payable on PDI	ESCO	NA	NA	62.40
Interest Accrued & Payable on Sub Debt	ESCO	NA	NA	95.40
Interest Accrued & Payable on Sub Debt	EFHL	22.50	0.10	-
Issue of Equity Shares	Mereena Paul	-	-	0.30
	Emy Acha Paul	-	-	0.10
	Alok Paul Thomas	-	-	0.10
	Beena George	-	-	0.40
Share premium	Mereena Paul	-	-	2.20
	Emy Acha Paul	-	-	0.90
	Alok Paul Thomas	-	-	0.90
	Beena George	-	-	2.60
Issue of Sub debt	EFHL	-	200.00	-
Contingent Liability				
Bank Guarantee (Given/ Closed)		(1.50)	4.50	-

Assets				
Advances	EFHL	-	215.80	11.00
	Cedar Retail	-	-	-
	Beena George	-	-	1.40
Advances repaid	Cedar Retail	-	-	10.30
	EFHL	-	324.00	-
	Beena George	-	-	6.20
Rent Deposit repaid	Paul Thomas	-	-	0.70
Expenses				
Rent paid	Lahanti Homes	24.12	21.00	21.00
	ESAF Foundation	0.20	0.20	0.20
Interest paid on deposits	ESCO	NA	NA	27.50
	Cedar Retail	*	0.10	0.50
	EFHL	2.26	49.40	52.10
	ESAF Foundation	6.26	4.90	3.20
	LLMS	NA	NA	2.40
	K. Paul Thomas	0.67	0.80	0.70
	Mereena Paul	0.10	0.10	0.10
	Emy Acha Paul	0.10	0.10	0.10
	Alok Paul Thomas	*	*	*
	Abhishek Joe Paul	*	*	*
	Ashish Krish Paul	*	*	*
	Beena George	0.09	*	*
	Prachodan	0.32	0.80	0.60
Interest paid on PDI	ESCO	NA	NA	62.40
Interest paid on Sub Debt	ESCO	NA	NA	95.40
	EFHL	22.50	0.10	-
BC Servicer Fee	ESCO	NA	NA	1,950.30
	LLMS	NA	NA	184.70
Corporate Facility Management service	ESCO	NA	NA	124.60
Remuneration and Sitting Fees	K. Paul Thomas	31.30	24.50	14.10
Reimbursement of expenses	K. Paul Thomas	2.30	-	1.20
Contribution towards Corporate Responsibility expense	ESAF Foundation	42.50	87.60	32.60
	Prachodan	30.10	-	39.00
Royalty Expense	ESAF Foundation	84.95	14.36	26.85
Income				
Interest received on Advances	Cedar Retail	-	-	*
	Beena George	0.00	-	0.60
	EFHL	-	17.80	14.40

Figures in brackets indicate net outflow

* Amounts are below Rs. 0.05 Million

The remuneration to KMP does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

Balance outstanding as at : **Rs. in Million**

Items/Related Party	Significant Investor			KMP and Enterprises over which KMP/Relative of KMP have control / significant influence		
	31 March 2023	31 March 2022	31 March 2021	31 March 2023	31 March 2022	31 March 2021
Liabilities						
Term Deposits	35.00	35.00	352.60	45.80	25.50	20.53
Demand Deposit (Including Savings Deposits)	14.72	4.80	4.50	173.30	111.50	59.14
Equity Shares (Including share premium)	2,839.00	2,839.00	2,839.00	324.40	324.40	324.40
Borrowings	200.00	200.00	-	-	-	-
Other Liabilities	-	0.10	-	77.20	-	27.63
Contingent Liability						
Bank Guarantee	-	-	-	12.40	13.90	10.90
Assets						
Advances	-	-	90.40	-	-	-
Others	-	-	2.30	-	-	-

Maximum Balance outstanding during the year **Rs. in Million**

Items/Related Party	Significant Investor			KMP and Enterprises over which KMP/Relative of KMP have control / significant influence		
	31 March 2023	31 March 2022	31 March 2021	31 March 2023	31 March 2022	31 March 2021
Liabilities						
Term Deposits	35.90	352.60	352.60	45.80	26.70	20.60
Demand Deposit (Including Savings Deposits)	14.70	20.80	44.50	173.30	173.80	83.20
Equity Shares (Including share premium)	2,839.00	2,839.00	2,839.00	324.40	324.40	324.40
Borrowings	200.00	200.00	-	-	-	-
Assets						
Advances	-	200.00	90.40	-	-	24.20

8.Employee Stock Option Scheme ("ESOS")

i) ESAF Small Finance Bank Employee Stock Option Plan 2019

The Bank, pursuant to the resolutions passed by the Board on December 23, 2019 and Shareholders on January 3, 2020, adopted the ESAF ESOP Plan 2019.The ESAF ESOP Plan 2019 has been framed in compliance with the SEBI Regulations. The ESOP grant is of two types (i) loyalty grant and (ii) performance grant. As on 31 March 2023 and 31 March 2022 no options under performance grant have been granted by the Bank under the ESAF ESOP Plan 2019. The Nomination and Remuneration Committee of the Bank on June 28, 2021 granted loyalty grant to its eligible employees. The details of the options granted under the ESAF ESOP Plan 2019 as loyalty grant

Particulars	31 March 2023	31 March 2022	31 March 2021
Outstanding at the beginning of the year	11,25,590	-	NA
Surrendered during the year	-	-	NA
Granted during the year	-	11,25,590	NA
Exercised during the year	-	-	NA
Forfeited/ lapsed during the year	81,107	-	NA
Outstanding at the end of the year	10,44,483	11,25,590	NA
Options exercisable	10,44,483	-	NA

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by Rs.3.20 Million, Rs. 0.30 Million and Rs. Nil for the years ended 31 March 2023, 31 March 2022 and 31 March 2021 respectively . The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be as follows:

Particulars	31 March 2023	31 March 2022	31 March 2021
Basic earnings per share	6.72	1.22	NA
Diluted earnings per share	6.71	1.22	NA

iii) As per the RBI circular RBI/2021-22/9 OR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated 30 August 2021 (the "RBI Guidelines on Compensation"), the Bank has identified material risk taker and submitted to RBI. During the years ended 31 March 2023, 31 March 2022 and 31 March 2021 no ESOP has been granted to the aforesaid eligible personnel, hence there is no impact on the results for the years ended 31 March 2023, 31 March 2022 and 31 March 2021 on account of fair valuation of options in accordance with RBI guidelines on

9.Employee Benefits

i. The Bank has recognized the following amounts in the Profit and Loss Account towards contributions to Provident Fund and Other Funds:

Rs. in Million

Particulars	31 March 2023	31 March 2022	31 March 2021
Provident Fund	97.93	85.57	70.84

ii. Gratuity

The gratuity plan provides a lump sum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank subject to maximum of Rs.2.00 Million.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below.

Reconciliation of Defined Benefit Obligation (DBO) **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Present value of DBO at start of Year	**110.52**	84.17	56.95
Current Service Cost	34.21	28.69	32.26
Interest Cost	6.52	4.63	3.64
Benefits Paid	(8.33)	(2.59)	(1.88)
Past Service Cost	-	-	-
Actuarial (Gain)/Loss	(8.04)	(4.38)	(6.80)
Present value of DBO at end of Year	**134.88**	**110.52**	**84.17**

Reconciliation of Fair Value of Plan Assets **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Fair value of Plan assets at start of Year	**105.64**	**58.28**	**41.90**
Contributions by employer	24.68	44.97	15.04
Benefits Paid	(8.33)	(2.59)	(1.88)
Expected return on plan assets	5.94	4.09	3.15
Actuarial Gain/(Loss)	1.26	0.89	0.07
Fair value of Plan assets at end of year	**129.19**	**105.64**	**58.28**
Actual Return on plan assets	7.20	4.98	3.22
Expected Employer Contributions for the coming year	6.00	5.00	25.00

Expense recognized in the Profit and Loss account **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Current Service Cost	34.21	28.69	32.26
Interest Cost	6.52	4.63	3.64
Past Service Cost	-	-	-
Expected return on plan assets	(5.94)	(4.09)	(3.15)
Actuarial (Gain)/Loss	(9.30)	(5.27)	(6.87)
Employer Expense/(Income)	**25.49**	**23.96**	**25.88**

Net Liability/(Asset) recognized in the Balance Sheet **Rs. in Million**

Particulars	31 March 2023	31 March 2022	31 March 2021
Present value of DBO	134.88	110.52	84.17
Fair value of plan assets	129.19	105.64	58.28
Net liability/(Asset)	**5.69**	**4.88**	**25.89**
Less: Unrecognized Past Service Cost	-	-	-
Liability/(Asset) recognized in the Balance sheet	**5.69**	**4.88**	**25.89**

Category of Plan Assets

Particulars	31 March 2023	31 March 2022	31 March 2021
Insurer managed fund	99.90%	99.90%	99.90%
Bank Balance	0.10%	0.10%	0.10%

Actuarial assumptions used

Particulars	31 March 2023	31 March 2022	31 March 2021
Salary Growth Rate	7.5% p.a	7.5% p.a	7.5% p.a
Discount Rate	7.10% p.a	5.90% p.a	5.50% p.a
Withdrawal/Attrition Rate	20% p.a	20% p.a	20% p.a
Expected return on plan assets	5.9% p.a	5.5% p.a	6.40% p.a.
Mortality Rate	IALM 2012-14	IALM 2012-14 (Ult)	IALM 2012-14 (Ult)
Expected average remaining working lives of employees	4 Years	4 Years	4 Years

Experience adjustments **Rs. in Million**

Particulars	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Defined benefit obligation	134.88	110.52	84.17
Fair value of Plan assets	129.19	105.64	58.28
Surplus / (Deficit)	(5.69)	(4.88)	(25.89)
Experience adjustment on plan liabilities : (gain)/loss	0.69	(1.91)	6.80
Experience adjustment on plan assets : gain/(loss)	0.83	0.23	(0.33)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors which has been relied
The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be

iii. Leave Encashment

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 30 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

The Actuarial liability of compensated absences of accumulated privilege leave of the employees of the Bank is given below:

Rs. in Million

Assumptions	31 March 2023	31 March 2022	31 March 2021
Privilege leave	30 days	30 days	30 days
Sick leave	30 days	30 days	30 days
Discount rate (Privilege/ Sick leave)	7.10%	5.90%	5.50%
Salary escalation rate (Privilege/ Sick leave)	7.50%	7.50%	7.50%
Attrition Rate (Privilege/ Sick leave)	20%	20%	20%
Actuarial liability - Privilege leave	47.50	41.45	37.93
Charged in Profit and Loss account- Privilege Leave	6.00	3.52	12.98
Actuarial liability - Sick Leave	32.00	27.91	23.24
Charged in Profit and Loss account- Sick leave	4.10	4.67	1.37

The discount rate is based on the prevailing market yields of Government of India securities as at the respective year end date for the estimated term of the obligations.
The estimate of future salary increases, takes into account the inflation, seniority, promotion, increments and other relevant factors. The above information is as certified by the actuary and relied upon by the auditors.

10. Corporate Social Responsibility (CSR)

Rs. in Million

Particulars	**31 March 2023**	**31 March 2022**	**31 March 2021**
a) Gross Amount required to be spent, including deficit of previous year, as per the approval of CSR commitee	129.9#	128.2#	71.60
b) Amount spent during the year			
i) Construction / acquisition of any asset	29.7##	2.60	-
ii) Any other projects	39.5###	78.3##	31.00
Total	69.20	80.90	31.00
c) Short fall at the year end	60.70	47.30	40.60
d) Previous year short fall	-	-	-
e) Reason for short fall	on going projects	on going projects	on going projects

Gross amount required to be spent by the Bank during the year include Rs. 47.30 Million being the unspent amount for the Financial year ended 31 March 2023 (Financial year ended 31 March 2022 - Rs. 40.60 Million relating to March 2021 and Financial year ended 31 March 2021: Nil)
As per Bank's CSR Policy upto 5% of the average net profit of the last 3 preceeding years is allocated for CSR activities. During the year the Bank has set aside 5% as CSR funds. (Years ended 31 March 2022 and 2021 : 5%)
##amount spend/ incurred during the year include Rs. 26.70 Million out of the unspend amount during the year ended 31 March 2022 (Years ended 31 March 2022 and 31
###amount spend/ incurred during the year include Rs. 20.50 Million out of the unspend amount during the year ended 31 March 2022 (Year ended 31 March 2022 - Rs. 40.60 Million related to Financial year ended 31 March 2021 out of the unspend amount during the said year Year ended 31 March 2021: Nil).

Nature of CSR activities during March 2023, March 2022 and March 2021 is given below:
Education, Sustainable village development, waste management, liveable city projects, community school infrastructure, Skill training for Rural Artisans and rural youth, flood rehabilitation, covid 19 response program, Sustainable development initiatives, Health development etc.
Pursuant to Section135(5) & (6) of Companies Act,2013 read with Companies (Corporate Social Responsibility Policy) Rules,2014(Amended), Bank transferred Rs.58.00 Million in "Unspent CSR Account" on 31 March 2023 for the CSR Ongoing projects for spending over the following 3 years period on ongoing CSR sub Committee projects (31 March 2022: Rs. 34.40 Million 31 March 2021: Nil). Amount paid to Implementing Agencies is Rs 2.70 Milion as at March 2023 (31 March 2022 : Rs 12.90 Million 31 March 2021: Rs. Nil)
Also refer Note B.7 of Note 19 for the related parties involved in activities relating to Corporate Social Responsibility.

11.Subordinated Debt and Perpetual Debt

a The Bank has an outstanding subordinated debt and Pepetual debt as follows: **Rs. in Million**

Particulars	**As at 31 March 2023**	**As at 31 March 2022**	**As at 31 March 2021**
Subordinated Debt Outstanding	1,450.00	1,600.00	1,900.00
Perpetual Debt Outstanding	480.00	480.00	480.00

Rs. in Million

Particulars	**Year Ended 31 March**	**Year Ended 31 March**	**Year Ended 31 March**
Subordinated Debt raised during the year	-	200.00	-
Subordinated Debt paid during the year	150.00	500.00	-

b. Interest Expended-Others includes interest on Subordinated Debt **Rs. in Million**

Particulars	**Year Ended 31 March 2023**	**Year Ended 31 March 2022**	**Year Ended 31 March 2021**
Interest on Subordinated Debt	182.90	223.30	245.25
Interest on Perpetual Debt	62.40	62.40	62.40

12. Details of payments of audit fees (Exclusive of Goods and Service Tax)

Rs. in Million

Particulars	**Year Ended 31 March 2023**	**Year Ended 31 March 2022**	**Year Ended 31 March 2021**
Statutory Audit fees	5.50	4.00	3.50
Other Attestation work	5.50	1.25	0.50
Other Certification	1.50	1.45	2.10
Certification fees relating to DRHP for the Proposed IPO and Other Documentation	1.00	4.50	4.00
Out of pocket expenses (Including IPO related services)	0.22	0.30	0.20
Total	**13.72**	**11.50**	**10.30**

13.Description of Contingent Liabilities:
The Bank has contingent liability of Rs. 5.0 Million as at 31 March 2023, Rs. 5.0 Million as at 31 March 2022 and Rs. 2.0 Million as at 31 March 2021 for properietory transactions and other Court matters and Rs. 13.90 Million as at 31 March 2023, Rs. 15.52 Million as at 31 March 2022 and Rs. 13.04 Million as at 31 March 2021 towards guarantees given on behalf of constituents in India.

14. The Bank has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at 31 March 2023,31 March 2022 and 31 March 2021 the Bank has reviewed and recorded adequate provision as required under any law /accounting standards for material foreseeable losses on such long term contracts in the books of account and disclosed the same under the relevant notes in the Restated Financial Information.

15.The Bank has received few intimations from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the information received and available with the Bank, there are no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2023, 31 March 2022 and 31 March 2021. Further, there are no outstanding against those suppliers as on 31 March 2023, 31 March 2022 and 31 March 2021. The above is based on information available with the Bank and relied upon by the Auditors.

16.For the Years ended 31 March 2023 and 31 March 2022
As a part of the normal banking business, the Bank grants loan and advances to its borrowers with permission to lend/ invest or provide guarantees/ securities in other entities identified by such borrowers or on the basis of the security/ guarantee provided by the co-borrower. Similarly, the Bank may accept funds from its customers who may instruct the bank to lend/ invest/ provide guarantee or security or the like against such deposits in other entities identified by such customers. These transactions are part of the Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your customer" guidelines.
Other than the nature of the transactions described above:
- No funds have been advanced or loaned or invested by the Bank to or in any other person(s) or entity(ies) ("intermediaries") with the understanding that the intermediary shall lend or invest in party identified by or on behalf of the Bank (ultimate beneficiary).
- The Bank has not received any funds from any party(s) (funding party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities by or on behalf of the Bank ("ultimate beneficiaries") or provide any guarantee or security or the like on behalf of the ultimate beneficiary

17. IPO Expenses
As on 31 March 2023, 31 March 2022 and 31 March 2021. the Bank has incurred expenses in connection with ongoing Initial Public Offer ("IPO"), which include payments made to Merchant Bankers, Legal Counsel, Statutory Auditors and other incidental expenses amounting to Rs. 153.50 Million, Rs. 130.50 Million and Rs. 70.30 Million respectively. In accordance with the accounting policy approved by the Board, the provisions of the Companies Act, 2013 and Banking Regulation Act, 1949 the Share Issue Expenses are eligible to be drawn from share premium account. As the process of IPO is still in progress the said expenses are included under "others" in other assets (Note 13[vii])of the Restated Statement of Assets and Liabilities.

18. Comparitives
The comparitive financial information of the Bank for the years ended 31 March 2022 and 31 March 2021 included in the Statement have been audited by one of the Joint auditor M/s. Deloitte Haskins & Sells (DHS) which expressed an unmodified opinion.

19. Previous Year's figures

Previous year figures have been regrouped/reclassified wherever necessary to correspond with the current period's classification/disclosure.

For and on Behalf of Board of Directors

P R Ravi Mohan
Chairman
DIN:08534931

Kadambelil Paul Thomas
Managing Director & CEO
DIN: 00199925

Thomas Jacob Kalappila
Director
DIN: 00812892

Gireesh C P
Chief Financial Officer

Ranjith Raj P
Company Secretary

Place: Mannuthy
Date: 8 June 2023

OTHER FINANCIAL INFORMATION

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

Accounting Ratios and Certain Financial Measures

(₹ in million other than percentages number of shares and per share values)

Particulars	As at and for the year ended March 31, 2023	As at and for the year ended March 31, 2022	As at and for the year ended March 31, 2021
Basic earnings per share (Refer Note (a)(i) and (c) below)	6.73	1.22	2.46
Diluted earnings per share (Refer Note (a)(i) and (c) below)	6.71	1.22	2.46
Net Worth (Refer Note (e) below) (A)	17,091.29	14,067.96	13,520.64
Return on Net Worth (Refer Note(a)(ii) and (e) below)	17.69%	3.89%	7.80%
Number of Equity Shares (in millions) (B)	449.47	449.47	449.47
Net Asset Value per Equity Share (Refer Note (a)(iii) below) (A/B)	38.03	31.30	30.08
EBITDA (Refer Note (b) and (f) below)(*)	6,274.35	2,205.64	2,849.61

The figures disclosed in this section are derived from the Restated Financial Information

Notes

(a) Ratios have been computed as per the following formulas

(i) Basic/ diluted earnings per share = Net Profit, as restated, attributable to equity shareholders / Weighted average number of Equity Shares outstanding during the year

(ii) Return on Net Worth (%) = Net Profit, as restated, attributable to equity shareholders / Net worth at the end of the year

(iii) Net asset value per equity share = Net worth at the end of the year / Total number of Equity Shares outstanding at the end of the year

(b) Earnings before interest, tax, depreciation and amortisation (EBITDA), which is a non-GAAP financial measure, has been arrived at by adding back depreciation on Bank's property, tax expense and Interest on Reserve Bank of India/Inter Bank Borrowings and Others.

*(c) Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" ("**AS 20**") as notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014.*

(d) "Net worth" represents 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 audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

(e) Reconciliation of net profit to Net worth

(₹ in million other than percentages)

Particulars	*As at and for the year ended*		
	March 31, 2023	*March 31, 2022*	*March 31, 2021*
Net Profit (A)	*3,023.33*	*547.32*	*1,053.96*
Capital (B)	*4,494.74*	*4,494.74*	*4,494.74*
Reserves and Surplus			
Statutory Reserve (C)	*1,927.23*	*1,171.40*	*1,034.57*
Share Premium (D)	*4,887.63*	*4,887.63*	*4,887.63*
Investment Fluctuation Reserve (E)	*321.42*	*261.94*	*41.27*
Capital Reserve (F)	*40.05*	*37.29*	*-*
Balance in Profit and Loss Account (G)	*5,420.22*	*3,214.96*	*3,062.43*
Net Worth H = (B+C+D+E+F+G)	*17,091.29*	*14,067.96*	*13,520.64*
Return on Net Worth % (I=A/H)	***17.69%***	***3.89%***	***7.80%***

(f) EBITDA

(₹ in million other than percentages)

Particulars	*As at and for the Year ended*		
	March 31, 2023	*March 31, 2022*	*March 31, 2021*
Net Profit (A)	*3,023.33*	*547.32*	*1,053.96*
Add:			
Provision made towards current tax expense (B)	*771.17*	*485.00*	*602.48*
Provision made towards deferred tax (C)	*265.94*	*(293.82)*	*(242.70)*
Depreciation on Bank's property (D)	*417.89*	*327.74*	*285.73*
Interest on Reserve Bank of India/inter bank borrowings and others (E)	*1,796.01*	*1,139.40*	*1,150.14*
EBITDA (F=A+B+C+D+E)(*)	***6,274.35***	***2,205.64***	***2,849.61***

(*)Non-GAAP financial measure

(g) 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 Draft Red Herring 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 and other statistical and operational information 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. These non-GAAP financial measures and other statistical and operational information have been reconciled to their nearest GAAP measure in this section.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, as per the requirements under applicable Accounting Standards, i.e., AS 18 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, read with the SEBI ICDR Regulations during Fiscals 2023, 2022 and 2021, see "*Restated Financial Information – Related Party Transactions – Note 19-B-7*" on page 310.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

To obtain a complete understanding of our Bank, prospective investors should read this section in conjunction with "Risk Factors", "Industry Overview", "Our Business", "Selected Statistical Information", and "Financial Statements" on pages 29, 122, 157, 244 and 262, respectively.

The industry and market data used in this section have been derived from the CRISIL MI&A Report prepared and released by CRISIL MI&A and commissioned by and paid for by us in connection with the Offer pursuant to an agreement between us and CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023. For more details on the CRISIL MI&A Report, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 25. The CRISIL MI&A Report is available on our Bank's website at www.esafbank.com/investor-relations-info/.

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 Draft Red Herring 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 financial measures and other statistical and operational information 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 non-GAAP financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere. For more details, see "Selected Statistical Information – Certain Non-GAAP Financial Measures" on page 260. All information regarding cost and yield, which are non-GAAP financial measures, is based on the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter's end for all quarters in the relevant fiscal year.

This section also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements. For details, see "Forward-Looking Statements" on page 27.

Overview

We are a small finance bank with a focus on unbanked and under-banked customer segments, especially in rural and semi-urban areas. Our AUM grew from ₹84,259.30 million to ₹163,312.65 million as at March 31, 2021 and 2023, respectively, registering a CAGR of 39.22%, which was the highest CAGR among our peers. (*Source: CRISIL MI&A Report*). Our deposits grew from ₹89,994.26 million to ₹146,656.25 million as at March 31, 2021 and 2023, respectively, registering a CAGR of 27.66%. Our Retail Deposits Ratio as of March 31, 2023 was 90.8%, which was the highest among our peers. (*Source: CRISIL MI&A Report*).

Our Promoters have a history of more than 27 years of primarily serving the unserved and underserved, with a focus on financial inclusion. As a small finance bank, we are required to have at least 75.00% of our adjusted net bank credit to the priority sectors. Our business model focuses on the principles of responsible banking, providing customer-centric products and services through the innovative application of technology.

Our main focus is on providing loans to customers in rural and semi-urban areas. As at March 31, 2023, our gross advances to our customers in rural and semi-urban areas (combined) accounted for 62.84% of our gross advances and 71.71% of our banking outlets were located in rural and semi-urban areas (combined).

We follow a social business strategy seeking a triple bottom line impact: people; planet; and prosperity. We believe that the social, environmental, and economic outcomes of our business create synergies that have an amplified impact on our stakeholders. The legacy of a mission, fighting the partiality of prosperity (i.e., the drive for inclusion of marginalised sections of society and the equity of opportunities) led to the formation of our Bank. Our vision is to be India's leading social bank that offers equal opportunities through universal financial access and inclusion and livelihood and economic development. We have adopted various policies to implement our triple bottom line approach, including an Environmental, Social and Governance ("**ESG**") policy. Pursuant to the ESG policy, we are committed to (i) the protection of the environment and ensuring sustainable development, (ii) promoting financial inclusion and gender equality through specialised financial services; and (iii) establishing a governance framework to ensure accountability, transparency and compliance with internal and external ESG standards. In 2020 we won the "Global Sustainability Award 2020" for outstanding achievements in sustainability management by the Energy and Environment Foundation. Our ESG Grading scores from CARE Advisory Research & Training Limited in its report titled "ESG Grading Report of ESAF Small Finance Bank" published in June 2023 were: (i) 62% for the Environmental pillar, with remarks including our commitment to green finance and environment conscious operations; (ii) 68% for the Social pillar, with remarks including that we have demonstrated healthy labour management practices, including the implementation of various policies that embody international and national human rights standards; and (iii) 76% for the Governance pillar, with remarks including that we have aligned with leading governance practices, such as adequate independence of our Board (66% independent members on the Board) and committee levels. We received a rating of CareEdge ESG 3 (good), with an overall score of 71 compared with the industry average overall score of 59.8. CARE Advisory Research & Training Limited's ESG specialist team undertook the ESG Grading of our Bank during May 2023.

We can trace our roots back to 1992, when Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, along with others, founded ESAF Foundation, a foundation focused on the development of microenterprises, community development, and community health development. ESAF Foundation started its micro loan activities in 1995. In 2006, Kadambelil Paul Thomas along with others acquired our Corporate Promoter. Thereafter, ESAF Foundation transferred its micro loan business undertaking to our Corporate Promoter in 2008 pursuant to a business transfer agreement dated March 31, 2008. Our Corporate Promoter was awarded NBFC-MFI status in 2014. Our Corporate Promoter transferred its business undertaking, comprising its lending and financing business, to our Bank on March 10, 2017 pursuant to a business transfer agreement dated February 22, 2017. We commenced our business as a small finance bank on March 10, 2017. For more details on our history and our major events and milestones, see "*History and Certain Corporate Matters*" on page 205.

Our asset products comprise: (a) Micro Loans, which comprises Microfinance Loans and Other Micro Loans; (b) retail loans, which includes gold loans, mortgages, personal loans, and vehicle loans; (c) MSME loans; (d) loans to financial institutions; and (e) agricultural loans. The table below sets forth our AUM by product type and as a percentage of AUM as at the dates indicted.

AUM	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	Amount (₹ in million)	**% of AUM**	**Amount (₹ in million)**	**% of AUM**	**Amount (₹ in million)**	**% of AUM**
Micro Loans	122,548.83	75.04	100,159.62	81.16	71,452.80	84.80
Retail loans	26,147.54	16.01	14,649.74	11.87	9,607.19	11.40
MSME loans	1,600.61	0.98	1,233.15	1.00	483.57	0.57
Loans to financial institutions	6,137.43	3.76	4,096.30	3.32	2,625.44	3.12
Agricultural loans	6,878.24	4.21	3,268.10	2.65	90.30	0.11
Total AUM	**163,312.65**	**100.00**	**123,406.91**	**100.00**	**84,259.30**	**100.00**

Our liability products comprise current accounts, savings accounts, term deposits and recurring deposits. As at March 31, 2023, we had 6.48 million deposit accounts. Our total deposits were ₹146,656.25 million, ₹128,150.72 million and ₹89,994.26 million as at March 31, 2023, 2022 and 2021, respectively. We had the fourth highest deposits growth among our peers of 28% CAGR from March 31, 2021 to March 31, 2023. (*Source: CRISIL MI&A Report*). We believe that our focus on growing this business has helped us to quickly build a significant base of deposits, particularly Retail Deposits, which comprised 90.85% of our total deposits as at March 31, 2023. Among the compared SFBs, we had the highest share of Retail Deposits as a percentage of total deposits as at March 31, 2023. (*Source: CRISIL MI&A Report*).

We have an extensive network of 700 banking outlets (including 59 business correspondent-operated banking outlets), 743 customer service centres (which are operated by our business correspondents), 20 business correspondents, 2,023 banking agents, 481 business facilitators and 528 ATMs spread across 21 states and two union territories, serving 6.83 million customers as at March 31, 2023. We use business correspondent entities to source and service customers for Micro Loans. Our business correspondents also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. As at March 31, 2023, 2022 and 2021, our business correspondents sourced or serviced ₹128,769.99 million, ₹103,204.93 million and ₹71,452.80 million of our AUM, respectively, which represented 78.85%, 83.63% and 84.80% of our total AUM, respectively, which was ₹163,312.65 million, ₹123,406.91 million and ₹84,259.30 million as at those dates, respectively.

We have a strong focus on leveraging technology to deliver products and services and we continuously work towards improving our customers' experience through the use of technology. We have crossed a technology milestone with the successful adoption of e-signatures for Micro Loan disbursals. As at March 31, 2023, we have disbursed over 0.53 million loans using e-signatures, which showcases our commitment to digital advancement. We offer our customers various digital platforms, including an internet banking portal, a mobile banking platform, SMS alerts, bill payments and RuPay branded ATM cum debit cards. Our customers are also able to register for our savings accounts on a unified payment interface based mobile applications. Our account opening and loan underwriting processes have been digitalised by using tablets. We have a digitalised central credit-processing unit for our Micro Loans. Our customer on-boarding process has been predominantly digitalised for our Micro Loans. We leverage technology for underwriting and credit sanctioning for our loan products based on inputs from credit bureaus and/or our customer data analytics. We have implemented technology solutions that enable us to ensure cashless disbursement of loans and implemented electronic signing for Micro Loans, both of which have reduced paperwork. Our collections mechanism has also been digitalised through the use of mobile applications and a payment gateway through which our borrowers can repay their loans. We have also implemented a customer relationship management solution to better handle customer requests.

We are led by Mr. Kadambelil Paul Thomas, our Managing Director and Chief Executive Officer, who has over 27 years of experience in the banking/microfinance industry in India. Our Board comprises individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry. We had 5,034 employees as at March 31, 2023.

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

Our financial condition, results of operations and cash flows have been, and are expected to be influenced by numerous factors. The following factors are of particular importance.

Expansion of our Business

The expansion of our business has been a major factor in the growth of our AUM and deposits. As per the CRISIL MI&A Report, we had the fourth highest deposit growth among our comparable peers over Fiscals 2021 to 2023 and the highest AUM growth among comparable SFBs over Fiscals 2021 to 2023. We plan to continue expanding our business. For details, see *"Our Business – Our Strategies – Penetrate deeper into our existing geographies"* on page 162.

The table below sets forth our AUM, deposits and certain details of our business as the dates indicated.

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021
	Amount	% increase	Amount	% increase	Amount
AUM (₹ in million)	163,312.65	32.34	123,406.91	46.46	84,259.30
Deposits (₹ in million)	146,656.25	14.44	128,150.72	42.40	89,994.26
States and union territories combined where our products are offered (number)	23	–	23	9.52	21
Banking outlets (number)	700	21.74	575	4.55	550
Business correspondents (number)	20	42.86	14	16.67	12
Customer service centres (number)	743	52.57	487	62.33	300
Banking agents (number)	2,023	249.40	579	1,106.25	48
Business facilitators (number)	481	53.67	313	103.27	154
ATMs (number)	528	36.79	386	21.38	318

Performance of our Business Correspondents

Our results of operations and financial condition depend significantly on the performance of our business correspondents, in particular, ESMACO's performance.

Our business correspondent entities are responsible for sourcing and servicing of customers for Microfinance Loans and Other Micro Loans (we do not do this ourselves). Our business correspondents also source customers for mortgage loans, vehicle loans, MSME loans, agricultural loans and select deposit products. In addition, our business correspondents are responsible for sourcing and servicing our banking agents. ESMACO has been acting as a business correspondent for us since we began our operations. We have an agreement with ESMACO, which is valid until December 31, 2028. ESMACO owns 63.49% of the equity shares in our Corporate Promoter, which in turn owns 62.46% of the Equity Shares of the Bank prior to the Offer.

Set forth below is a table showing our gross advances sourced or serviced by business correspondents, including gross advances sourced or serviced by ESMACO and such amounts as a percentage of our gross advances as at the dates indicated.

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	₹ in million	% of total gross advances	₹ in million	% of total gross advances	₹ in million	% of total gross advances
Gross advances sourced or serviced by business correspondents	106,638.60	75.53	101,104.45	83.35	71,343.55	84.78
Of which:						
Gross advances sourced or serviced by ESMACO	87,773.07	62.17	91,131.33	75.12	63,217.49	75.12
Total gross advances	**141,181.27**	**100.00**	**121,306.43**	**100.00**	**84,150.05**	**100.00**

Set forth below is a table showing our deposits sourced by business correspondents, including deposits sourced by ESMACO and such amounts as a percentage of our deposits as at the dates indicated.

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	₹ in million	% of total deposits	₹ in million	% of total deposits	₹ in million	% of total deposits
Deposits sourced or serviced by business correspondents	2,536.15	1.73	2,145.14	1.67	1,495.12	1.66
Of which:						
Deposits sourced or serviced by ESMACO	*2,247.74*	*1.53*	*1,828.12*	*1.43*	*1,264.76*	*1.41*

Particulars	As at March 31, 2023		As at March 31, 2022		As at March 31, 2021	
	₹ in million	% of total deposits	₹ in million	% of total deposits	₹ in million	% of total deposits
Total deposits	**146,656.25**	**100.00**	**128,150.72**	**100.00**	**89,994.26**	**100.00**

Set forth below is a table showing our business correspondents expenses, including amounts due to ESMACO and such amounts as a percentage of our total income for the Fiscals indicated.

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ in million	% of Total Income	₹ in million	% of Total Income	₹ in million	% of Total Income
Business correspondent expenses	5,442.36	17.32	3,486.58	16.24	2,328.08	13.16
Of which:						
Amount payable to ESMACO	*4,155.52*	*13.23*	*2,925.20*	*13.62*	*1,950.30*	*11.03*

Changes in Interest Rates

Interest rate changes have a significant impact on our profitability. Interest rates are sensitive to many factors, including the RBI's monetary policy, de-regulation of the financial services sector in India, domestic and international economic and political conditions and other factors.

Generally, an increase in interest rates tends to increase our interest earned as a result of higher Yield on Average Interest-Earning Advances. However, such an increase can also adversely affect our Yield on Average Interest-Earning Advances as a result of a decrease in the volume of advances due to reduced overall demand for advances. In addition, an increase in interest rates affects our Cost of Average Borrowings and can adversely affect our profitability if we are unable to pass on our increased funding costs to our customers. Finally, higher interest rates can increase the risk of default by our customers.

Conversely, a decrease in interest rates can reduce our interest earned as a result of lower yields on our advances. This Draft Reduction in interest earned may eventually be offset by an increase in the volume of advances that we make due to increased demand for our advances and/or a decrease in our Cost of Average Borrowings.

Inflation remains high in several key economies prompting central banks to continue with rate hikes. The US Federal Reserve (Fed), Bank of England and European Central Bank (ECB) all hiked interest rates at their May 2023 policy meetings. However, financial conditions in India eased in April 2023 after the Reserve Bank of India (RBI) paused on rate hikes in its monetary policy, keeping the repo rates at 6.5%. (*Source: CRISIL MI&A Report*). While the RBI indicated its readiness to move if inflation surprised on the upside, incoming headline inflation print, based on the consumer price index (CPI), eased to 5.7% in March – below the Monetary Policy Committee's (MPC's) upper threshold of 6%. Moreover, bond yields eased significantly as investors factored in a pause in rate hikes. (*Source: CRISIL MI&A Report*). FPIs increased their investment in the Indian markets as global risk sentiment revived with the US banking turmoil staying largely under control. Equity markets also gained amid the pause in rate hike and rising FPI inflows. External risks remain high because of the possible impact of elevated interest rates in advanced economies on the leveraged market segments. (*Source: CRISIL MI&A Report*). However, CRISIL MI&A expects India's macroeconomic fundamentals to improve in Fiscal 2023, which should cushion its vulnerability to global shocks. This, coupled with a pause on rate hikes by the RBI and US Federal Reserve, should limit tightening of domestic financial conditions going ahead. (*Source: CRISIL MI&A Report*).

In Fiscal 2023, to tackle inflation RBI started increasing policy repo rate rating by 40 bps in May 2022 and 50 bps in June, August and September 2022, 35 bps in December 2022 and 25 bps in February 2023, taking policy repo rate to 6.50%. (*Source: CRISIL MI&A Report*).

The following table sets forth the RBI's bank rate, the reverse repo rate and the repo rate as at the dates indicated:

As at	Bank Rate (%)	Reverse Repo Rate (%)	Repo Rate (%)
March 31, 2021	4.25	3.35	4.00
March 31, 2022	4.25	3.35	4.00
March 31, 2023	6.75	3.35	6.50

(Source: https://www.rbi.org.in/)

Net Interest Income

Our results of operations are substantially dependent upon the amount of our net interest income, which we define as interest earned less interest expended ("**Net Interest Income**"). Our Net Interest Income increased by 24.47% from ₹9,215.91 million for Fiscal 2021 to ₹11,471.39 million for Fiscal 2022 and increased by 60.08% to ₹18,363.40 million for Fiscal 2023. Set forth below is a table showing our Net Interest Income for the Fiscals indicated.

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million)		
Interest earned [A]	28,536.59	19,399.25	16,411.73
Interest expended [B]	10,173.19	7,927.86	7,195.82

Net Interest Income [C] = [A] – [B]	**18,363.40**	**11,471.39**	**9,215.91**

Our interest income earned is dependent on:

(i) our average interest-earning advances and the yield thereon;

(ii) our average interest-earning investments and the yield thereon; and

(iii) our average interest-earning balance with the RBI and other inter-bank funds and the yield thereon.

Our interest expended is dependent on:

(i) our average total deposits and the cost thereon; and

(ii) our average borrowings and the cost thereon.

For a table setting forth our Average Interest-Earning Advances, Yield on Average Interest-Earning Advances, Average Interest-Earning Investments, Yield on Average Interest-Earning Investments, Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds and the Yield on Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds, Average Deposits, Cost of Average Deposits, Average Borrowings and Cost of Average Borrowings and the definitions of those terms, see "*Selected Statistical Information – Average Balance Sheet, Interest Earned/Expended and Yield/Cost*" on page 244.

For a table setting forth the analysis of the changes in our interest earned and interest expended between average volume and changes in rates for Fiscal 2023 compared to Fiscal 2022 and Fiscal 2022 compared to Fiscal 2021, see "*Selected Statistical Information – Analysis of Changes in Interest Earned and Interest Expended by Volume and Rate*" on page 245.

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

The table below presents our average balances of advances (net of provisions) for (a) Micro Loans (comprising Microfinance Loans and Other Micro Loans), (b) retail loans, MSME loans, loans to financial institutions and agricultural loans combined (collectively, "**Other Loans**") and (c) total advances, together with the related interest earned, resulting in the presentation of the yield for fiscal years presented. Yield is a non-GAAP financial measure.

Advances (net of provisions)	**Year ended March 31,**								
	2023			**2022**			**2021**		
	Average Balance[(1)] [A]	**Interest Earned [B]**	**Yield (%) [C=B/A]**	**Average Balance[(1)] [A]**	**Interest Earned [B]**	**Yield (%) [C=B/A]**	**Average Balance [A]**	**Interest Earned [B]**	**Yield (%) [C=B/A]**
	(₹ in million, except percentages)								
Micro Loans[(2)(3)]	91,048.36	21,386.82	23.49	78,456.47	15,619.03	19.91	65,523.57	13,861.65	21.16
Other Loans[(4)]	30,286.97	3,933.63	12.99	15,079.00	1,648.09	10.93	7,646.54	873.41	11.42
Total Advances	**121,335.33**	**25,320.45**	**20.87**	**93,535.47**	**17,267.12**	**18.46**	**73,170.11**	**14,735.06**	**20.14**

Notes:

1. *Average balances are calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year.*
2. *Our Micro Loans comprise Microfinance Loans and Other Micro Loans. Our Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.*
3. *Average Micro Loans are gross Micro Loans net of provisions for NPAs for Micro Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year ("**Average Interest-Earning Micro Loans**").*
4. *Average Other Loans (comprising (a) retail loans, (b) MSME loans, (c) loan to financial institutions and (d) agricultural loans) are gross Other Loans net of provisions for NPAs for Other Loans calculated on the basis of the average of the opening balance at the start of the relevant fiscal year and the closing balance as at the quarter end for all quarters in the relevant fiscal year ("**Average Interest-Earning Other Loans**").*

Our Average Interest-Earning Advances increased by 27.83% from ₹73,170.11 million for Fiscal 2021 to ₹93,535.47 million for Fiscal 2022 and increased by 29.72% to ₹121,335.33 million for Fiscal 2023. Our Average Interest-Earning Micro Loans increased by 19.74% from ₹65,523.57 million for Fiscal 2021 to ₹78,456.47 million for Fiscal 2022 and increased by 16.05% to ₹91,048.36 million for Fiscal 2023. Our Average Interest-Earning Other Loans increased by 97.20% from ₹7,646.54 million for Fiscal 2021 to ₹15,079.00 million for Fiscal 2022 and increased by 100.86% to ₹30,286.97 million for Fiscal 2023.

The interest rates on our Micro Loans are fixed. The interest rates we charge on our retail loans, MSME and corporate loans, and agricultural loans are fixed or floating depending on the product.

With effect from April 1, 2016, RBI guidelines require bank loans in India to be priced by reference to the bank's marginal cost of funds-based lending rate ("**MCLR**"). The interest rates on our loans made on or after April 1, 2016 and on or before September 30, 2019 were based on our MCLR. The RBI issued a circular on September 4, 2019 making it mandatory for banks to link all floating rate personal or retail loans and floating rate loans to MSME borrowers to an external benchmark with effect from October 1, 2019. Further, the RBI through its circular dated February 26, 2020 mandated that all new floating rate loans to Medium Enterprises extended by banks from April 1, 2020 shall also be required to be linked to an external benchmark. Banks are free to choose one of the several benchmarks indicated in the circular dated September 4, 2019. Banks are also free to choose their spread over the benchmark rate, subject to the condition that the credit risk premium may undergo a change only when a borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract. The interest rate of external benchmark linked floating rate loans is required to be reset at least once in three months. Our floating rate loans made after September 30, 2019 are based on the RBI's repo rate. Our fixed rate loans less than three years tenor are based on our MCLR. Banks must review and publish their MCLR of different maturities every month. The table below sets forth our one-month, three-month, six-month and one-year MCLR rates as at dates indicated:

MCLR	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	in percentages (%)		
One-month	13.71	11.77	13.91
Three-month	13.80	11.88	14.00
Six-month	14.09	12.19	14.19
One-year	14.66	12.82	14.48

Our Yield on Average Interest-Earning Advances, which is a non-GAAP financial measure, was 20.87%, 18.46% and 20.14% for Fiscals 2023, 2022 and 2021, respectively. Our Yield on Average Interest-Earning Micro Loans, which is a non-GAAP financial measure, was 23.49%, 19.91% and 21.16% for Fiscals 2023, 2022 and 2021, respectively. Our Yield on Average Interest-Earning Other Loans, which is a non-GAAP financial measure, was 12.99%, 10.93% and 11.42% for Fiscals 2023, 2022 and 2021, respectively,

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

Our Average Interest-Earning Investments increased by 56.60% from ₹19,326.01 million for Fiscal 2021 to ₹30,264.71 million for Fiscal 2022 and increased by 59.05% to ₹48,137.45 million for Fiscal 2023.

All scheduled commercial banks (other than regional rural banks), including us, are required to comply with the statutory reserve requirements prescribed by the RBI. Currently, scheduled commercial banks are required to maintain a CRR of 4.50% of their demand and time liabilities with the RBI, on which no interest is paid. However, on account of the COVID-19 pandemic, the RBI decreased the minimum CRR by 100 basis points to 3.00% with effect from the reporting fortnight beginning March 28, 2020 to March 26, 2021. The minimum CRR increased to 3.50% on March 27, 2021, further increased to 4.00% on May 22, 2021 and further increased to 4.50% on May 21, 2022.

Scheduled commercial banks are currently required to maintain a SLR equivalent to 18.00% of their net demand and time liabilities to be invested in cash and Government or other RBI-approved securities. As our demand and time liabilities (excluding inter-bank deposits) have been increasing, the amount of investments we have held to satisfy the SLR requirement have increased. Our Average Investments in Government securities increased by 66.61% from ₹17,875.09 million for Fiscal 2021 to ₹21,764.36 million for Fiscal 2022 and increased by 117.93% to ₹47,430.00 million for Fiscal 2023. The Yield on Average Interest-Earning Investments, which is a non-GAAP financial measure, was 6.48%, 6.22% and 6.64% for Fiscals 2023, 2022 and 2021, respectively. For more details on our investments in securities, see "*Selected Statistical Information – Investment Portfolio*" on page 247.

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

Our Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds decreased by 11.67% from ₹10,182.48 million for the Fiscal 2021 to ₹8,994.48 million for Fiscal 2022 and decreased by 70.87% to ₹2,620.25 million for Fiscal 2023.

The Yield on Average Interest-Earning Balances with Reserve Bank of India and other Inter-Bank Funds, which is a non-GAAP financial measure, was 3.65%, 2.77% and 3.86% for Fiscals 2023, 2022 and 2021, respectively.

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

Our interest-bearing liabilities are our savings bank deposits, term deposits and our borrowings. We do not pay interest on demand deposits (current accounts). The cost of our interest-bearing liabilities depend on many external factors, including competitive factors and developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the inter-bank markets. Internal factors that can affect our Cost of Funds include changes in our credit ratings, available credit limits and our ability to mobilise low-cost deposits, particularly from retail customers, and no cost deposits in the form of current accounts.

Our primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. We currently enjoy a relatively low-cost deposit base achieved through targeted branch network expansion and customized product offerings. Our target depositor base consists of individuals, including women, senior citizens, NRIs, HNIs, trust associations, societies and clubs, children above 10 years, our staff, salaried employees of corporates, farmers and MSMEs. Our distribution network, which includes our branch network, business correspondent-owned banking outlets, customer services centres (which are operated by business correspondents), business correspondents and alternative delivery channels, provides us with access to these depositors, which in turn allows us to maintain low-cost funding through customer deposits.

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

Particulars	Year ended March 31,								
	2023			2022			2021		
	(₹ in million, except percentages)								
	Average Balance[(1)] [A]	Interest Expended [B]	Cost (%) [C=B/A]	Average Balance[(1)] [A]	Interest Expended [B]	Cost (%) [C=B/A]	Average Balance[(1)] [A]	Interest Expended [B]	Cost (%) [C=B/A]
Demand Deposits [A]	2,082.64	–	–	1,496.80	–	–	952.60	–	–
Savings Bank Deposits [B]	28,712.97	1,499.88	5.22	21,060.66	1,113.14	5.29	11,882.47	599.28	5.04
CASA[(2)] [C = A + B]	30,795.61	1,499.88	4.87	22,557.46	1,113.14	4.93	12,835.07	599.28	4.67
Term Deposits	104,944.42	6,877.30	6.55	84,532.27	5,675.32	6.71	68,076.31	5,446.40	8.00
Total Deposits	**135,740.03**	**8,377.18**	**6.17**	**107,089.73**	**6,788.46**	**6.34**	**80,911.38**	**6,045.68**	**7.47**

Note:

(1) Average balances are calculated as the average of the opening balance at the start of the relevant fiscal year and the closing balance as at quarter end for all quarters in the relevant fiscal year.

(2) CASA is a non-GAAP financial measure and is calculated as the sum of demand deposits and savings bank deposits.

Our Average Total Deposits increased by 32.35% from ₹80,911.38 million for Fiscal 2021, to ₹107,089.73 million for Fiscal 2022 and increased by 26.75% to ₹135,740.03 million for Fiscal 2023. Our Average Demand Deposits increased by 57.13% from ₹952.60 million for Fiscal 2021 to ₹1,496.80 million for Fiscal 2022 and increased by 39.14% to ₹2,082.64 million for Fiscal 2023. Our Average Savings Deposits increased by 77.24% from ₹11,882.47 million for Fiscal 2021 to ₹21,060.66 million for Fiscal 2022 and increased by 36.33% to ₹28,712.97 million for Fiscal 2023. Our Average CASA, which is a non-GAAP financial measure, increased by 75.75% from ₹12,835.07 million for Fiscal 2021 to ₹22,557.46 million for Fiscal 2022 and increased by 36.52% to ₹30,795.61 million for Fiscal 2023. Our Average Term Deposits increased by 24.17% from ₹68,076.31 million for Fiscal 2021 to ₹84,532.27 million for Fiscal 2022 and increased by 24.15% to ₹104,994.42 million for Fiscal 2023.

The Cost of Average Total Deposits, which is a non-GAAP financial measure, was 6.17%, 6.34% and 7.47% for Fiscals 2023, 2022, and 2021, respectively. We do not pay interest on demand deposits (current accounts). The Cost of Average Savings Bank Deposits, which is a non-GAAP financial measure, was 5.22%, 5.29% and 5.04% for Fiscals 2023, 2022 and 2021, respectively. Our Cost of Average Term Deposits, which is a non-GAAP financial measure, was 6.55%, 6.71% and 8.00% for Fiscals 2023, 2022 and 2021, respectively. The Cost of Average CASA, which is a non-GAAP financial measure, was 4.87%, 4.93% and 4.67% for Fiscals 2023, 2022 and 2021, respectively. While the Cost of Average Total Deposits has largely been driven by interest rate movements, the Cost of Average Total Deposits is lower than it otherwise would have been but for the increasing percentage of our Average CASA in relation to our Average Total Deposits. The table below sets forth the ratio of our Average CASA to Average Total Deposits for the years indicated.

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million, except percentages)		
Average CASA [(*)] [A]	30,795.61	22,557.46	12,835.07
Average Total Deposits [B]	135,740.03	107,089.73	80,911.38
Average CASA to Average Total Deposits [(*)] [C=A/B] (%)	**22.69**	**21.06**	**15.86**

Note:

(*) Non-GAAP financial measure.

To continue to source low-cost funding through CASA, we must provide customers with convenient banking services that compensate them for the nil returns in the case of demand deposits and lower returns in the case of savings bank deposits. However, the increasing sophistication of customers, competition for funding, increases in interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates we have to pay on our savings bank deposits.

Our borrowings comprised borrowings from the Reserve Bank of India, institutional agencies, subordinated debt, borrowings from other banks, perpetual debt instruments. Our Average Borrowings increased by 31.20% from ₹14,327.51 million for Fiscal 2021 to ₹18,797.17 million for Fiscal 2022, which increase was primarily due to increase in refinance borrowings from other institutions by 56.40% from ₹13,100.00 million as at March 31, 2021 to ₹20,488.33 million as at March 31, 2022, and increased by 52.36% to ₹28,640.15 million for Fiscal 2023, which increase was primarily due to the increase in borrowings from other institutions and agencies by 21.40% from ₹20,488.33 million as at March 31, 2022 to ₹24,871.95 million as at March 31, 2023. The Cost of Average Borrowings, which is a non-GAAP financial measure, was 6.27%, 6.06% and 8.03% for Fiscals 2023, 2022 and 2021, respectively. The Cost of Average Borrowings has largely been driven by interest rate movements.

Non-Performing Advances and Provisioning Policies

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. In addition to requiring us to make a provision on standard assets, the RBI requires us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs, which are further sub-classified as sub-standard, doubtful and loss assets. For details, see "*Selected Statistical Information – Non-Performing Advances*" on page 255.

As the number of our loans that become NPAs increase, the credit quality of our loan portfolio decreases. For a table setting forth details of our NPAs, advances, provisions, technical write-offs and Provision Coverage Ratio as at and for the years ended March 31, 2023, 2022 and 2021, see "*Risk Factors – If we are unable to control the level of gross NPAs in our portfolio effectively or if we are unable to improve our Provisioning Coverage Ratio, our business, financial condition, results of operations and cash flows could be adversely affected*" on page 38.

For details of the effects of the COVID-19 on our NPAs and provisions, see " *– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Effects of the COVID-19 Pandemic*" on page 327.

We have put in place well documented procedures regarding credit approval and loan disbursement and have instituted ongoing monitoring mechanisms in order to strengthen our credit quality. We have also implemented advanced analytics and automated credit scoring solutions for credit evaluation. For an overview of our credit approval and loan disbursement processes for our different types of loan products, see "*Our Business – Asset Products*" on page 164.

Our Micro Loans and some of our retail loans are unsecured and, as such, are at a higher credit risk than secured loans because they are not supported by collateral. Since these advances are unsecured, in the event of defaults by such customers, our ability to realise the amounts due to us would be restricted to initiating legal proceedings for recovery. The table below sets forth our unsecured advances (net of provisions) and our unsecured advances (net of provisions) as a percentage of total advances (net of provisions) as at the dates indicated.

Particulars	**As at March 31, 2023**		**As at March 31, 2022**		**As at March 31, 2021**	
	₹ in million	**% of total advances (net of provisions)**	**₹ in million**	**% of total advances (net of provisions**	**₹ in million**	**% of total advances (net of provisions**
Unsecured advances (net of provisions)	104,926.62	75.35	97,274.43	83.59	69,836.01	85.50
Total advances (net of provisions)	139,243.31	100.00	116,370.05	100.00	81,675.86	100.00

The Macroeconomic Environment in India

Our financial condition and results of operations, in the past, have been, and will continue to be, significantly affected by factors influencing the Indian economy, which would include any downturn in the global economy. Any slowdown in economic growth in India could adversely affect our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategies. The Government's monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and borrowings. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting monetary policy. For a summary of the recent macroeconomic environment in India, see "*Industry Overview*" on page 122.

In particular, the COVID-19 pandemic had an adverse effect on the macroeconomic environment in India and our business financial condition, results of operations and cash flows. For details, see "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Effects of the COVID-19 Pandemic*" and "*Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows*" on pages 327 and 41, respectively.

Operating Expenses

The amount of our operating expenses has a bearing on our profit before tax. Our material fixed operating expenses are: (i) payments to and provisions for employees, (ii) rent, taxes and lighting and (iii) depreciation on Bank's property. Our business correspondent expenses are primarily variable in nature as we pay our business correspondents a variable fee based on collections, which is the largest part of their compensation, and a fixed fee for the acquisition and maintenance of each customer.

The table below sets forth certain details of our operating expenses for the Fiscals indicated.

Particulars	**Fiscal 2023**		**Fiscal 2022**		**Fiscal 2021**	
	₹ in million	**% of Total Income**	**₹ in million**	**% of Total Income**	**₹ in million**	**% of Total Income**
Operating expenses	12,305.41	39.17	8,628.71	40.18	6,318.55	35.73
Of which:						
Other expenditure	*7,702.77*[(1)]	*24.52*	*4,972.01*[(2)]	*23.15*	*3,415.82*[(3)]	*19.32*
Payments to and provisions for employees	*2,779.98*	*8.85*	*2,321.37*	*10.81*	*1,877.84*	*10.62*
Rent, taxes and lighting	*748.01*	*2.38*	*600.21*	*2.79*	*420.39*	*2.38*

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ in million	% of Total Income	₹ in million	% of Total Income	₹ in million	% of Total Income
Depreciation on Bank's property	*417.89*	*1.33*	*327.74*	*1.53*	*285.73*	*1.62*

Notes:

(1) For Fiscal 2023, includes business correspondent expenses of ₹5,442.36 million, which represented 17.32% of our total income.

(2) For Fiscal 2022, includes business correspondent expenses of ₹3,486.58 million, which represented 16.24% of our total income.

(3) For Fiscal 2021, includes business correspondent expenses of ₹2,328.08 million, which represented 13.16% of our total income.

Competition

The Indian finance industry is intensely competitive. We face intense competition in all our principal products and services. For more details, see "*Risk Factors – The Indian finance industry is intensely competitive and if we are unable to compete effectively, it would adversely affect our business, financial condition, results of operations and cash flows*" and "*Our Business – Competition*" on pages 48 and 182, respectively.

Effects of the COVID-19 Pandemic

The effects of COVID-19, including lockdowns and restrictions, led to significant disruptions for individuals and businesses, including us, and adversely affected our operations and our business correspondents' operations, including lending, collection of loan repayments and the acceptance of deposits, thereby adversely affecting our financial condition, results of operations and cash flows. For more details, see "*Risk Factors – COVID-19 has had and could continue to have an adverse effect on our business, financial condition, results of operations and cash flows*" on page 41.

Our Responses to the COVID-19 Pandemic

We have adopted a proactive approach in managing the effects of the COVID-19 pandemic on our business since its outbreak. Crisis Management Committee meetings were convened on various dates to take stock of the situation. A quick response team was formed for co-ordinating the Business Continuity Plan activity against the background of the nation-wide lockdown. Our Risk Management Department prepared a Business Continuity Plan document dated March 19, 2020 for dealing with the COVID-19 situation and it was circulated to all Branches and offices for implementation. The Business Continuity Plan document dated March 19, 2020 covers, among other things: general work place measures; identification of critical functions, roles and activities; employee absenteeism; work from home arrangements; rotation of duties; alternate plans for Branch staffing; business continuity plans for critical functions such as IT and operations; method of conducting meetings; travel restrictions; vendor management; infrastructure management; and internal and external communications. As a supplement to the Business Continuity Plan document dated March 19, 2020, we prepared a Business Continuity Plan document dated August 10, 2020 and a Business Continuity Plan document dated April 19, 2021 to update the earlier documents in view of our experience since then, considering the probable impact and continuous risks for our business and staff. We circulated these documents to all Branches and offices for implementation.

The measures we adopted in response to the COVID-19 pandemic have been largely successful in ensuring business continuity and none of our critical functions suffered any major disruptions. However, due to the nation-wide lockdown, the collection and disbursement activities for Micro Loans were almost stopped entirely during April 2020 and were very limited in May 2020. Effective June 1, 2020, our business correspondents were able to begin operations again in most of the centres and hence Micro Loan disbursements and collections began to improve. The table below shows our disbursements for Fiscals 2023, 2022 and 2021.

Particulars	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(₹ in million)		
Disbursements	146,906.51	119,452.20	62,863.74

We launched three new loan products to assist our customers during the pandemic: (1) Income Generation Loan Top Up Loan; (2) Pre-approved Loan; and (3) Utdhan Loan Series 3 – Covid Care Loan.

Effects of the Moratorium and the Supreme Court's Orders

Pursuant to the 'COVID-19 Regulatory Package' on asset classification and provisioning, which was announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, lending institutions, including us, were permitted to grant an effective moratorium of six months on the payment of term loans falling due between March 1, 2020 and August 31, 2020. As such, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, were excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's income recognition and asset classification norms. We granted a full or partial moratorium on all payments falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers.

The RBI circulars in relation to the moratorium required us to make provisions of up to 10% on loans that are subject to moratorium and that were overdue but standard as at February 29, 2020. Considering the prevailing uncertainty over our business due to the COVID-19 pandemic, we had provisions of ₹132.40 million, ₹660.60 million and ₹404.00 million as at March 31, 2023, March 31, 2022 and March 31, 2021, respectively, against the potential effect of COVID-19 as additional contingency provision on standard assets (other than provisions held for restructuring under COVID-19 norms). These provisions were in excess of the RBI's prescribed norms.

The Supreme Court of India in *Gajendra Sharma v. Union of India & Anr* vide its interim order dated September 3, 2020 directed banks that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, and the case was disposed vide the Supreme Court's judgment dated November 27, 2020. The Supreme Court of India in *Small Scale Industrial Manufactures Associate (Regd.) v. Union of India and others* vide a judgment dated March 23, 2021 directed that the interim order granted on September 3, 2020 to not declare the accounts of borrowers as NPAs stands vacated. As per the RBI's notification dated April 7, 2021, for the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable RBI asset classification norms.

On October 23, 2020, the Ministry of Finance, Government of India announced the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts, which mandates lending institutions, including our Bank, to make ex-gratia payments to borrowers with less than ₹20.00 million in total borrowings at all lending institutions by crediting, on or before November 5, 2020, the difference between simple interest and compound interest for the period between March 1, 2020 and August 31, 2020. Lending institutions could then make claims for reimbursement from the Government on or before December 12, 2020, which we did. Our claim for such reimbursement was ₹165.74 million for Fiscal 2021, which had not been paid as at March 31, 2021. We recovered ₹165.74 million of such reimbursement in Fiscal 2022.

On March 23, 2021, in *Small Scale Industrial Manufactures Association v. Union of India and others*, the Supreme Court directed that there shall not be any charge of interest on interest/compound interest/penal interest for the period during the moratorium and any amount already recovered under the same head, namely, interest on interest/penal interest/compound interest shall be refunded to the concerned borrowers and to be given credit/adjusted in the next instalment of the loan account. In accordance with the instructions in the RBI circular dated April 7, 2021, we made a provision of ₹80.00 million for refunding/adjusting in "interest on interest" to all borrowers in Fiscal 2021, including those who had availed of working capital facilities, during the moratorium period, irrespective of whether the moratorium had been fully or partially availed, or not availed, which provision was created by debiting interest income. The methodology for calculation of the amount of such "interest on interest" was finalised by the Indian Banks Association (the "**IBA**") in consultation with other industry participants/bodies on April 19, 2021. In Fiscals 2023 and 2022, we refunded ₹72.31 million and ₹1.27 million of "interest on interest", respectively.

For information on the effect of the moratorium and the Supreme Court's orders on our results of operations and financial condition as at and for the year ended March 31, 2021 as per the disclosure prepared in line with the RBI Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021 (as amended), see "*Financial Statements – Note 19 – Notes to Accounts Forming Part of Restated Financial Information – Disclosures as Laid Down by RBI Circulars – Note 16(c) – COVID-19 Provisioning – Year ended March 31, 2021*" on page 308.

Effects of the Resolution Plans

On August 6, 2020, the RBI issued a circular that permitted lenders to implement a resolution plan ("**Resolution Framework 1.0**"), along with asset classification benefits, for eligible corporate and individual borrower segments. Lenders had to ensure that the resolution facility was provided only to borrowers impacted by COVID-19. The resolution facility was applicable for accounts classified as standard and not in default for more than 30 days as at March 1, 2020. The resolution plans had to be finalized by December 31, 2020 and implemented within 180 days from the date of invocation. Restructuring of loans was also allowed for MSMEs. The table below sets forth certain details of our advances under Resolution Framework 1.0 as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
	(₹ in million, except for percentages)		
Gross advances under Resolution Framework 1.0 [A]	143.50	169.35	192.60
Gross advances [B]	141,181.27	121,306.43	84,150.05
Gross advances under Resolution Framework 1.0 as percentage of gross advances [C] = [A] / [B] (%)	0.10	0.14	0.23

On May 5, 2021, the RBI announced the resolution framework 2.0 ("**Resolution Framework 2.0**") to protect individuals and MSMEs from the adverse effect of the second wave of COVID-19. The Resolution Framework 2.0 was applicable for accounts classified as 'Standard' as at March 31, 2021, wherein individuals and MSMEs having an aggregate loan exposure of up to ₹250 million who have not availed restructuring under any of the earlier restructuring frameworks and who were classified as 'Standard' as on March 31, 2021 were allowed to restructure their loans. Restructuring under the proposed framework was able to be invoked up to September 30, 2021 and had to be finalised and implemented within 90 days after invocation of the resolution process (with the last date to implement the restructuring for banks being December 31, 2021). The Resolution Framework 2.0 included rescheduling of loan equated monthly instalments and the granting of a moratorium as per our Board-approved policy. In accordance with Resolution Framework 2.0 and our Board approved policy, our Bank restructured loans that were standard as at March 31, 2021. For the purpose of restructuring, the balance outstanding as at the date of restructuring includes interest accrued as at such date, which is considered to be residual debt, and the equated monthly instalment is fixed for such debt by extending the tenure of the loan, if required. Our Bank also provided initial holidays at the customer's request to start repaying their loan as per Resolution Framework 2.0. Our Bank restructured 706,061 accounts amounting to ₹16,735.77 million as per Resolution Framework 2.0. The table below sets forth certain details of our advances under Resolution Framework 2.0 as at the dates indicated.

Particulars	As at March 31, 2023	As at March 31, 2022
	(₹ in million, except for percentages)	
Gross advances under Resolution Framework 2.0 [A]	1,110.31	9,115.67
Gross advances [B]	141,181.27	121,306.43
Gross advances under Resolution Framework 2.0 as percentage of gross advances [C] = [A] / [B] (%)	0.79	7.51
Gross standard advances under Resolution Framework 2.0	868.33	5,515.25
Provision for gross standard advances under Resolution Framework 2.0	130.73	850.47
Gross NPAs under Resolution Framework 2.0	241.98	3,600.42
Provision for NPAs under Resolution Framework 2.0	92.68	929.88

For further details on loans restructured under Resolution Framework 1.0 and Resolution Framework 2.0, as per the disclosure prepared in line with the RBI Master Direction on Financial Statements – Presentation and Disclosures dated August 30, 2021 (as amended) see "*Financial Statements – Note 19 – Notes to Accounts Forming Part of Restated Financial Information – Disclosures as Laid Down by RBI Circulars – Note 4.8 – Disclosure under Resolution framework for Covid-19 related stress*" on page 302.

Increase in Product Offerings

Prior to Fiscal 2018, all of our loans were Micro Loans. Since then, we have introduced retail advances, which includes gold loans, vehicle loans, mortgage loans, MSME loans, loans to financial institutions and agricultural advances. For more details on our recently introduced asset products, see "*Our Business – Asset Products*" on page 164. We began distributing third party products in Fiscal 2019 when we started distributing the National Pension System, Atal Pension Yojna and third-party general insurance products. In Fiscal 2020, we began distributing third-party life insurance products. In Fiscal 2020, we began offering platinum debit cards, agricultural and MSME loans. In Fiscal 2021, we introduced Gold Loans and loans to financial institutions. Set forth below is a table showing the income from such products and services introduced since Fiscal 2018 and such income as a percentage of our total income for the period and fiscal years stated below.

Particulars	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Income (₹ in million)	% of Total Income	Income (₹ in million)	% of Total Income	Income (₹ in million)	% of Total Income
Retail loans	2,554.68	8.13	1,165.25	5.43	716.92	4.06
Of which:						
Gold loans	*1,818.85*	*5.79*	*677.64*	*3.16*	*361.99*	*2.05*
MSME loans	121.32	0.39	82.41	0.38	19.75	0.11
Loans to financial institutions	435.67	1.39	344.52	1.60	168.23	0.95
Agricultural loans	966.81	3.08	161.54	0.75	2.87	0.02
Third-party products	195.62	0.62	148.74	0.69	88.38	0.50
Platinum debit cards	32.46	0.10	32.65	0.15	18.12	0.10
Total	**4,306.56**	**13.70**	**1,935.05**	**9.01**	**1,014.27**	**5.74**

Changes in Laws, Rules and ***Regulations or the Introduction of New Laws, Rules and Regulations***

We operate in a highly regulated industry and have to adhere to various laws, rules and regulations. For a description of the material laws, rules and regulations applicable to us, see "*Key Regulations and Policies*" on page 186. Any changes in the regulatory environment under which we operate could adversely affect our results of operations and financial condition. In addition, changes in laws and the introduction of new laws applicable to all businesses in India could also adversely affect our results of operation and financial condition. The following has affected our financial condition, results of operation and cash flows.

RBI's 'COVID-19 Regulatory Package' on Asset Classification

For details, see "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Non-Performing Advances and Provisioning Policies*" on page 326.

Government Scheme and Supreme Court Ruling with Respect to Compound Interest during the Moratorium

For details, see "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Effects of the COVID-19 Pandemic*" on page 327.

Auditors' Qualifications, Reservations and Adverse Remarks

There are no reservations, qualifications or adverse remarks highlighted by the respective auditors in their audit reports on our audited financial statements as at and for the years ended March 31, 2023, 2022 and 2021.

The Statutory Auditors have included an emphasis of matters in their audit report on our audited financial statements for Fiscal 2022, noting that the potential impact of the continuing COVID-19 pandemic on our Bank's results are dependent on future developments which are uncertain. The Statutory Auditors' opinion has not been modified in respect of this matter.

The Statutory Auditors have included an emphasis of matters in their audit report on our audited financial statements for Fiscal 2021, noting that that our Bank has recognized additional contingency provision on loans to reflect the continuing uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic. The Statutory Auditors' opinion has not been modified in respect of this matter.

Significant Accounting Policies

The preparation of the Restated Financial Information requires our management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Our Bank's management believes that the estimates used in the preparation of the Restated Financial Information are prudent and reasonable. Actual results could differ from this estimate. Any revision to accounting estimates are recognized prospectively in current and future periods.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to our Bank and the revenue can be reliably measured.

(i) Interest Income is recognized in the Restated Profit and Loss Account on accrual basis, except in the case of non-performing assets. Interest on non- performing assets is recognized on realization basis as per the prudential norms issued by the RBI. Interest is not charged on the delayed remittances for the overdue period on microloans.

(ii) Profit or Loss on sale of investments is recognised in the Restated Profit and Loss Account. However, the profit on sale of investments in the 'Held to Maturity' category is appropriated (net of applicable taxes and amount required to be transferred to statutory reserve) to 'Capital Reserve'.

(iii) Income on non-coupon bearing discounted instruments is recognized over the tenure of the instrument on a straight-line basis. In case of coupon bearing discounted instruments, discount income is recognized over the tenor of the instrument on yield basis.

(iv) Dividend on Investments in shares and units of Mutual Funds are accounted when our Bank's right to receive the dividend is established.

(v) Processing Fee/upfront fee, handling charges and similar charges collected at the time of sanctioning or renewal of loan/facility is recognised at the inception/renewal of loan on upfront basis.

(vi) Other fees and Commission income (including commission income on third party products) are recognised when due, except in cases where our Bank is uncertain of ultimate collection and in case of non performing assets.

(vii) Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis taking into account the amounts outstanding and the rates applicable.

(viii) Guarantee commission is recognised on a straight-line basis over the period of contract.

(ix) Locker rent is recognised on realisation basis.

(x) Fees received on sale of priority sector lending certificates is considered as Miscellaneous income, while fees paid for purchase is expended as other expenditure in accordance with the guidelines issued by RBI on the date of purchase/sale on upfront basis.

Investments

i. Classification:

- Investments are classified into three categories, viz Held to Maturity ("**HTM**"), Available for Sale ("**AFS**") and held for Trading ("**HFT**") at the time of purchase as per guidelines issued by RBI.

- However, for disclosure in the Restated Statement of Assets and Liabilities, Investments in India are classified under six groups - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/Joint Ventures and Others.

- Purchase and sale transactions in securities are recorded under "Settlement Date" accounting.

ii. Basis of Classification:

- Investments that our Bank intends to hold till maturity are classified as HTM category.
- Investments that are held principally for resale within 90 days from the date of purchase are classified under HFT category.
- Investments which are not classified in either of the above two categories are classified under AFS category.

iii. Acquisition Cost:

The Cost of investments is determined on the weighted average basis. Broken period interest in debt instruments and government securities is treated as a revenue item. The transaction cost including brokerage, commission etc. paid at the time of acquisition of investments are charged to the Restated Profit and Loss Account.

iv. Disposal of Investments:

Investments classified as HFT or AFS - Profit or loss on sale or redemption is recognised in the Restated Profit and Loss Account. Investments classified as HTM - Profit on sale or redemption of investments is recognised in the Restated Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale or redemption is recognised in the Restated Profit and Loss Account.

v. Valuation:

- HTM securities are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- AFS and HFT securities are valued periodically as per RBI guidelines.
- The market/fair value for the purpose of periodical valuation of quoted investments included in the AFS and HFT categories is measured with respect to the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. ("**FBIL**"), based on relevant RBI circular.
- The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the YTM rates, shall be with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FBIL. Securities are valued scrip wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.
- Treasury bills and Certificate of Deposits being discounted instruments, are valued at carrying cost. Non Performing investments are identified and valued based on RBI guidelines.

vi. Repo and Reverse Repo Transactions:

In accordance with the RBI guidelines repo and reverse repo transactions in Government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transaction is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

vii. Investment Fluctuation Reserve ("**IFR**")

- With a view to building up of adequate reserves to protect against increase in yields in accordance with RBI guideline, bank started to create an IFR with effect from the Financial Year 2018-19.
- Amount appropriated from Net Profit to IFR is not less than lower of the following:

    i. net profit on sale of investments during the year or

    ii. net profit for the year less mandatory appropriations, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

The amount held in the IFR shall be utilized by way of draw down, in accordance with the provisions of the Reserve Bank of India guidelines.

viii. Short Sales

The short sale transactions in Central Government dated securities undertaken by the bank shall be accounted in the following manner in accordance with RBI guidelines.

- The short position is categorised under HFT category and netted off from investments in Restated Statement of Assets and Liabilities.
- The short position is marked to market at periodical intervals and loss, if any, is charged to the Restated Profit and Loss Account while gain, if any, is ignored.
- Profit/Loss on settlement of the short position is recognised in the Restated Profit and Loss Account.

ix. Transfer of Securities between Categories:

The transfer/shifting of securities between categories of investments is accounted in accordance with the RBI guidelines.

Advances

(i) Advances are classified into performing assets ("**Standard**") and non-performing assets ("**NPA**") as per the RBI guidelines and are stated net of unrealised interest/charges in suspense for non-performing advances and provisions made towards NPAs and principal portion of advance prepaid by customer, if any. Interest/other charges on Non-performing advances is not recognised in Restated Profit and Loss Account and is transferred to an unrealised interest suspense account till the actual realisation. Interest portion of advance prepaid by the customer is disclosed as other liability and recognised to profit and loss account on due basis. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at/or above the minimum required level in accordance with the provisioning policy adopted by our Bank and as per the guidelines and circulars of the RBI on matters relating to prudential norms.

(ii) Provision for standard advances is made as per the extant RBI guidelines. Additional Provision on standard assets is made as per the policy decided by the Board.

(iii) Our Bank transfers advances through interbank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by our Bank is reduced from advances and where our Bank is participating; the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by our Bank is classified under borrowings and where our Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

(iv) Non Performing Advances are written off as per our Bank's policy. Amounts recovered against debts written off/technically written off are recognised in the Restated Profit and Loss account and included under "Other Income".

(v) The Bank considers a restructured account as one where our Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that our Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/securities, which would generally include, among others, alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by our Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines, as amended from time to time. In accordance with RBI guidelines on the prudential framework for restructure of stressed assets and the resolution framework for COVID-19 related stress, our Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

(vi) Priority Sector Lending Certificate ("PSLC"): Our Bank enters into transactions for the sale and/or purchase of PSLCs. In case of a sale transaction, our Bank sells the fulfillment of priority sector obligations and in the case of a purchase transaction, our Bank buys the fulfillment of priority sector obligations through the RBI trading platform. There is no transfer of loan assets or risks. The fees received for the sale of PSLC is recorded as other income and fees paid for purchase of PSLC is recorded as other expenditure in Restated profit and loss account.

(vii) Securitisation Transaction and Direct Assignments:

- Our Bank transfers its loan receivables through Direct Assignment route as well as transfer to Special Purpose Vehicle ("**SPV**").
- The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Sales/transfer that do not meet

true sale criteria are accounted for as borrowings. For a securitization or direct assignment transaction, the Bank recognizes profit upon receipt of that funds and loss is recognized at the time of sale.

- The unrealised gains, associated with expected future margin income is recognised in profit and loss account on receipt of cash, after absorbing losses, if any.

- On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC / RC exceeds the net book value of the loan at the time of transfer.

- In respect of stressed assets sold under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

- Investments in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (SPVs), are accounted at acquisition cost and are classified as investments. Loans bought through the direct assignment route which are classified as advances and are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

Fixed Assets (Property Plant & Equipment and Intangible Assets) and Depreciation / Amortization

- Fixed Assets have been stated at cost less accumulated depreciation and amortisation and adjusted for impairment, if any.

- Cost includes cost of purchase inclusive of freight, duties, incidental expenses and all expenditure like site preparation, installation costs and professional fees incurred on the asset before it is ready to put to use.

- Gains or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Restated Profit and Loss Account.

- Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The management believes that the useful life of assets assessed by our Bank, pursuant to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets, based on technical evaluation done by the management are given below:

Class of Asset (Tangible and Intangible)	**Estimated useful life as assessed by the Bank (in years)**	**Estimated useful life specified under Schedule II of the Companies Act, 2013 (in years)**
Office Equipment	4-5	5
Computers	2-3	3
Furniture & Fixtures	9-10	10
Motor Vehicles	2-5	8
Servers	5	6

- An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to our Bank.

- Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price including after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use following initial recognition. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

- Intangible assets comprising of software is amortised on straight line basis over a period of 4 years, unless it has a shorter useful life.

- For assets purchased/ sold during the year, depreciation is being provided on pro rata basis by our Bank.

- Capital work-in-progress includes costs incurred towards creation of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Impairment of Assets

- The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

- After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Retirement and Employee Benefits

<u>Short Term Employee Benefit</u>

The undiscounted amount of short-term employee benefits which are expected to be paid in exchange for the services rendered by employees are recognised during the year when the employee renders the service.

<u>Long Term Employee Benefit</u>

a. Defined Contribution Plan:

Provident Fund: In accordance with law, all employees of our Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and our Bank contribute monthly at a pre-determined rate. Contribution to provident fund is recognized as expense as and when the services are rendered. Our Bank has no liability for future provident fund benefits other than its fixed contribution**.**

b. Defined Benefit Plan:

Gratuity: Our Bank provides for Gratuity, covering employees in accordance with the Payment of Gratuity Act, 1972. Our Bank's liability is actuarially determined (using Projected Unit Credit Method) at the Balance Sheet date. The actuarial gain or loss arising during the year is recognised in the Restated Profit and Loss Account.

Compensated Absences: The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of our Banks' obligation is actuarially determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains/losses are recognised in the Restated Profit and Loss Account in the year in which they arise.

Share Issue Expenses

- Share issue expenses are adjusted from Share Premium Account as permitted by Section 52 of the Companies Act, 2013 on issue of underlying securities pending which is recognised as "other assets" in the Restated Statement of Assets and Liabilities.

Income Taxes

- Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act,1961. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences being the difference between the taxable income and the accounting income that originate in one year and are capable of reversal in one or more subsequent year(s).

- Deferred tax assets on account of timing differences are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In case of carry forward losses and unabsorbed depreciation, under tax laws, the deferred tax assets are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

- At each reporting date, our Bank 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.

- Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

- The carrying amount of deferred tax assets are reviewed at each reporting date. Our Bank writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

- Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the Restated Statement of Assets and Liabilities date. Changes in deferred tax assets/liabilities on account of changes in enacted tax rates are given effect to in the Restated Profit and Loss Account in the year of change.

Cash and Cash Equivalents

- Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice with an original maturity of three months or less (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

Segment Information

In accordance with guidelines issued by RBI and Accounting Standard 17 (AS-17) on "Segment Reporting", our Bank's business has been segregated into Treasury, Wholesale Banking, Retail Banking Segments and other Banking Operations.

a) Treasury: The treasury segment revenue primarily consists of interest earnings on investments portfolio of the bank, gains or losses on investment operations and earnings from foreign exchange business. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses. Treasury segment liability also includes allocation of deposits received from customers.

b) Wholesale Banking: Wholesale Banking segment provides loans to corporate segment identified on the basis of RBI guidelines. Revenues of this segment consist of interest earned on loans made to corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.

c) Retail Banking: The Retail Banking segment provides loans to non-corporate customers identified on the basis of RBI guidelines and also includes deposits from customers. Revenues of this segment consist of interest earned on loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.

d) Other Banking Operations: This segment includes income from para banking activities such as debit cards, third party product distribution and associated costs. Segment revenues consist of earnings from external customers and other allocated revenues. Segment expenses consist of allocated interest expenses, operating expenses and provisions. Segment results are net of segment revenues and segment expenses. Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth.

e) Unallocated: All items which are reckoned at an enterprise level are classified under this segment. This includes capital, reserves and other un allocable assets and liabilities such as fixed assets, deferred tax, tax paid in advance and income tax provision etc.

Geographical Segment

Since the business operations of our Bank are primarily concentrated in India, our Bank is considered to operate only in the domestic segment.

Earnings Per Share

- Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting/adjusting for attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders and share split.

- For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year.

Provisions and Contingent Assets/Liabilities

- A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of our Bank 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. Our Bank does not recognize a contingent liability but discloses its existence in the Restated Financial Information.

- Our Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Restated Statements of Assets and Liabilities date and adjusted to reflect the current best estimate. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation as at the reporting date. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

- Contingent assets are neither recognized nor disclosed in the Restated Financial Information.

Leases

- Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating lease. Operating lease payments are recognised as an expense in the Restated Profit and Loss Account on a straight-line basis over the lease term in accordance with AS 19 - Leases.

Transactions Involving Foreign Exchange

- All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

- Foreign currency monetary items are reported using the exchange rate prevailing at the Restated Statement of Assets and Liabilities date.

- Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

- Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

Employee Share Based Payments

- The Employee Stock Option Schemes ("**ESOSs**") of our Bank are in accordance with SEBI SBEB & SE Regulations. The Schemes provide for grant of options on equity shares to employees of our Bank to acquire the equity shares of our Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

- In accordance with SEBI SBEB & SE Regulations and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. Fair market value of an equity share, as determined by a Category I Merchant Banker registered with SEBI, based on the Board Approved Financial Statements within one year prior to the date of Grant.

- The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Restated Profit & Loss Account.

Changes in Significant Accounting Polices

There have been no changes in our significant accounting policies for all periods covered in the Restated Financial Information.

Components of our Profit and Loss Account

Income

- Our income consists of interest earned and other income.

- Interest earned comprises (a) interest or discounts on advances or bills, (b) income on investments and (c) interest on balances with the Reserve Bank of India and other inter-bank funds. Our investments consist of (i) Government securities, and (ii) others (which includes certificate of deposits and pass through certificates).

- Our other income primarily comprises (a) commission, exchange and brokerage, (b) net profit on sale of investments, and (c) miscellaneous income.

Expenditure

- Our total expenditure consists of (a) interest expended, (b) operating expenses and (c) provisions and contingencies.

- Our interest expended comprises (a) interest on deposits and (b) interest on Reserve Bank of India and other inter-bank borrowing and (c) others.

- Our operating expenses primarily comprise (a) payments to and provisions for employees, and (b) other operating expenses, including, among others, (i) expenses related to rent, taxes and lighting, (ii) depreciation on fixed assets, (iii) repairs and maintenance, (iv) insurance, and (v) other expenditure, which includes business correspondent expenses, which are the fees and commissions payable by us to our business correspondents.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision towards NPAs, (ii) provision towards standard assets, (iii) provisions made towards taxes, and (iv) other provisions and contingencies, which includes provision for overdue rent deposits and sundry receivable overdue for more than six months.

Results of Operations

Fiscal 2023 Compared to Fiscal 2022

The following table sets forth a summary of our Restated Profit and Loss Account for Fiscals 2023 and 2022:

Particulars	Fiscal 2023		Fiscal 2022	
	Amount (₹ in million)	% of Total Income	Amount (₹ in million)	% of Total Income
Income:				
Interest Earned	28,536.59	90.84	19,399.25	90.33
Other Income	2,879.13	9.16	2,075.83	9.67
Total Income	**31,415.72**	**100.00**	**21,475.08**	**100.00**
Expenditure:				
Interest Expended	10,173.19	32.38	7,927.86	36.92
Operating Expenses	12,305.41	39.17	8,628.71	40.18
Provisions and Contingencies	5,913.79	18.82	4,371.19	20.35
Total Expenditure	**28,392.39**	**90.37**	**20,927.76**	**97.45**
Net Profit for the year	**3,023.33**	**9.63**	**547.32**	**2.55**

<u>Total Income</u>

Our total income increased by ₹9,940.64 million, or 46.29%, to ₹31,415.72 million for Fiscal 2023 from ₹21,475.08 million for Fiscal 2022 as a result of (i) a ₹9,137.34 million, or 47.10%, increase in interest earned to ₹28,536.59 million for Fiscal 2023 from ₹19,399.25 million for Fiscal 2022; and (ii) a ₹803.30 million, or 38.70%, increase in other income to ₹2,879.13 million for Fiscal 2023 from ₹2,075.83 million for Fiscal 2022.

<u>Interest Earned</u>

The table set forth below shows details in relation to our interest earned for Fiscals 2023 and 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase / (decrease) (%)
	(₹ in million)		
Interest/discount on advances/bills	25,320.45	17,267.12	46.64
Income on investments	3,120.44	1,883.08	65.71
Interest on balances with Reserve Bank of India and other inter-bank funds	95.70	249.05	(61.57)
Total	**28,536.59**	**19,399.25**	**47.10**

Our interest earned increased by ₹9,137.34 million, or 47.10%, to ₹28,536.59 million for Fiscal 2023 from ₹19,399.25 million for Fiscal 2022. The primary reasons for this increase are discussed below.

- Interest/discount on advances/bills increased by ₹8,053.33 million, or 46.64%, to ₹25,320.45 million for Fiscal 2023 from ₹17,267.12 million for Fiscal 2022. The increase in interest/discount on advances/bills was primarily due to:

  - a ₹27,799.86 million, or 29.72%, increase in Average Interest-Earning Advances to ₹121,335.33 million for Fiscal 2023 from ₹93,535.47 million for Fiscal 2022, which increase was primarily due to a ₹12,591.88 million, or 16.05%, increase in Average Interest-Earning Micro Loans to ₹91,048.37 million for Fiscal 2023 from ₹78,456.47 million for Fiscal 2022 and a ₹15,207.97 million, or 100.86%, increase in Average Interest-Earning Other Loans to ₹30,286.97 million for Fiscal 2023 from ₹15,079.00 million for Fiscal 2022.

- an increase in the Yield on Average Interest-Earning Advances, which is a non-GAAP financial measure, to 20.87% for Fiscal 2023 from 18.46% for Fiscal 2022. The Yield on Average Interest-Earning Advances, which is a non-GAAP financial measure, increased primarily due to the decrease in gross NPAs to ₹3,516.90 million as at March 31, 2023 from ₹9,495.94 million as at March 31, 2022 (we do not book interest/discount on advances/bills that are NPAs) and due to an increase in interest rates during the year as a result of the increase in repo rates. One of our strategies is to continue to grow our Micro Loans while increasing our other categories of advances both in absolute terms and as a percentage of total advances. For details, see "*Our Business – Our Strategies – Continue to grow our Micro Loans while increasing our other categories of advances both in absolute terms and as a percentage of total advances*" on page 163. The Yield on Average Interest-Earning Micro Loans, which is a non-GAAP financial measure, increased to 23.49% for Fiscal 2023 from 19.91% for Fiscal 2022 and the Yield on Average Interest-Earning Other Loans, which is a non-GAAP financial measure, increased to 12.99% for Fiscal 2023 from 10.93% for Fiscal 2022 due to the rising interest rate environment.

- Income on investments increased by ₹1,237.36 million, or 65.71%, to ₹3,120.44 million for Fiscal 2023 from ₹1,883.08 million for Fiscal 2022. This increase was primarily due to the increase in our Average Interest-Earning Investments by ₹17,872.74 million, or 59.05%, to ₹48,137.45 million for Fiscal 2023 from ₹30,264.71 million for Fiscal 2022, and an increase in the Yield on Average Interest-Earning Investments, which is a non-GAAP financial measure, to 6.48% for Fiscal 2023 from 6.22% for Fiscal 2022 in line with the rise in interest rates during the year.

- Interest on balances with RBI and other inter-bank funds decreased by 61.57% to ₹95.70 million for Fiscal 2023 from ₹249.05 million for Fiscal 2022. This decrease was primarily due to a decrease in our Average Interest-Earning Balances, by a ₹6,374.23 million, or 70.87%, with RBI and other Inter-Bank Funds to ₹2,620.25 million for Fiscal 2023 from ₹8,994.48 million for Fiscal 2022, which was partially offset by increase in the Yield on Average Interest-Earning Balances with RBI and other Inter-Bank Funds, which is a non-GAAP financial measure, to 3.65% for Fiscal 2023 from 2.77% for Fiscal 2022 in line with the increase in reverse repo rates during the year.

Other Income

The table set forth below shows details in relation to our other income for Fiscals 2023 and 2022.

Particulars	Fiscal 2023	Fiscal 2022	Percentage increase /(decrease) (%)
	(₹ in million)		
Commission, exchange and brokerage	1,994.83	1,507.23	32.35
Profit on sale of investments (Net)	156.35	435.14	(64.07)
Profit/(loss) on revaluation of investments (Net)	(913.88)	(233.06)	(292.12)
Profit/(loss) on sale of land, buildings and other assets (Net)	(3.38)	0.06	(5,733.33)
Profit on foreign exchange transactions (Net)	11.12	9.24	20.35
Income earned by way of dividends etc. from companies	2.04	1.56	30.77
Miscellaneous income	1,632.05	355.66	358.88
Total	**2,879.13**	**2,075.83**	**38.70**

Our other income increased by ₹803.30 million, or 38.70%, to ₹2,879.13 million for Fiscal 2023 from ₹2,075.83 million for Fiscal 2022. The primary reasons for this increase are as follows:

- the increase in miscellaneous income by ₹1,276.39 million, or 358.88% to ₹1,632.05 million for Fiscal 2023 from ₹356.66 million for Fiscal 2022, which was primarily due to (i) a ₹612.11 million, or 766.48%, increase in recovery from written off accounts to ₹691.97 million for Fiscal 2023 from ₹79.85 million for Fiscal 2022, (ii) ₹380.90 million cash received on the sale of technical written of portfolio for Fiscal 2023 from nil for Fiscal 2022 and (iii) by ₹86.42 million, or 50.46%, increase in fees received on the sale of priority sector lending certificates to ₹257.70 million for Fiscal 2023 from ₹171.28 million for Fiscal 2022;

- the increase in commission, exchange and brokerage by a ₹487.60 million, or 32.35%, to ₹1,994.83 million for Fiscal 2023 from ₹1,507.23 million for Fiscal 2022, which was primarily due to a ₹336.89 million, or 31.07%, increase in the processing fees on our loans to ₹1,421.19 million for Fiscal 2023 from ₹1,083.10 million for Fiscal 2022;

- the increase in our service charges collected from deposit customers by ₹67.87 million, or 55.21%, to ₹190.81 million for Fiscal 2023 from ₹122.93 million for Fiscal 2022;

- the increase in our income on ATM transactions by ₹35.95 million, or 23.78%, to ₹187.17 million for Fiscal 2023 from ₹151.22 million for Fiscal 2022, which increase was due to a 36.79% increase in the number of our ATMs to 528 as at March 31, 2023 from 386 as at March 31, 2022.

The above increases were partially offset by a ₹680.82 million decrease in our income resulting from a mark to market loss of ₹913.88 million in our investment portfolio for Fiscal 2023 compared to our mark to market gain of ₹233.06 million for Fiscal 2022, which was mainly on account of the (i) increases in yields on Government securities, which led to the corresponding depreciation of such securities; and (ii) 100.00% provision of ₹714.60 million that was made for security receipts due to the sale of ₹10,479.53 million of NPAs to an asset reconstruction company.

Total Expenditure

Our total expenditure increased by ₹7,464.63 million, or 35.67%, to ₹28,392.39 million for Fiscal 2023 from ₹20,927.76 million for Fiscal 2022. The primary reasons for this increase are discussed below:

Interest Expended

Our interest expended increased by ₹2,245.33 million, or 28.32%, to ₹10,173.19 million for Fiscal 2023 from ₹7,927.86 million for Fiscal 2022. The primary reasons for this increase are discussed below.

- Interest on deposits increased by ₹1,588.72 million, or 23.40%, to ₹8,377.18 million for Fiscal 2023 from ₹6,788.46 million for Fiscal 2022, which was due to a 26.75% increase in Average Deposits to ₹135,740.03 million for Fiscal 2023 from ₹107,089.73 million for Fiscal 2022, which was partially offset by a decrease in the Cost of Average Deposits, which is a non-GAAP financial measure, to 6.17% for Fiscal 2023 from 6.34% for Fiscal 2022.

- Interest on Reserve Bank of India/inter-bank borrowings and others increased by ₹656.61 million, or 57.63%, to ₹1,796.01 million for Fiscal 2023 from ₹1,139.40 million for Fiscal 2022. This increase was due to a ₹9,842.98 million, or 52.36%, increase in Average Borrowings to ₹28,640.15 million for Fiscal 2023 from ₹18,797.17 million for Fiscal 2022 and an increase in the Cost of Average Borrowings, which is a non-GAAP financial measure, to 6.27% for Fiscal 2023 from 6.06% for Fiscal 2022.

Operating Expenses

The table below sets forth details in relation to our operating expenses for Fiscal 2023 and Fiscal 2022.

Particulars	**Fiscal 2023**	**Fiscal 2022**	**Percentage increase /(decrease)(%)**
	(₹ in million)		
Payments to and provisions for employees	2,779.98	2,321.37	19.76
Rent, taxes and lighting	748.01	600.21	24.62
Printing and stationery	73.80	67.42	9.46
Advertisement and publicity	154.68	58.97	162.30
Depreciation on Bank's Property	417.89	327.74	27.51
Director's fees, allowances and expenses	16.28	14.80	10.00
Auditor's fees and expenses	14.21	7.49	89.72
Law charges	10.41	4.33	140.42
Postage, Telegrams, Telephones etc.	189.50	109.42	73.19
Repairs and maintenance	46.98	17.62	166.63
Insurance	150.90	127.33	18.51
Other expenditure(1)	7,702.77	4,972.01	54.92
Total	**12,305.41**	**8,628.71**	**42.61**

Notes:
(1) Includes business correspondent expense of ₹5,442.36 million and ₹3,486.58 million for Fiscals 2023 and 2022, respectively.

Our operating expenses increased by ₹3,676.70 million, or 42.61%, to ₹12,305.41 million for Fiscal 2023 from ₹8,628.71 million for Fiscal 2022. The primary reasons for this increase are discussed below.

- Other expenditure increased by ₹2,730.76 million, or 54.92% to ₹7,702.77 million for Fiscal 2023 from ₹4,972.01 million for Fiscal 2022, which was primarily due to a ₹1,955.78 million, or 56.09% increase in our business correspondent expense to ₹5,442.36 million for Fiscal 2023 from ₹3,486.58 million for Fiscal 2022, which was primarily due to an increase in the amount collected on loans sourced through business correspondents by ₹63,036.25 million, or 210.86%, to ₹92,931.12 million for Fiscal 2023 from ₹29,894.87 million for Fiscal 2022

- Payments to and provisions for employees increased by ₹458.61 million, or 19.76%, to ₹2,779.98 million for Fiscal 2023 from ₹2,321.37 million for Fiscal 2022, which was primarily due to a 21.56% increase in our number of employees to 5,034 as at March 31, 2023 from 4,141 as at March 31, 2022 and salary increments given to employees.

- Rent, taxes and lighting increased by ₹147.80 million, or 24.62%, to ₹748.01 million for Fiscal 2023 from ₹600.21 million for Fiscal 2022, which was primarily due to a 12.85% increase in our number of Branches to 641 as at March

31, 2023 from 573 as at March 31, 2022 and also on account of additional space being leased for existing Branches to facilitate building renovations as well as increases in rents for certain existing Branches.

Provisions and Contingencies

The table set forth below shows details in relation to our provisions and contingencies for Fiscal 2023 and Fiscal 2022.

Particulars	**Fiscal 2023**	**Fiscal 2022**	**Percentage increase /(decrease)(%)**
	(₹ in million)		
Provision towards NPA/Write offs [A]	6,108.13	3,208.42	90.38
Provision towards/(write-back of provision towards) Standard Assets [B]	(1,281.08)[(1)]	936.22[(2)]	N.C.
Provision made towards income tax:			
Current tax expense[(2)] [C]	771.17	485.00[(3)]	59.00
Deferred tax charge (credit) [D]	265.94	(293.82)	190.51
Total provision made towards income tax [E] = [C] + [D]	***1,037.12***	***191.18***	***442.48***
Other Provision and Contingencies [F]	49.63	35.37	40.31
Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]	**5,913.79**	**4,371.19**	**35.29**

Notes:

(1) Includes provision of ₹153.30 million for Fiscal 2023 regarding additional contingency provisions for SMA-2 advances.

(2) Includes provision of ₹256.60 million for Fiscal 2022 regarding additional contingency provisions for the potential impact of COVID-19, respectively.

(3) Net write-back of provision for earlier years less ₹20.00 million for Fiscal 2022.

Our provisions and contingencies increased by ₹1,542.60 million, or 35.29%, to ₹5,913.79 million for Fiscal 2023 from ₹4,371.19 million for Fiscal 2022. The primary reasons for this increase are discussed below.

- Provision towards NPA/write offs increased by ₹2,899.71 million, or 90.38%, to ₹6,108.13 million for Fiscal 2023 from ₹3,208.42 million for Fiscal 2022. The primary reason for the increase in the provision towards NPA/write offs was a ₹3,540.65 million, or 92.80%, increase in additions to provisions towards NPAs to ₹7,355.97 million for Fiscal 2023 from ₹3,815.32 million for Fiscal 2022, which was due to gross NPAs (before sale of NPAs to an asset reconstruction company and write-offs (including technical write-offs) increasing to ₹14,347.12 million as at March 31, 2023 from ₹9,495.94 million as at March 31, 2022, which increase was primarily due to loans disbursed to borrowers during the COVID-19 pandemic. The sale of NPAs to an asset reconstruction company was ₹5,882.76 million in Fiscal 2023 compared to nil in Fiscal 2022. Write-offs (including technical write-offs) were ₹4,965.95 million in Fiscal 2023 compared to ₹744.55 million in Fiscal 2022.

- Current tax expense increased by ₹286.17 million, or 59.00%, to ₹771.17 million for Fiscal 2023 from ₹485.00 million for Fiscal 2022. The primary reasons for this increase was a 449.82% increase in our Net Profit Before Tax (net profit for the year plus provisions made towards income tax) to ₹4,060.45 million for Fiscal 2023 from ₹738.50 million for Fiscal 2022. We had a deferred tax charge of ₹265.94 million for Fiscal 2023 compared to a deferred tax credit of ₹293.82 million for Fiscal 2022. Our deferred tax charge for Fiscal 2023 was primarily due to the write-back of provisions for Standard Assets due to contingency for SMA-2 advances and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPAs. Our deferred tax credit in Fiscal 2022 was primarily due to provisions towards standard advances. As a result of the foregoing, our total provision made towards income tax increased by ₹845.94 million, or 442.48%, to ₹1,037.12 million for Fiscal 2023 from ₹191.18 million for Fiscal 2022. Our total provisions made towards income tax as a percentage of Net Profit Before Tax were 25.54% and 25.89% for Fiscals 2023 and 2022, respectively, compared to the applicable corporate income tax of 25.17% (including applicable surcharges and cess) for both Fiscals 2023 and 2022.

The above increases were partially offset by the fact that we had had a write-back of provision towards Standard Assets of ₹1,281.08 million for Fiscal 2023 compared to a provision towards Standard Assets of ₹936.22 million for Fiscal 2022. The write-back of provision towards Standard Assets of ₹1,281.08 million for Fiscal 2023 was primarily due to the write-back of provisions for Standard Assets of ₹528.40 million made in response to the COVID-19 contingency, which subsequently abated and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPAs of ₹722.20 million in Fiscal 2023.

Net Profit for the Year

As a result of the above, our net profit for the year increased by ₹2,476.01 million, or 452.39%, to ₹3,023.33 million for Fiscal 2023 from ₹547.32 million for Fiscal 2022.

Fiscal 2022 Compared to Fiscal 2021

The following table sets forth a summary of our Restated Profit and Loss Account for Fiscals 2022 and 2021:

Particulars	Fiscal 2022		Fiscal 2021	
	Amount (₹ in million)	**% of Total Income**	**Amount (₹ in million)**	**% of Total Income**
Income:				
Interest Earned	19,399.25	90.33	16,411.73	92.80
Other Income	2,075.83	9.67	1,272.48	7.20
Total Income	**21,475.08**	**100.00**	**17,684.21**	**100.00**
Expenditure:				
Interest Expended	7,927.86	36.92	7,195.82	40.69
Operating Expenses	8,628.71	40.18	6,318.55	35.73
Provisions and Contingencies	4,371.19	20.35	3,115.88	17.62
Total Expenditure	**20,927.76**	**97.45**	**16,630.25**	**94.04**
Net Profit for the year	**547.32**	**2.55**	**1,053.96**	**5.96**

Total Income

Our total income increased by ₹3,790.87 million, or 21.44%, to ₹21,475.08 million for Fiscal 2022 from ₹17,684.21 million for Fiscal 2021 as a result of (i) a ₹2,987.52 million, or 18.20%, increase in interest earned to ₹19,399.25 million for Fiscal 2022 from ₹16,411.73 million for Fiscal 2021; and (ii) a ₹803.35 million, or 63.13%, increase in other income to ₹2,075.83 million for Fiscal 2022 from ₹1,272.48 million for Fiscal 2021.

Interest Earned

The table set forth below shows details in relation to our interest earned for Fiscals 2022 and 2021.

Particulars	Fiscal 2022	Fiscal 2021	Percentage increase / (decrease) (%)
	(₹ in million)		
Interest/discount on advances/bills	17,267.12	14,735.06	17.18
Income on investments	1,883.08	1,283.26	46.74
Interest on balances with Reserve Bank of India and other inter-bank funds	249.05	393.41	(36.69)
Total	**19,399.25**	**16,411.73**	**18.20**

Our interest earned increased by ₹2,987.52 million, or 18.20%, to ₹19,399.25 million for Fiscal 2022 from ₹16,411.73 million for Fiscal 2021. The primary reasons for this increase are discussed below.

- Interest/discount on advances/bills increased by ₹2,532.06 million, or 17.18%, to ₹17,267.12 million for Fiscal 2022 from ₹14,735.06 million for Fiscal 2021.
    - The increase in interest/discount on advances/bills was primarily due to a ₹20,365.36 million, or 27.83%, increase in Average Interest-Earning Advances to ₹93,535.47 million for Fiscal 2022 from ₹73,170.11 million for Fiscal 2021, which increase was primarily due to a ₹12,932.90 million, or 19.74%, increase in Average Interest-Earning Micro Loans to ₹78,456.47 million for Fiscal 2022 from ₹65,523.57 million for Fiscal 2021 and a ₹7,432.46 million, or 97.20%, increase in Average Interest-Earning Other Loans to ₹15,079.00 million for Fiscal 2022 from ₹7,646.54 million for Fiscal 2021.
    - The increase in Average Interest-Earning Advances was partially offset by a decrease in the Yield on Average Interest-Earning Advances, which is a non-GAAP financial measure, to 18.46% for Fiscal 2022 from 20.14% for Fiscal 2021. The Yield on Average Interest-Earning Advances decreased primarily due to the increase in gross NPAs to ₹9,495.94 million as at March 31, 2022 from ₹5,639.97 million as at March 31, 2021 (we do not book interest/discount on advances/bills that are NPAs) and due to a decrease in the percentage of Average Interest-Earning Micro Loans (which have a higher yield than our other loans) in our Average Interest-Earning Advances to 83.87% for Fiscal 2022 from 89.55% for Fiscal 2021. One of our strategies is to continue to grow our Micro Loan business while increasing our other categories of advances both in absolute terms and as a percentage of total advances. For details, see "*Our Business–Our Strategies–Continue to grow our Micro Loan business while increasing our other categories of advances both in absolute terms and as a percentage of total advances*" on page 163. The Yield on Average Interest-Earning Micro Loans, which is a non-GAAP financial measure, decreased to 19.91% for Fiscal 2022 from 21.16% for Fiscal 2021 and the Yield on Average Interest-Earning Other Loans, which is a non-GAAP financial measure, decreased to 10.93% for Fiscal 2022 from 11.42% for Fiscal 2021, which decreases were primarily due to increase in NPA and non-recognition of interest thereon.
- Income from investments increased by ₹599.82 million, or 46.74%, to ₹1,883.08 million for Fiscal 2022 from ₹1,283.26 million for Fiscal 2021. This decrease was primarily due to the increase in our Average Interest-Earning Investments by ₹10,938.70 million, or 56.60%, to ₹30,264.71 million for Fiscal 2022 from ₹19,326.01 million for Fiscal 2021, which was partially offset by a decrease in the Yield on Average Interest-Earning Investments, which is a non-GAAP financial measure, to 6.22% for Fiscal 2022 from 6.64% for Fiscal 2021.

- Interest on balances with RBI and other inter-bank funds decreased by 36.69% to ₹249.05 million for Fiscal 2022 from ₹393.41 million for Fiscal 2021. This decrease was due to the decrease in our Average Interest-Earning Balances with RBI and other Inter-Bank Funds by ₹1,188.00 million, or 11.67%, to ₹8,994.48 million for Fiscal 2022 from ₹10,182.48 million for Fiscal 2021 and a decrease in the Yield on Average Interest-Earning Balances with RBI and other Inter-Bank Funds, which is a non-GAAP financial measure, to 2.77% for Fiscal 2022 from 3.86% for Fiscal 2021.

Other Income

The table set forth below shows details in relation to our other income for Fiscals 2022 and 2021.

Particulars	Fiscal 2022	Fiscal 2021	Percentage increase /(decrease) (%)
	(₹ in million)		
Commission, exchange and brokerage	1,507.23	645.01	133.68
Profit on sale of investments (Net)	435.14	230.40	88.86
Profit/(loss) on revaluation of investments (Net)	(233.06)	11.44	(2,137.24)
Profit/(loss) on sale of land, buildings and other assets (Net)	0.06	(23.34)	100.26
Profit on foreign exchange transactions (Net)	9.24	5.48	68.61
Income earned by way of dividends etc. from companies	1.56	1.10	41.82
Miscellaneous income	**355.66**	402.39	(11.61)
Total	**2,075.83**	**1,272.48**	**63.13**

Our other income increased by ₹803.35 million, or 63.13%, to ₹2,075.83 million for Fiscal 2022 from ₹1,272.48 million for Fiscal 2021. The primary reasons for this increase are as follows:

- the increase in commission, exchange and brokerage by ₹862.22 million, or 133.68%, to ₹1,507.23 million for Fiscal 2022 from ₹645.01 million for Fiscal 2021, which was primarily due to the increase in the processing fees on our loans by ₹647.76 million, or 148.38%, to ₹1,083.10 million for Fiscal 2022 from ₹435.68 million for Fiscal 2021;

- the increase in our service charges collected from deposit customers by ₹90.57 million, or 217.72%, to ₹122.93 million for Fiscal 2022 from ₹36.13 million for Fiscal 2021; and

- the increase in our income on ATM transactions by ₹67.32 million, or 80.24%, from ₹83.90 million for Fiscal 2021 to ₹151.22 million for Fiscal 2022, which increase was due to a 21.38% increase in the number of our ATMs from 318 as at March 31, 2021 to 386 as at March 31, 2022 and also on account of the usage of our Bank's ATM cards in other Banks' ATMs machine, which generated revenue for our Bank.

The above increases were partially offset by a ₹244.50 million decrease in our income resulting from provision for depreciation on investments of ₹233.06 million to our investment portfolio for Fiscal 2022 as compared to a write back for depreciation on investments of ₹11.44 million for Fiscal 2021, which was mainly on account of the rise in yields on Government securities, which led to the corresponding depreciation of such securities.

Total Expenditure

Our total expenditure increased by ₹4,297.51 million, or 25.84%, to ₹20,927.76 million for Fiscal 2022 from ₹16,630.25 million for Fiscal 2021. The primary reasons for this increase are discussed below:

Interest Expended

Our interest expended increased by ₹732.04 million, or 10.17%, to ₹7,927.86 million for Fiscal 2022 from ₹7,195.82 million for Fiscal 2021. The primary reasons for this increase are discussed below.

- Interest on deposits increased by ₹742.78 million, or 12.29%, to ₹6,788.46 million for Fiscal 2022 from ₹6,045.68 million for Fiscal 2021, which was due to a 32.35% increase in Average Interest-Bearing Deposits to ₹107,089.73 million for Fiscal 2022 from ₹80,911.38 million for Fiscal 2021, which was partially offset by a decrease in the Cost of Average Interest-Bearing Deposits, which is a non-GAAP financial measure, to 6.34% for Fiscal 2022 from 7.47% for Fiscal 2021.

- Interest on Reserve Bank of India/inter-bank borrowings and others decreased by ₹10.74 million, or 0.93%, to ₹1,139.40 million for Fiscal 2022 from ₹1,150.14 million for Fiscal 2021. This was primarily due to a decrease in the Cost of Average Borrowings, which is a non-GAAP financial measure, to 6.06% for Fiscal 2022 from 8.03% for Fiscal 2021, which was partially offset by a ₹4,469.66 million, or 31.20%, increase in Average Borrowings to ₹18,797.17 million for Fiscal 2022 from ₹14,327.51 million for Fiscal 2021.

Operating Expenses

The table below sets forth details in relation to our operating expenses for Fiscal 2022 and Fiscal 2021.

Particulars	Fiscal 2022	Fiscal 2021	Percentage increase /(decrease)(%)
	(₹ in million)		
Payments to and provisions for employees	2,321.37	1,877.84	23.62
Rent, taxes and lighting	600.21	420.39	42.77
Printing and stationery	67.42	52.91	27.42
Advertisement and publicity	58.97	27.10	117.60
Depreciation on Bank's Property	327.74	285.73	14.70
Director's fees, allowances and expenses	14.80	14.04	5.41
Auditor's fees and expenses	7.49	6.30	18.89
Law charges	4.33	2.61	65.90
Postage, Telegrams, Telephones etc.	109.42	91.68	19.35
Repairs and maintenance	17.62	15.78	11.66
Insurance	127.33	108.35	17.52
Other expenditure(1)	4,972.01	3,415.82	45.56
Total	**8,628.71**	**6,318.55**	**36.56**

Note:

(1) Includes business correspondent expense of ₹3,486.58 million and ₹2,328.08 million for the year ended March 31, 2022 and 2021, respectively.

Our operating expenses increased by ₹2,310.16 million, or 36.56%, to ₹8,628.71 million for Fiscal 2022 from ₹6,318.55 million for Fiscal 2021. The primary reasons for this increase are discussed below.

- Other expenditure increased by ₹1,556.19 million, or 45.56%, to ₹4,972.01 million for Fiscal 2022 from ₹3,415.82 million for Fiscal 2021, which was primarily due to a ₹1,158.50 million, or 49.76%, increase in our business correspondent expense to ₹3,486.58 million for Fiscal 2022 from ₹2,328.08 million for Fiscal 2021 which was due to a ₹12,932.90 million, or 19.74%, increase in our Average Interest-Earning Micro Loans to ₹78,456.47 million for Fiscal 2022 from ₹65,523.57 million for Fiscal 2021.

- Payments to and provisions for employees increased by ₹443.53 million, or 23.62%, to ₹2,321.37 million for Fiscal 2022 from ₹1,877.84 million for Fiscal 2021, which was primarily due to a 8.88% increase in our number of employees to 4,141 as at March 31, 2022 from 3,803 as at March 31, 2021 and increments given to employees.

- Rent, taxes and lighting increased by ₹179.82 million, or 42.77%, to ₹600.21 million for Fiscal 2022 from ₹420.39 million for Fiscal 2021, which was primarily due to the increase in rent payable in our lease agreements and a 5.45% increase in our number of Branches to 573 as at March 31, 2022 from 550 as at March 31, 2021.

Provisions and Contingencies

The table set forth below shows details in relation to our provisions and contingencies for Fiscal 2022 and Fiscal 2021.

Particulars	Fiscal 2022	Fiscal 2021	Percentage increase /(decrease)(%)
	(₹ in million)		
Provision towards NPA/Write offs [A]	3,208.42	1,887.40	69.99
Provision towards Standard Assets [B]	936.22(1)	925.52(2)	1.16
Provision made towards income tax:			
Current tax expense(1) [C]	485.00(3)	602.48	(19.50)
Deferred tax charge (credit) [D]	(293.82)	(242.70)	21.06
Total provision made towards income tax [E] = [C] + [D]	***191.18***	***359.78***	***46.86***
Other Provision and Contingencies [F]	35.37	(56.82)	162.25
Total Provisions and Contingencies [G] = [A] + [B] + [E] + [F]	**4,371.19**	**3,115.88**	**40.29**

Notes:

(1) Includes ₹660.60 million for Fiscal 2022 for provision against the potential impact of COVID-19.
(2) Includes ₹404.00 million for Fiscal 2021 for provision against the potential impact of COVID-19.
(3) Net write-back of provision for earlier years less ₹20.00 million for Fiscal 2022.

Our provisions and contingencies increased by ₹1,255.31 million, or 40.29%, to ₹4,371.19 million for Fiscal 2022 from ₹3,115.88 million for Fiscal 2021. The primary reasons for this increase are discussed below.

- Provision towards NPA/write offs increased by ₹1,321.02 million, or 69.99%, to ₹3,208.42 million for Fiscal 2022 from ₹1,887.40 million for Fiscal 2021. The primary reason for the increase in the provision towards NPA/write offs was a ₹1,870.77 million, or 96.21%, increase in additions during the year to ₹3,815.32 million for Fiscal 2022 from ₹1,944.55 million for Fiscal 2021, which was due to gross NPAs increasing to ₹9,495.94 million as at March 31, 2022 from ₹5,639.97 million as at March 31, 2021, which increase was primarily due to cash flows disbursed to the borrowers on account of the COVID-19 pandemic.

- Provision towards other provisions and contingencies increased by ₹92.19 million to ₹35.37 million for Fiscal 2022 compared to a write-back of ₹56.82 million for Fiscal 2021. The primary reasons for this increase were due to a write-back of provision in Fiscal 2021 for wage arrears of ₹48.00 million and also a write-back of provision in Fiscal 2021 for pending claims from insurance companies on the demise of borrowers amounting to ₹6.90 million as compared to the requirement of provision for pending claims from insurance companies on the demise of borrowers of ₹29.00 million during Fiscal 2022.

The above increases were partially offset by our provision made towards current tax expenses decreasing by ₹117.48 million, or 19.50%, to ₹485.00 million for Fiscal 2022 from ₹602.48 million for Fiscal 2021. The primary reasons for this decrease was a 47.76% decrease in our Net Profit Before Tax (net profit for the year plus provisions made towards income tax**)** to ₹738.50 million for Fiscal 2022 from ₹1,413.73 million for Fiscal 2021. In addition, we had a deferred tax credit of ₹293.82 million for Fiscal 2022 compared to a deferred tax credit of ₹242.70 million for Fiscal 2021. Our deferred tax credits in Fiscals 2022 and 2021 were primarily due to provisions towards standard advances. As a result of the foregoing, our total provision made towards income tax decreased by ₹168.60 million, or 46.86%, to ₹191.18 million for Fiscal 2022 from ₹359.78 million for Fiscal 2021. Our total provisions made towards income tax as a percentage of Net Profit Before Tax were 25.89% and 25.45% for Fiscals 2022 and 2021, respectively, compared to the applicable corporate income tax of 25.17% (including applicable surcharges and cess) for both Fiscals 2022 and 2021.

Net Profit for the Year

As a result of the above, our net profit for the year decreased by ₹506.64 million, or 48.07%, to ₹547.32 million for Fiscal 2022 from ₹1,053.96 million for Fiscal 2021.

Financial Condition

Statement of Assets and Liabilities

Our assets as at the period/year end are set out below*:*

Particulars	**As at March 31,**		
	2023	**2022**	**2021**
	(₹ in million)		
Cash and Balances with the Reserve Bank of India	7,395.48	13,006.68	16,180.72
Balance with Banks and Money at Call and Short Notice	275.01	2,112.36	2,010.54
Investments	48,885.28	40,702.98	19,320.69
Advances	139,243.31	116,370.05	81,675.86
Fixed Assets	1,879.27	1,594.75	1,385.12
Other Assets	4,558.22	3,288.82	2,813.59
Total Assets	**202,236.57**	**177,075.64**	**123,386.52**

Cash and Balances with the Reserve Bank of India

Cash and balances with the RBI decreased to ₹13,006.68 million as at March 31, 2022 from ₹16,180.72 million as at March 31, 2021 primarily due to a decrease in balances with the RBI in other accounts from ₹11,900.00 million as at March 31, 2021 to ₹6,340.00 million as at March 31, 2022 which was primarily due to higher excess liquidity parked with RBI in reverse repo transactions during Fiscal 2021. Cash and balances with the RBI decreased further to ₹7,395.48 million as at March 31, 2023 primarily due to a decrease in balances with the RBI in other accounts from ₹6,340.00 million as at March 31, 2022 to nil as at March 31, 2023 which was primarily due to higher excess liquidity parked with RBI in reverse repo transactions during Fiscal 2022. This decrease was partially offset by an increase in cash in hand, from ₹1,466.22 million as at March 31, 2022 to ₹1,544.46 million as at March 31, 2023.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice increased to ₹2,112.36 million as at March 31, 2022 from ₹2,010.54 million as at March 31, 2021 primarily due to an increase in money at call and short notice to ₹1,750.00 million as at March 31, 2022 from nil as at March 31, 2021. This increase was partially offset by a decrease in balances with banks in current accounts from ₹2,007.23 million as at March 31, 2021 to ₹356.11 million as at March 31, 2022. Balances with banks and money at call and short notice decreased to ₹275.01 million as at March 31, 2023 primarily due to a decrease in money at call and short notice to nil as at March 31, 2023 from ₹1,750.00 million as at March 31, 2022 and the decrease in balances with banks in current accounts from ₹356.11 million as at March 31, 2022 to ₹268.76 million as at March 31, 2023.

Investments

Our investments increased to ₹40,702.98 million as at March 31, 2022 from ₹19,320.69 million as at March 31, 2021 primarily due to an increase in Government securities to ₹39,940.96 million as at March 31, 2022 from ₹18,889.75 million as at March 31, 2021 and an increase in others from ₹349.27 million as at March 31, 2021 to ₹608.09 million as at March 31, 2022. Our investments further increased to ₹48,885.28 million as at March 31, 2023 primarily due to an increase in Government securities to ₹47,421.02 million as at March 31, 2023 from ₹39,940.96 million as at March 31, 2022, and an increase in others from ₹608.09 million as at March 31, 2022 to ₹1,347.64 million as at March 31, 2023.

Advances

The table below sets forth our advances (net of provisions) by (i) Micro Loans (comprising our Microfinance Loans and Other Micro Loans) and (ii) other loans (comprising (a) retail loans, (b) MSME loans, (c) loans to financial institutions and (d) agricultural loans (collectively "**Other Loans**")) as at the dates indicated.

Advances (net of provisions)	As at March 31, 2023 (₹ in million)	% increase / (decrease) from March 31, 2022	As at March 31, 2022 (₹ in million)	% increase / (decrease) from March 31, 2021	As at March 31, 2021 (₹ in million)
Micro Loans(1)	98,751.17	5.70	93,429.52	35.39	69,006.54
Other Loans	40,492.14	76.50	22,940.53	81.07	12,669.32
Total	**139,243.31**	**19.66**	**116,370.05**	**42.48**	**81,675.86**

Note:

(1) *Our Micro Loans comprise our Microfinance Loans and Other Micro Loans. Microfinance Loans and Other Micro Loans are provided to individuals without being secured by collateral. In order to be given a loan, an individual must be part of a sub-group, which usually comprises two to 10 people. One to five sub-groups combine to form a "sangam". The sangam facilitates the repayment process and other activities among the individuals by holding meetings at regular intervals with sangam members. Until the introduction of the RBI Regulatory Framework for Microfinance Loans Direction, 2022, we considered all of our loans to individuals who were members of a sub-group to be Micro Loans. Effective October 17, 2022, we segregated our Micro Loans into Microfinance Loans and Other Micro Loans.*

Our advances (net of provisions) increased to ₹116,370.05 million as at March 31, 2022 from ₹81,675.86 million as at March 31, 2021, which increase was due to a ₹24,422.98 million, or 35.39%, increase in Micro Loans and a ₹10,721,21 million, or 81.07%, increase in Other Loans. Our advances (net of provisions) increased from ₹116,370.05 million as at March 31, 2022 to ₹139,243.31 million as at March 31, 2023, which increase was due to a ₹17,551.61 million, or 76.50%, increase in Other Loans and a ₹5,321.64 million, or 5.70%, increase in Micro Loans.

Due to the nation-wide lockdown implemented in response to the COVID-19 pandemic, disbursement activities for all loans were almost stopped entirely during the month of April and were severely curtailed in May 2020. Effective June 1, 2020, loan disbursement activities started functioning again in most of the centres, except in those areas where the effect of COVID-19 was severe and the respective state governments imposed restrictions on various activities. For a table a showing our disbursements for various months and periods, see "– *Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Effects of the COVID-19 Pandemic – Effects of the Moratorium and the Supreme Court's Orders*" on page 327.

Fixed Assets

Our fixed assets, which primarily comprise office equipment, computers, furniture & fixtures, motor vehicles and servers, increased from ₹1,385.12 million as at March 31, 2021 to ₹1,594.75 million as at March 31, 2022 and further increased to ₹1,879.27 million as at March 31, 2023. These increases were primarily due to the purchase of office equipment, computers, furniture & fixtures for new banking outlets and purchase of IT assets/ software and other constructions at our corporate office. We had 550 Branches as at March 31, 2021, 573 Branches as at March 31, 2022 and 641 Branches as at March 31, 2023.

Other Assets

Our other assets primarily comprise: (1) interest accrued, (2) tax paid in advance / tax deducted at source (net of provision), (3) deferred tax asset (net) and (4) others (e.g., GST input credit, security deposits, NEFT/RTGS settlement receivable and prepaid expenses).

Our other assets increased to ₹3,288.82 million as at March 31, 2022 from ₹2,813.59 million as at March 31, 2021 due to an increase in (i) interest accrued from ₹678.07 million as at March 31, 2021 to ₹1,091.55 million as at March 31, 2022 on account of the increase in our investment in Government securities and the corresponding interest accrued thereon increasing from ₹282.55 million as at March 31, 2021 to ₹679.15 million as at March 31, 2022; and (ii) deferred tax asset (net) from ₹356.30 million as at March 31, 2021 to ₹650.12 million as at March 31, 2022, which was due to an increase in provision for standard assets from ₹1,241.42 million as at March 31, 2021 to ₹2,177.65 million as at March 31, 2022. Our other assets increased further to ₹4,558.22 million as at March 31, 2023 due to an increase in (i) interest accrued from ₹1,091.55 million as at March 31, 2022 to ₹2,140.80 million as at March 31, 2023 on account of the increase on interest accrued but not due on advances from ₹408.30 million for Fiscal 2022 to ₹1,368.59 million for Fiscal 2023; and (ii) others from ₹1,270.91 million as at March 31, 2022 to ₹1,915.21 million as at March 31, 2023 due to input credit under goods and service tax law of ₹960.67 million as at March 31, 2023 as compared to ₹715.94 million at March 31, 2022 and receivables of amount collected by business correspondents of ₹293.67 million as at March 31, 2023 as compared to ₹0.66 million at March 31, 2023.

Capital and Liabilities

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

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Capital	4,494.74	4,494.74	4,494.74

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Employee Stock Options Outstanding	58.75	48.06	–
Reserves and Surplus	12,596.55	9,573.22	9,025.90
Deposits	146,656.25	128,150.72	89,994.26
Borrowings	33,541.95	29,528.33	16,940.00
Other Liabilities and Provisions	4,888.33	5,280.57	2,931.62
Total	**202,236.57**	**177,075.64**	**123,386.52**

Reserves and Surplus

Our reserves and surplus are influenced by changes in our share premium due to the issuances or cancellation of Equity Shares and changes in our balance in profit and loss account due to the net profit or loss recorded for the applicable fiscal year.

Our reserves and surplus increased from ₹9,025.90 million as at March 31, 2021 to ₹9,573.22 million as at March 31, 2022, which increase was due to an increase in our balance in restated profit and loss account from ₹3,062.43 million as at March 31, 2021 to ₹3,214.96 million as at March 31, 2022. Our reserves and surplus increased further to ₹12,596.55 million as at March 31, 2023, which increase was due to an increase in our balance in restated profit and loss account from ₹3,214.96 million as at March 31, 2022 to ₹5,420.22 million as at March 31, 2023.

Deposits

For a table setting forth deposits by categories of deposits and certain ratios thereof and the percentage change from the previous year end, see "*Our Business – Our Strengths – Fast-growing Retail Deposit portfolio with low concentration risk*" on page 160.

We have been able to leverage the strength of the "ESAF" brand, which has been built over a period of more than 25 years, to rapidly grow our deposit portfolio since we commenced operations. As per the CRISIL MI&A Report, we had the highest share of Retail Deposits as a percentage of our total deposits as at March 31, 2023 among our compared peers. As an NBFC-MFI, our Corporate Promoter was unable to accept deposits as per applicable laws in India. After acquiring the business of our Corporate Promoter on March 10, 2017, we have placed a strong emphasis on increasing our Retail Deposits, as they have lower rates of interest compared to Bulk Deposits. Our Retail Deposits, which is a non-GAAP financial measure, have increased to ₹133,230.03 million as at March 31, 2023 from ₹87,963.84 million as at March 31, 2021, representing a CAGR of 23.07%. As at March 31, 2023, our Retail Deposits accounted for 90.85% of our total deposits. CASA tends to provide a stable and low-cost source of deposits compared to term deposits. Our CASA, which is a non-GAAP financial measure, increased to ₹31,374.47 million as at March 31, 2023 from ₹17,476.45 million as at March 31, 2021, representing a CAGR of 33.99%.

Borrowings

The following table sets forth details of our borrowings as at dates indicated.

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Borrowings in India:			
Reserve Bank of India	6,740.00	6,960.00	1,460.00
Other banks	–	–	–
Other institutions and agencies	24,871.95	20,488.33	13,100.00
Subordinated debt	1,450.00	1,600.00	1,900.00
Perpetual debt instrument	480.00	480.00	480.00
Borrowings outside India	–	–	–
Total	**33,541.95**	**29,528.33**	**16,940.00**

Our borrowings increased from ₹16,940.00 million as at March 31, 2021 to ₹29,528.33 million as at March 31, 2022, which increase primarily on account of an increase in borrowings in India from (i) other institutions and agencies from ₹13,100.00 million as at March 31, 2021 to ₹24,871.95 million as at March 31, 2022; and (ii) the Reserve Bank of India from ₹1,460.00 million as at March 31, 2021 to ₹6,960.00 million as at March 31, 2022.

Our borrowings increased from ₹29,528.33 million as at March 31, 2022 to ₹33,541.95 million as at March 31, 2023 on account of an increase in borrowings in India from other institutions and agencies from ₹20,488.33 million as at March 31, 2022 to ₹24,640.15 million as at March 31, 2023, which was partially offset by the decrease in borrowings in India from the Reserve Bank of India from ₹6,960.00 million as at March 31, 2022 to ₹6,740.00 million as at March 31, 2023.

Other Liabilities and Provisions

The table below sets forth details of our other liabilities and provisions as at the dates indicated.

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Bills payable	49.67	36.48	26.26
Inter office adjustments (net)	–	–	–
Interest accrued	556.44	407.92	219.11
Provision for Standard Assets	896.57	2,177.65	1,241.42
Others (including provisions)	3,385.65	2,658.52	1,444.83
Total	**4,888.33**	**5,280.57**	**2,931.62**

Other liabilities and provisions increased from ₹2,931.62 million as at March 31, 2021 to ₹5,280.57 million as at March 31, 2022, which increase was primarily due to (i) a 84.00% increase in others (including provisions) from ₹1,444.83 million as at March 31, 2021 to ₹2,658.52 million as at March 31, 2022, which was primarily due to income received in advance included in others of ₹922.78 million as at March 31, 2022 compared with ₹210.35 million as at March 31, 2021; and (ii) a 75.42% increase in provision for standard assets from ₹1,241.42 million as at March 31, 2021 to ₹2,177.65 million as at March 31, 2022, which included a provision of ₹660.60 million as at March 31, 2022 against the potential impact of COVID-19 compared to ₹404.00 million for the same as at March 31, 2021.

Other liabilities and provisions decreased from ₹5,280.57 million as at March 31, 2022 to ₹4,888.33 million as at March 31, 2023, which decrease was primarily due to a 58.83% decrease in provision for standard assets from ₹2,177.65 million as at March 31, 2022 to ₹896.57 million as at March 31, 2023, which decrease was primarily due to the write-back of provisions for Standard Assets on account of the COVID-19 pandemic and the write-back of provisions for restructured advances on account of recovery or the downgrading of advances to NPA. This decrease was partially offset by, among other things, a 27.35% increase in others (including provisions) from ₹2,658.52 million as at March 31, 2022 to ₹3,385.65 million as at March 31, 2023, which increase was primarily due to the increase in recognition of accounts payable to an asset reconstruction company of ₹422.29 million as at March 31, 2023 from nil as at March 31, 2022, which was a result of our bank selling certain NPAs/advances to an asset reconstruction company and acting as collection agent for the same.

Our Business Segments

We have identified our business segments, segregating into Treasury, Wholesale Banking, Retail Banking and Other Banking Segments after considering the internal business reporting system and guidelines issued by the RBI through its notification DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and Accounting Standard 17 (AS 17) – 'Segment Reporting'. We operate in the following business segments:

- *Treasury*. The Treasury segment primarily consists of interest earnings on our investments portfolio, gains or losses on investment operations and earnings from our foreign exchange business. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses. The segment also includes allocation of deposits received from customers.

- *Wholesale Banking.* The Wholesale Banking segment provides loans to the corporate segment identified based on RBI guidelines. Revenues from this segment consist of interest earned on loans made to corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.

- *Retail Banking.* The Retail Banking segment provides loans to non-corporate customers identified based on RBI guidelines and also include deposits from customers. Revenues of this segment consist of interest earned on loans made to non-corporate customers and the charges/fees earned from other banking services. The principal expenses of the segment consist of interest expense allocated on funds borrowed/deposits received and other expenses.

- *Other Banking Operations.* The Other Banking Operations segment includes income from para banking activities, such as debit cards, third-party product distribution and associated costs.

Our segment results and segment revenue for each of our business segments are set forth in the table below for the year end indicated:

Particulars	Treasury		Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results	Segment Revenue	Segment Results
	(₹ in million)									
Fiscal 2023	2,471.94	(276.48)	576.71	283.10	27,870.56	3,591.59	496.51	462.24	31,415.72	4,060.45
Fiscal 2022	2,342.22	(61.32)	344.11	150.81	18,427.24	302.81	361.51	346.20	21,475.08	738.50
Fiscal 2021	1,925.31	13.86	167.58	59.65	15,372.14	1,150.42	219.18	189.81	17,684.21	1,413.74

Treasury

<u>Fiscal 2023 Compared to Fiscal 2022</u>

The Treasury segment results decreased by ₹215.16 million, or 350.88%, to ₹(276.48) million for Fiscal 2023 from ₹(61.32) million for Fiscal 2022, which decrease was primarily (i) on account of provision made for mark to market losses on government securities as per the RBI guidelines, which resulted in an expense of ₹913.88 million being recognised during Fiscal 2023 as compared to a write-back of provisions of ₹233.06 million during Fiscal 2022; and (ii) due to a decrease in the Average Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds of ₹6,374.23 million, or 70.87%, to ₹2,620.05 million for Fiscal 2023 from ₹8,994.48 million for Fiscal 2022, which is partially offset by increase in the Yield on Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds to 3.65% for Fiscal 2023 from 2.77% for Fiscal 2022.

Fiscal 2022 Compared to Fiscal 2021

The Treasury segment results decreased by ₹75.18 million, or 542.42%, to ₹(61.32) million for Fiscal 2022 from ₹13.86 million for Fiscal 2021, which decrease was primarily (i) on account of provision made for mark to market losses on government securities as per the RBI guidelines, which resulted in an expense of ₹233.06 million being recognised during Fiscal 2022 as compared to a write-back of provisions of ₹11.44 million during Fiscal 2021; and (ii) due to a decrease in the Average Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds of ₹1,188.00 million, or 11.67%, to ₹8,994.48 million for Fiscal 2022 from ₹10,182.48 million for Fiscal 2021 and the decrease in the Yield on Interest-Earning Balance with the Reserve Bank of India and other Inter-Bank Funds to 2.77% for Fiscal 2022 from 3.86% for Fiscal 2021.

Wholesale Banking Operations

Fiscal 2023 Compared to Fiscal 2022

The Wholesale segment results increased by ₹132.29 million, or 87.65%, to ₹283.10 million for Fiscal 2023 from ₹150.81 million for Fiscal 2022. This increase was primarily due to a ₹232.60 million, or 67.59%, increase in segment revenue to ₹576.71 million for Fiscal 2023 from ₹344.11 million for Fiscal 2022.

Fiscal 2022 Compared to Fiscal 2021

The Wholesale segment results increased by ₹91.16 million, or 152.82%, to ₹150.81 million for Fiscal 2022 from ₹59.65 million for Fiscal 2021. This increase was primarily due to a ₹176.53 million, or 105.34%, increase in segment revenue to ₹344.11 million for Fiscal 2022 from ₹167.58 million for Fiscal 2021.

Retail Banking

Fiscal 2023 Compared to Fiscal 2022

The Retail Banking segment results increased by ₹3,387.78 million, or 1,662.22%, to ₹3,591.59 million for Fiscal 2023 from ₹302.81 million for Fiscal 2022, which increase was primarily due to a ₹9,443.32 million, or 51.25%, increase in segment revenue to ₹27,870.56 million for Fiscal 2023 from ₹18,427.24 million for Fiscal 2022, which was primarily due to a 28.11% increase in Average Interest-Earning Advances of the Retail Banking segment to ₹121,161.91 million for Fiscal 2023 from ₹94,573.77 million for Fiscal 2022 and also on account of increase in interest rates in Fiscal 2023. The increase in revenue was partially offset by a ₹6,154.54 million, or 33.96%, increase in segment expenditure to ₹24,278.97 million for Fiscal 2023 from ₹18,124.43 million for Fiscal 2022, which was primarily due to a ₹692.35 million, or 16.59% increase in provision on Standard Assets and provision on NPA/write-off (combined) of the Retail Banking segment to ₹4,866.48 million for Fiscal 2023 from ₹4,174.13 million for Fiscal 2022.

Fiscal 2022 Compared to Fiscal 2021

The Retail Banking segment results decreased by ₹847.61 million, or 73.68%, to ₹302.81 million for Fiscal 2022 from ₹1,150.42 million for Fiscal 2021, which decrease was primarily due to a ₹3,902.71 million, or 27.44%, increase in segment expenditure to ₹18,124.43 million for Fiscal 2022 from ₹14,221.72 million for Fiscal 2021, which was primarily due to a ₹1,447.29 million, or 53.08% increase in provision on standard assets and provision on NPA/write-off (combined) of the Retail Banking segment to ₹4,174.13 million for Fiscal 2022 from ₹2,726.84 million for Fiscal 2021. The increase in expenditure was partially offset by a ₹3,055.10 million, or 19.87%, increase in segment revenue to ₹18,427.24 million for Fiscal 2022 from ₹15,372.14 million for Fiscal 2021, which was primarily due to a 29.83% increase in Average Interest-Earning Advances of the Retail Banking segment to ₹94,573.77 million for Fiscal 2022 from ₹72,842.52 million for Fiscal 2021.

Other Banking Operations

Fiscal 2023 Compared to Fiscal 2022

The Other Banking Operations segment results increased by ₹116.04 million, or 33.52%, to ₹462.24. million for Fiscal 2023 from ₹346.20 million for Fiscal 2022. This increase was primarily due to a ₹135.00 million, or 37.34%, increase in segment revenue to ₹496.51 million for Fiscal 2023 from ₹361.51 million for Fiscal 2022.

Fiscal 2022 Compared to Fiscal 2021

The Other Banking Operations segment results increased by ₹156.39 million, or 82.39%, to ₹346.20 million for Fiscal 2022 from ₹189.81 million for Fiscal 2021. This increase was primarily due to a ₹142.33 million, or 64.94%, increase in segment revenue to ₹361.51 million for Fiscal 2022 from ₹219.18 million for Fiscal 2021.

Liquidity and Capital Resources

In the past, we have funded our liquidity and capital requirements primarily through shareholder capital and funds generated from deposits, borrowings from other institutions, subordinated debt, borrowings from other banks and perpetual debt instruments.

Cash Flows

The following table summarizes our statements of cash flows for the period and years presented:

Particulars	Year ended March 31,		
	2023	2022	2021
	(₹ in million)		
Net cash flow from / (used in) Operating Activities	(5,730.00)	(5,845.02)	11,274.45
Net cash flow from / (used in) Investing Activities	(5,732.17)	(9,818.47)	(6,379.55)
Net cash flow from / (used in) Financing Activities	4,013.62	12,588.33	6,532.70
Net increase / (decrease) in cash and cash equivalents	**(7,448.55)**	**(3,075.16)**	**11,427.60**

Operating Activities

For Fiscal 2023, our operating profit before working capital changes was ₹10,243.99 million and our net cash used in operating activities was ₹5,730.00 million. The difference was due to an increase in advances of ₹29,031.17 million, an increase in investments (other than HTM investments) of ₹3,976.14 million, an increase in other assets of ₹1,693.47 million and direct taxes paid of ₹613.04 million, which was partially offset by an increase in deposits of ₹18,505.51 million and an increase in other liabilities and provisions of ₹834.32 million.

For Fiscal 2022, our operating profit before working capital changes was ₹5,169.58 million and our net cash used in operating activities was ₹5,845.02 million. The difference was due to an increase in advances of ₹37,900.94 million, an increase in investments (other than HTM investments) of ₹11,979.40 million, an increase in other assets of ₹497.39 million and direct taxes paid of ₹169.02 million, which was partially offset by an increase in deposits of ₹38,156.46 million and an increase in other liabilities and provisions of ₹1,378.63 million.

For Fiscal 2021, our operating profit before working capital changes was ₹4,305.14 million and our net cash generated from operating activities was ₹11,274.45 million. The difference was due to an increase in deposits of ₹19,710.44 million, a decrease in investments (other than HTM investments) of ₹4,075.38 million, a decrease in fixed deposit with bank (original maturity greater than three months) of ₹2,264.25 million and an increase in other liabilities and provisions of ₹521.25 million, which was partially offset by an increase in advances of ₹18,084.91 million, direct taxes paid of ₹1,093.07 million and an increase in other assets of ₹424.03 million.

Investing Activities

Net cash used in investing activities was ₹5,732.17 million for Fiscal 2023, which was primarily due to an increase in held to maturity investments of ₹5,026.38 million and ₹716.51 million used for the purchase of fixed assets

Net cash used in investing activities was ₹9,818.47 million for Fiscal 2022, which was primarily due to an increase in held to maturity investments of ₹9,281.16 million and ₹540.14 million used for the purchase of fixed assets.

Net cash used in investing activities was ₹6,379.55 million for Fiscal 2021, which was primarily due to an increase in held to maturity investments of ₹5,886.43 million and ₹495.01 million used for the purchase of fixed assets.

Financing Activities

Net cash used in financing activities was ₹4,013.62 million for Fiscal 2023, which was due to an increase in borrowings of ₹4,013.62 million.

Net cash from financing activities was ₹12,588.33 million for Fiscal 2022, which was due to an increase in borrowings of ₹12,588.33 million.

Net cash from financing activities was ₹6,532.70 million for Fiscal 2021, which was due to an increase in borrowings of ₹4,906.83 million and proceeds from the issue of share capital (including share premium) of ₹1,625.87 million.

Sources of Funding

Our primary source of funding is our relatively low-cost deposit base, which is primarily derived from retail depositors in India. Other sources of funding comprise subordinated debt, perpetual debt instruments and borrowings from other banks/financial institutions.

The following table sets forth the breakdown of our funding profile as at the dates indicated:

Particulars	As at March 31,					
	2023		2022		2021	
	Amount (₹ in million)	% of total liabilities	Amount (₹ in million)	% of total liabilities	Amount (₹ in million)	% of total liabilities
Deposits	146,656.25	72.52	128,150.72	72.37	89,994.26	72.94
Borrowings	33,541.95	16.58	29,528.33	16.68	16,940.00	13.73
Shareholders' funds(1)	17,091.29	8.45	14,067.96	7.94	13,520.64	10.96
Other liabilities and provisions	4,888.33	2.42	5,280.57	2.98	2,931.62	2.37
Employee share option outstanding	58.75	0.03	48.06	0.03	–	–
Total liabilities	**202,236.57**	**100.00**	**177,075.64**	**100.00**	**123,386.52**	**100.00**

Note:
(1) *Shareholders' funds = Capital + Reserves and Surplus.*

For more details on our deposits, borrowings and shareholders' funds as the dates in the table above, see "*– Financial Condition-Capital and Liabilities*" on page 345.

<u>Maturity Profile of our Borrowings and Deposits</u>

For the maturity profile of our borrowings and deposits as at March 31, 2023, see "*Selected Statistical Information – Asset Liability Gap*" on page 250.

Subordinated Debt

We obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier II risk-based capital under the RBI's guidelines for assessing capital adequacy. Our subordinated debt was ₹1,450.00 million, ₹1,600.00 million and ₹1,900.00 as at March 31, 2023, 2022 and 2021, respectively. We took over ₹650.00 million of subordinated debt as per the Business Transfer Agreement. This has been considered as part of Tier II Capital for capital adequacy computation, subject to discounting in accordance with RBI guidelines. The following table sets forth the details of our unsecured non-convertible subordinated debt securities outstanding as at March 31, 2023.

Date of Allotment	Rate of Interest (%)	Date of Redemption	Amount (₹ in million)
September 27, 2017	11.00	September 27, 2024	250.00
November 29, 2017	11.00	November 29, 2024	200.00
June 1, 2018	11.50	June 1, 2025	400.00
December 30, 2017	10.50	December 30, 2024	200.00
March 28, 2018	11.50	March 28, 2025	200.00
March 31, 2022	11.25	March 30, 2032	200.00

Perpetual Debt

We issued perpetual debt of ₹480.00 million with an interest rate of 13.00% per annum on June 27, 2018, which qualifies for Tier I risk-based capital.

Restrictive Covenants

Some of the financing arrangements entered into by us include conditions that require us to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions and they also provide the lender the right appoint a nominee on the board of directors of our Bank or to send an observer, in the absence of the nominee to attend meetings of the Board of Directors. Further, under certain financing agreements, we are required to maintain specific credit ratings and if we fail to do so, it would result in an event of default. We are also required to maintain certain financial ratios and ensure compliance with regulatory requirements, such as maintenance of capital adequacy ratio, qualifying asset norms and ensure positive net worth. For more details, 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, securitization of assets charged and suspension of further drawdowns, which may adversely affect our business, financial condition, results of operations and cash flows*" on page 56.

We are currently in compliance with the financial covenants contained in our financing agreements.

Financial Instruments and Off-Balance Sheet Arrangements

Inter-Bank Participation Certificates

A bank missing its priority sector lending target is able to reach the target by buying inter-bank participation certificates ("**IBPCs**") issued by other banks that have already exceeded their regulatory targets for priority sector advances. In accordance with the applicable RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by our Bank is reduced from our advances. However, we include the amount of these advances in our AUM. IBPCs with risk sharing can be issued for 91-180 days and only in respect of advances classified as standard. During the term of an IBPC, we recognise interest spread (i.e. difference between interest earned on such advances less the interest payable to the bank that we transferred the IPBC to. At the end of the term of a IBPC, the advances we transferred via the IBPC are recognised in our accounting records. The table below sets forth the outstanding amount of IBPCs as at the dates indicated.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
	(₹ in million)		
Outstanding amount of IBPCs	12,000	2,000	–

Sale of NPAs to Asset Reconstruction Companies

We have sold NPAs to asset reconstruction companies ("**ARCs**"). Advances sold to ARCs are reduced from our advances. However, as we are paid fees by the ARCs to act as the collection agent for these advances, we include the amount of advances that we are acting as collection agent for in our AUM. The table below sets forth the amount of advances outstanding as at the date of the sale of advances to ARC for which our Bank acts as a collection agent for advances outstanding as on date with respect to transfer of portfolio to ARC for which Bank is acting as collection agent.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
	(₹ in million)		
Amount of NPAs sold to ARCs outstanding	10,086.21	–	–

Direct Assignments

Our bank has undertaken direct assignment transactions in the past and acts as collection agent for the same. Such direct assignment transactions are included in our AUM. The table below sets forth the outstanding amount of direct assignment as at the dates indicated.

Particulars	As at and for the year ended March 31,		
	2023	2022	2021
	(₹ in million)		
Outstanding amount of Direct Assignments	45.17	100.48	109.25

Securitized Advances

Our securitized advances were nil, nil and nil as at March 31, 2023, 2022 and 2021, respectively.

Contingent Liabilities

The components of our contingent liabilities as per AS 29 – 'Provisions, Contingent Liabilities and Contingent Assets' as at the year-end / period end indicated are set forth below:

Particulars	As at March 31,		
	2023	2022	2021
	(₹ in million)		
Claims against the Bank not acknowledged as debts	–	–	–
Liability on account of outstanding forward exchange contracts	–	–	–
Guarantees given on behalf of constituents – in India	13.98	15.52	13.04
Acceptances, endorsements and other obligations	–	–	–
Other items for which the Bank is contingently liable	5.00	5.00	2.00
Contingent Liabilities	**18.98**	**20.52**	**15.04**

Capital Expenditures

Our capital expenditures are principally for fixed assets including furniture and fixtures. We incurred capital expenditures (additions to fixed assets including furniture and fixtures) of ₹714.86 million, ₹598.46 million and ₹477.91 million for the Fiscals 2023, 2022 and 2021, respectively.

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties. For details of our related party transactions as per AS 18 – 'Related Party Disclosures' read with the SEBI ICDR Regulations, see "*Other Financial Information – Related Party Transactions*" on page 318. For a summary of these related party transactions, see "*Offer Document Summary – Summary of related party transactions*" on page 19.

Non-cancellable Operating Lease Obligations

The table below sets forth our non-cancellable operating lease obligations as at March 31, 2023 for payments due in the specified periods.

Contractual Obligations	Payments due by period			
	Total	Less than 1 year	1 year to 5 years	More than 5 years
	(₹ in million)			
Non-cancellable operating lease obligations	**4,297.74**	576.72	2,861.68	859.34

Quantitative and Qualitative Disclosures about Market Risks

We did not have any transactions in derivative instruments for Fiscals 2023, 2022 and 2021. 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 and information security risk and cyber security risk. For details of our qualitative disclosure about market risks, see "*Our Business – Risk Management – Market Risk Management*" and "*Risk Factors – Volatility in interest rates could cause our Net Interest Margin to decline and adversely affect our results of operations and cash flows. In addition, an increase in interest rates results in a decrease in the value of our fixed income investments and as a result of the RBI-mandated reserve requirements, we are also more structurally exposed to this risk than banks in many other countries*" on pages 178 and 39.

Qualitative Factors

Unusual or Infrequent Events or Transactions

Except as described in this Draft Red Herring 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.

Significant Economic Changes that Materially affect or are likely to affect Total Income

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 our total income identified above in "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows*" and the uncertainties described in "*Risk Factors*" on pages 321 and 29, respectively.

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 "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows*" and the uncertainties described in "*Risk Factors*" on pages 321 and 29, respectively. To our knowledge, except as discussed in this Draft Red Herring 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 from total income.

Future Relationship between Cost and Revenue

Other than as described in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 29, 157, and 319, respectively, to our knowledge there are no known factors that may adversely affect our business, financial condition, results of operations and cash flows.

New Products or Business Segments

Other than as disclosed in this section and in "*Our Business*" on page 157, there are no new products or business segments that have or are expected to have a material impact on our business, financial condition, results of operations and cash flows.

Dependence on a Few Customers or Suppliers

We depend on our business correspondents and in particular on ESMACO to source and service customers for our Micro Loans. For more details, see "*– Significant Factors Affecting Our Financial Condition, Results of Operations and Cash Flows – Performance of our Business Correspondents*" and "*Risk Factors – Our business correspondents (which includes ESMACO, a Promoter Group and Group Entity, and Lahanti, a Group Entity) have sourced the majority of our advances. All of our Business correspondents for us on a non-exclusive basis. If any of our business correspondents and in particular ESMACO prefer to promote our competitors' loans over our loans or the agreements between us and them are terminated or not renewed, it would adversely affect our business, financial condition, results of operations and cash flows*" on pages 321 and 31, respectively.

Seasonality of Business

Our business is not seasonal in nature.

Competitive Conditions

We operate in a competitive environment. See "*Industry Overview*", "*Risk Factors - The Indian finance industry is intensely competitive and if we are unable to compete effectively it would adversely affect our business, financial condition, results of operations and cash flows*" and "*Our Business – Competition*" on pages 122, 48 and 182, respectively, for further information on our industry and competition.

Material Developments after March 31, 2023

We confirm that from March 31, 2023 till the date of this Draft Red Herring Prospectus that no developments have taken place or circumstances arisen which have materially and adversely affected or are likely to affect, within the next 12 months: (a) our trading, profitability, performance or prospects; (b) the value of our assets; or (c) our ability to pay our liabilities.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at March 31, 2023 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 319 and 29, respectively.

(₹ *in million*)

Particulars	Pre-offer as at March 31, 2023	As adjusted for the proposed Offer
Borrowings (A)	**33,541.95**	[●]
Capital and Reserves and Surplus	17,091.29	[●]
Capital (B)	**4,494.74**	[●]
Reserves and surplus		
1) Statutory reserves	1,927.23	**[●]**
2) Investment fluctuation reserve	321.42	**[●]**
3) Share Premium	4,887.63	**[●]**
4) Capital Reserve	40.05	
5) Balance of profit and loss account	5,420.22	**[●]**
Reserves and surplus (C)	**12,596.55**	**[●]**
Capital and Reserves and Surplus (D=B+C)	**17,091.29**	**[●]**
Borrowings/Capital and Reserves and Surplus (E = A/D)	**1.96**	**[●]**

Note: The corresponding post IPO capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending, meeting working capital requirements and for general corporate purposes. Further, in respect of the indebtedness that was transferred to our Bank pursuant to the Business Transfer Agreement, our Bank has entered into certain novation agreements with our Corporate Promoter and various lenders, trustees or other parties.

Our Shareholders have authorised our Board to borrow such sums of money as may be required for the purpose of the business of the Bank. For details regarding the borrowing powers of our Board, please see "*Our Management – Borrowing Powers of the Board*" on page 219. For details on risks involved, see "*Risk Factors – If we are unable to secure funding on acceptable terms and at competitive rates when needed, it could have a material adverse effect on our business, financial condition, results of operations and cash flows*" on page 47.

Set forth below is a brief summary of our aggregate borrowings as at May 31, 2023:

(₹ in million)

Category of borrowing	Sanctioned amount*	Outstanding amount*
Refinance (unsecured)	36,370.00	20,095.80
Subordinated NCDs (unsecured)	1,450.00	1,450.00
Perpetual Debt Instrument	480.00	480.00
Borrowings from Reserve Bank of India (Secured)	5,500.00	5,500.00
Borrowings under Market Repo (Secured)	8,353.13	8,353.13
Total	**52,153.13**	**35,878.93**

* *As certified by A. John Moris & Co., Chartered Accountants pursuant to their certificate dated July 7, 2023*

Principal terms of the subsisting borrowings of our Bank:

1. ***Interest:*** The interest rates for the various facilities availed by our Bank typically ranges from 4.00% per annum to 13.00% per annum. Further, for certain loans availed by our Bank, additional interest rates have been stipulated on the occurrence of certain events such as payment related default, breach of terms and conditions etc.

   Our Bank has (i) 200 rated, listed, redeemable, unsecured, Basel III compliant, Tier-II bonds in the form of NCDs of face value of ₹1,000,000 each at a coupon rate of 10.50% per annum payable semi-annually; (ii) 200 rated, listed, redeemable, unsecured, Basel III compliant, Tier-II bonds in the form of NCDs of face value of ₹1,000,000 each at a coupon rate of 11.50% per annum payable semi-annually; (iii) 450 unsecured, subordinated, fully paid-up, redeemable, Basel III compliant, Tier-II bonds in the form of NCDs of face value of ₹1,000,000 each at a coupon rate of 11.00% per annum payable quarterly; (iv) 400 rated, listed, redeemable, unsecured, Basel III complaint, Tier-II bonds in the form of NCDs of face value of ₹1,000,000 each at a coupon rate of 11.50% per annum payable semi-annually; (v) 480 unsecured, subordinated, fully paid-up, Basel III compliant, perpetual debt instruments in the form of NCDs of face value of ₹1,000,000 each at a coupon rate of 13.00% per annum; and (vi) 20 rated, unlisted, unsecured, redeemable, Basel III complaint, Tier-II bonds in the form of NCDs of face value of ₹10,000,000 each at a coupon rate of 11.25% payable semi-annually. The listed NCDs of our Bank are listed on the debt segment of the BSE.

2. ***Tenor:*** The tenor of the facilities availed by our Bank typically ranges from one day to ten years. Further, the maturity period in respect of the perpetual debt instruments issued by our Bank is perpetual.

3. ***Security:*** Borrowings under LAF Repo from Reserve Bank of India and market repo from Clearing Corporation of India Limited are secured by way of collateral of investment on specified Government securities held under investments.

4. ***Prepayment:*** Certain facilities availed by our Bank have prepayment provisions which allow for prepayment of the outstanding amount by serving notice to the lender or other relevant parties, and subject to payment of such prepayment penalties as may be prescribed. These prepayment penalties as stipulated by the lender from time to time. Further, in certain cases our Bank is restricted from prepaying amounts outstanding without the prior approval of the lender as specified in the relevant agreements.

5. ***Re-payment:*** The repayment period for the facilities availed by our Bank typically ranges from one day to ten years.

6. ***Events of Default:*** Borrowing arrangements entered into by our Bank prescribe events of default, including among others:

   a) Failure or inability to pay amount on due dates;

   b) Failure to pay accrued interest;

   c) Liquidation or dissolution of our Bank;

   d) Cessation of business;

e) Breach of any financial covenant in the loan/facility agreement;

f) Failure to submit the list of end borrowers;

g) Violation of any term of the relevant agreement or any other borrowing arrangement; and

h) Any other event or circumstance that could have a material adverse effect on the lender.

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 the facility agreements and sanction letters, the following, among others, are the consequences of occurrence of events of default, whereby the lenders may:

a) Terminate the agreements underlying facility;

b) Cancel the undrawn portion of the loan/facility;

c) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender;

d) Impose of penal interest over and above the contracted rate on the amount in default; and

e) Accelerate repayments of the loan/ recall of the entire loan or any portion thereof along with interest and enforce security interest.

8. ***Restrictive Covenants:*** The loans availed by our Bank contain certain restrictive covenants which require prior approval of the lender, or prior intimation to be made to the lender, for certain specified events or corporate actions, including:

a) Prepayment of loan availed;

b) Reorganisation or restructuring of the Bank; and

c) Change in terms of the NCDs.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

Details of the borrowings of our Bank

The details of the borrowings of our Bank are set forth below:

S. No.	Lender	Tenor of loan	Interest rate	Security	Amount sanctioned (₹ in million)	Amount outstanding as on May 31, 2023 (₹ in million)
1.	National Bank for Agriculture and Rural Development	3-5 years	6.10%-9.30%	Unsecured	31.370.00	15,262.50
2.	Small Industries Development Bank of India	3 years	8.50%-8.60%	Unsecured	3,000.00	2,833.30
3.	Micro Units Development & Refinance Agency Ltd.	3 years	8.50%	Unsecured	2,000.00	2,000.00
4.	Repo Borrowings – Reserve Bank of India	3 years	4.00%	Secured by investment in Government securities earmarked for the borrowing	5,500.00	5,500.00
5.	Borrowings under Market Repo	1-41 days	6.28%-6.70%	Secured by investment in Government securities earmarked for the borrowing	8,353.13	8,353.13
6.	Subordinated Debentures – Various Parties	7-10 years	10.50%-11.50%	Unsecured	1,450.00	1,450.00
7.	Perpetual debt	Perpetual	13.00%	Unsecured	480.00	480.00
Total					**52,153.13**	**35,878.93**

For the purpose of the Offer, our Bank does not require any consents from its lenders, debenture holders and other parties under the relevant facility documentations for undertaking activities relating to the Offer.

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 June 22, 2023, approved by the Board of Directors, in each case involving our Bank, its Promoters 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 Promoters in the last five financial years including any outstanding action. Further, there are no pending litigation involving our Group Entities which has a material impact on our Bank.*

For the purpose 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 June 22, 2023.

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 Promoters 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 is in excess of 1.00% of the profit after tax of our Bank for the recent financial year, as per the latest Restated Financial Information (i.e. ₹30.23 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 our Bank.

It is further clarified that our Bank has initiated recovery proceedings against several borrowers under the SARFAESI Act for recovery of amounts due from them. Given that the underlying loans have been declared as NPAs by our Bank and adequate provisions have been provided for in our Restated Financial Information, disclosures in respect of such matters (including matters where the monetary amount of claim sought by our Bank is in excess of ₹30.23 million) have been made in a consolidated manner.

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 June 22, 2023, 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 our Bank having monetary value which exceed 5.00% of the total trade payables of our Bank as on the date of the latest Restated Financial Information of our Bank disclosed in the Offer Documents (including for the stub period, if any), shall be considered as 'material'. Accordingly, as on March 31, 2023, any outstanding dues exceeding ₹45.46 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 our 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 notifications thereunder, as has been relied upon by its statutory auditors.

It is clarified that for the purposes of the above, pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by statutory/regulatory/tax authorities or notices threatening criminal action) shall, unless otherwise decided by our Board, not be considered as material until such time that the Relevant Parties, as applicable, is impleaded as defendant in litigation proceedings before any judicial forum.

Litigation involving our Bank

Litigation against our Bank

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against our Bank which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against our Bank.

Actions Taken by Regulatory and Statutory Authorities

Except as disclosed below, as of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against our Bank:

1. Our Bank has received an inspection order dated July 27, 2018 from the office of the Assistant Labour Officer, Thodupuzha ("**ALO**" and such order the "**Order**") pursuant to the inspection of our Bank by the ALO on July 20, 2018, on the grounds that our Bank had, among other things, failed to (i) submit forms, registers and applications, and

(ii) maintain wage slips and registers as required under the provisions of the Kerala Shops and Commercial Establishments Workers Welfare Fund Act, 2006 ("**Kerala S&E Welfare Fund Act**"), the Minimum Wages Act, 1948 ("**MW Act**") and the Kerala Shops and Commercial Establishments Act, 1960 ("**Kerala S&E Act**"). In terms of the Order, our Bank was required to rectify these defects and produce registers and records to the ALO within the prescribed time, for inspection and verification. Our Bank *vide* its letter dated October 25, 2018 responded to the ALO stating the provisions of the Kerala S&E Act are not applicable to our Bank as it is a banking company under the Banking Regulation Act and requesting the ALO to discontinue further proceedings until further orders/intimation from the Labour Commissioner of Kerala ("**Commissioner**") pursuant to our application to the Commissioner for getting exemption from the provisions of the Kerala S&E Welfare Fund Act. The ALO issued a show cause notice dated November 22, 2018 on the grounds of non-compliance with the Order. Our Bank, through its representative, made an oral submission before the ALO stating that the provisions of Kerala S&E Welfare Fund Act, MW Act and Kerala S&E Act are not applicable to our Bank on the grounds that banks are excluded from registration requirements under the provisions of these laws and as per oral confirmation received from the ALO, the submissions made by our Bank were satisfactory. There has been no further written communication in this regard.

2. Our Bank has received a notice and an inspection order, each dated September 14, 2021 ("**Notice I and Inspection Order**") from the office of the Assistant Labour Inspector, Aruppukkottai ("**ALI**") pursuant to the inspection of our Bank conducted by ALI on September 6, 2021, on the grounds that our Bank had allegedly, *inter alia,* (i) violated certain provisions of Rule 15 of the Tamil Nadu Shops and Establishment Rules, 1948 ("**TN S&E Rules**"); (ii) failed to maintain salary registers, work arrangement and leave records under the requisite forms and display of notices under the TN S&E Rules; (iii) failed to display list of festival holidays under the Tamil Nadu Industrial Establishments (National and Festival Holidays) Rules, 1959 ("**TN IE Rules**"); (iv) failed to maintain a summary of the minimum wage legislation, details of minimum wage rates and display of the name and address of the inspector as prescribed under the Minimum Wages Act, 1948 ("**Minimum Wages Act**") and Minimum Wages (Tamil Nadu) Rules, 1953 ("**TN Minimum Wages Rules**"); and (v) failed to maintain records under the prescribed form showing the rates of pay paid to our male and female employees under the Equal Remuneration Act, 1976 and the rules made thereunder ("**Equal Remuneration Act**"). Pursuant to its letter dated October 6, 2021, our Bank submitted, *inter alia,* to the ALI that establishments under the RBI are exempted from the registration requirement under the Shops and Establishment Act, 1947 and hence our Bank is not under the purview of the same for our Bank's Branches in Tamil Nadu and requested the ALI to exempt our Bank's Aruppukottai branch from the shops and establishment norms. Further, our Bank pursuant to its reply dated October 21, 2022 responded to the Notice I and Inspection Order submitted, *inter alia,* that (i) banks being establishments regulated by the RBI, are exempted from the ambit of the Tamil Nadu Shops and Establishment Act, 1947 ("**TN S&E Act**") and therefore the TN S&E Rules enacted thereunder are not applicable to our Bank; (ii) our Bank is in compliance with the provisions of TN S&E Act, despite our Bank being exempted establishment under the TN S&E Act; (iii) the list of festival holidays has been duly displayed in the branch of our Bank in accordance with the Tamil Nadu Industrial Establishments (National and Festival Holidays) Act, 1958 ("**TN IE Act**"); and (iv) the payment of wages to employees of our Bank is in compliance with the TN Minimum Wages Rules and the Equal Remuneration Act.

Subsequently, our Bank has received a notice dated November 12, 2021 ("**Notice II**") from the ALI alleging that our Bank had (i) not submitted the required form for authorisation and approval of five festive holidays to the ALI within 30 days from the commencement of the business establishment as required under Section 3 of the TN IE Act and Rule 3(1) and (2) of the TN IE Rules; (ii) failed to maintain a register of national and festive holidays as per the prescribed form under Rule 7(1) of the TN IE Rules; and (iii) failed to display the list of national and festive holidays for the calendar year 2021 in our Bank's premises as required under Section 4 of the TN IE Act and Rule 5(2) of the TN IE Rules. Our Bank received another notice dated November 12, 2021 ("**Notice III**") from the ALI alleging that our Bank is in non-compliance with certain provisions under the TN S&E Act and TN S&E Rules on the grounds, *inter alia,* that our Bank had not (i) filed the requisite form showing advances, penalties and deductions for losses; (ii) filed the requisite form showing the maintenance of a salary register for employees; and (iii) filed the requisite form showing maintenance of work arrangement and leave register for employees. In terms of the Notice III, our Bank was directed to provide an explanation as to why the matter should not be prosecuted in the Court of Criminal Arbitration. Subsequently, our Bank received a notice dated November 12, 2021("**Notice IV**") from the ALI alleging, *inter alia,* that (i) our Bank is not in compliance with Rule 22 of the TN Minimum Wages Rules, enacted under the Minimum Wages Act and directed our Bank to produce a report in the required form containing details of minimum wage rates along with the name and address of the inspector; and (ii) the response provided by our Bank pursuant to its letter dated October 21, 2021, without submission of the rectification report are not satisfactory. In response to the Notice II, Notice III and Notice IV, our Bank, pursuant to its letter dated January 5, 2022, paid a compounding fee of ₹0.01 million to the ALI and assured that our Bank will complete the shops and commercial establishment registration of our Bank's Aruppukkottai branch within 60 days. Subsequently, our Bank pursuant to its letter dated September 29, 2022, written to the ALI, Assistant Labour Office, Aruppukkottai, Tamil Nadu, for guidance on the process for the shops and establishments registration under the TN S&E Act and TN S&E Rules. This matter is currently pending.

3. Our Bank has received various inspection notes, each dated February 17, 2023, from the Labour Inspector, Dhar ("**Labour Inspector**") under the Child and Adolescent (Prohibition and Regulation) Act, 1986, the Equal Remuneration Act, 1976, the Minimum Wages Act, 1948 ("**Minimum Wages Act**"), the Payment of Bonus Act, 1965, the Payment of Gratuity Act, 1972, the Madhya Pradesh Shops and Establishment Act, 1958 ("**MP S&E Act**").

Further, pursuant to the inspection conducted by the Labour Inspector, our Bank received a show cause notice dated April 4, 2023 ("**SCN**") from the Labour Inspector, on the grounds that our Bank *inter alia* had allegedly (i) not maintained the leave register in violation of Section 54, Rule 20(4) of the MP S&E Act; (ii) not displayed summary of the MP S&E Act in the branch premises in violation of Section 54, Rule 20(7) of the MP S&E Act; and (iii) not kept the form L related to dyeing and painting in the farm in violation of Section 31, Rule 15(1) of the MP S&E Act. Our Bank *vide* its letter dated May 12, 2023 responded to the SCN and submitted to the Labour Inspector that (i) our Bank is maintaining all records and registers as per the MP S&E Act and it is available for all the employees of our Bank; (ii) our Bank displays the acts and rules mentioned in the SCNs in the branch premises with access to all the employees of our Bank; and (iii) our Bank maintains the Minimum Wages Act in all the states and the salary, wages and arrears are paid to its employees as per the Minimum Wages Act. This matter is currently pending.

4. Our Bank has received a notice dated November 16, 2022 ("**Notice**") from the Office of the Regional Labour Commissioner, Jaipur ("**RLC**") in relation to the alleged industrial dispute between our Bank and one of our former employee (collectively, the "**Parties**"). In terms of the Notice, the RLC requested the Parties to undergo a joint discussion and further directed our Bank to appear on November 24, 2022 at its offices and submit a para-wise response and certain documents, including (i) a copy of agreement/ settlement or award covering the demands raised in the dispute; (ii) a copy of rules/regulations, by-laws, standing orders covered in the dispute in respect of each demand; (iii) number of workmen in the establishment (category-wise); and (iv) a list of unions which are functioning in the establishment along with certain details *inter alia* including its name, membership and registration number. One of our Bank's representative submitted the required details to the RLC, and this his matter is currently pending.

5. Our Bank has received a notice dated November 21, 2022 ("**Notice**") from the Office of the Regional Labour Commissioner, Jaipur ("**RLC**") in relation to the alleged industrial dispute between our Bank and one of our former employee (collectively, the "**Parties**"). In terms of the Notice, the RLC requested the Parties to undergo a joint discussion and further directed our Bank to appear on November 24, 2022 at its offices and submit a para-wise response and certain documents, including (a) a copy of agreement/ settlement or award covering the demands raised in the dispute; (ii) a copy of rules/regulations, by-laws, standing orders covered in the dispute in respect of each demand; (iii) number of workmen in the establishment (category-wise); and (iv) a list of unions which are functioning in the establishment along with certain details *inter alia* including its name, membership and registration number. One of our Bank's representative submitted the required details to the RLC, and this his matter is currently pending.

Litigation by our Bank

Civil Litigation

1. Our Bank has filed a claim petition dated February 15, 2022 ("**Petition**"), before Mohanakrishnan K.V., Advocate, Thrissur ("**Arbitrator**") against Jumbo Finvest (India) Ltd. ("**Respondent Company**"), Ajay Kumar Singh, in his capacity as the chairman and managing director of the Respondent Company and Siddharth Ajay Singh, in his capacity as the managing director of the Respondent Company (Respondent Company, Ajay Kumar Singh and Siddharth Ajay Singh shall collectively be referred as the "**Respondents**") under the Arbitration and Conciliation Act, 1966. The Respondent Company availed a short-term loan aggregating to ₹100.00 million from our Bank to be disbursed in two tranches of ₹50.00 million each, and the individual respondents provided personal guarantees for such loan. Our Bank disbursed the first tranche on July 12, 2019, upon executing the necessary loan documents and in accordance with the terms and conditions of such loan documents including *inter alia* the term loan agreement, deed of hypothecation and guarantee each dated July 1, 2019 (collectively, the "**Loan Agreements**"), pursuant to which the Respondents were required to repay the loan amount with applicable interest to our Bank by way of monthly instalments. On failure of the Respondents to regularly repay the instalments, our Bank, pursuant to its notice dated July 23, 2021 ("**Notice**"), demanded the Respondents to pay the outstanding amount aggregating to ₹44.73 million within 14 days of receipt of the Notice failing which our Bank will proceed with a legal action. Pursuant to its letter dated August 14, 2021, the Respondent Company replied to the Notice stating *inter alia* that the delay in repayment is due to pressure on its cashflows caused due to the COVID-19 pandemic and subsequent lockdowns. Despite several communications and notices, the Respondents defaulted in repayment of the amount aggregating to ₹46.08 million as on October 30, 2021. In terms of the Petition, it was alleged that the Respondents violated the terms and conditions of the Loan Agreements, and since the said loan account was classified as a non-performing asset our Bank invoked the arbitration clause as set out in the Loan Agreements. Pursuant to the Petition, our Bank prayed *inter alia* that an award may be passed by the Arbitrator against the Respondents directing them to pay a sum of ₹46.08 million towards the outstanding loan with interest thereon at the rate of 13.11% per annum, default interest at the rate of 2.00% per annum from October 30, 2021, till the date of realisation of the amount in full. The matter is still pending.

Criminal Litigation

1. Pursuant to a complaint filed by our Bank on November 30, 2017 and December 22, 2017, our Bank has filed a private complaint no. 1308/2018 before the Court of the Judicial Magistrate, First Class, Koyilandi ("**JFM, Koyilandi**") against a former employee of our Bank ("**Accused**"), on the grounds that the Accused committed criminal breach of trust, falsification of accounts of our Bank and misappropriation of amounts belonging to our Bank and our customers, for personal use and thereby committed offences punishable under Sections 408 and 477A of the IPC. The misappropriated amount aggregates to ₹0.38 million. The Koyilandi police has also registered a FIR no. 0281/2018

dated May 4, 2018 against the Accused under Sections 408 and 477A of the IPC. The Koyilandi police has filed a charge sheet no. 54/2020 dated January 29, 2020 against the Accused under Sections 408 and 477A of the IPC before the JFM, Koyilandi and the matter is currently pending.

2. Our Bank has filed a complaint dated May 3, 2018 against a former employee of our Bank ("**Accused**") before the Cyber Cell, Thrissur on the grounds that the Accused, *inter alia*, (i) dishonestly misappropriated property belonging to our Bank for his personal use; (ii) committed cheating; (iii) hacked into the computer resource of our Bank; (iv) stole ATM cards from the Pattikkad branch of our Bank and misused the same for causing wrongful loss to our Bank; and (v) committed criminal breach of trust; thereby committing offences punishable under Sections 405, 408, 420 of the IPC and Sections 65 and 66 of the Information Technology Act, 2000. The Peechi police has also registered a FIR no. 0371/2018 dated June 12, 2018 against the Accused under Sections 381 and 408 of the IPC and Sections 65 of the Information Technology Act, 2000 on the grounds that the Accused cheated our Bank, misappropriated certain properties belonging to our Bank, committed criminal breach of trust and stole ATM cards from the Pattikkad branch of our Bank for personal use by hacking into the computer resource of our Bank. The misappropriated amounts aggregated to ₹0.26 million. The police has filed a charge sheet no. 488/18 dated October 9, 2018 against the Accused under Sections 201, 381 and 408 of the IPC and Section 65 of the Information Technology Act, 2000, before the Judicial First Class Magistrate Court-III, Thrissur and the matter is currently pending.

3. Our Bank has filed a complaint dated May 10, 2019 against one of the gold loan borrowers of our Bank ("**Accused**") at the Mala Police Station, on the grounds that the gold jewellery pledged by the Accused with our Bank did not belong to the Accused and was a stolen property, thereby committing cheating and criminal breach of trust to an extent of ₹0.85 million, in addition to the interest amount. The Mala police has also registered a FIR no. 0201/2021 dated March 16, 2021 against the Accused under Sections 415, 417 and 420 of the IPC on the grounds that the Accused *inter alia* committed cheating and dishonestly induced delivery of property. The matter is currently under police investigation.

4. Our Bank has filed a petition no. 1531/2019 dated September 18, 2019 against a former employee of our Bank ("**Accused**"), at the Panruti Police Station, on the grounds that the Accused misappropriated amounts aggregating to ₹0.69 million from the accounts of our Bank and absconded thereafter. Our Bank has also filed a private complaint dated July 23, 2020 before the Judicial Magistrate Court, Panruti, against the Accused which was forwarded to the Panruti Police Station for investigation. The Panruti police has also registered a FIR no. 2042/2020 dated September 8, 2020 against the Accused under Sections 403, 409, 420 of the IPC on the grounds that the Accused *inter alia* committed breach of trust and embezzlement. Aggrieved by the failure on the part of the Panruti police in taking any further action, our Bank has filed a criminal original petition dated September 6, 2022 ("**Petition**") before the High Court of Judicature at Madras ("**High Court**") against the Inspector of Police, Panruti Police Station ("**Respondent**") under Section 482 of the CrPC submitting *inter alia* to direct the Respondent to complete the investigation in the matter and file a charge sheet against the Accused before the jurisdictional Court. The High Court pursuant to its order dated September 21, 2022 ("**Order**") directed the Respondent to complete the investigation and file the final report within a period of four weeks from the date receipt of the Order and accordingly disposed the Petition. Subsequently, aggrieved by the delay in filing the filing report, our Bank filed a contempt petition dated January 18, 2023 before the High Court against the Respondent praying *inter alia* to punish the Respondent for contempt of non-compliance of the Order and to direct the Respondent to file a final report in relation to the FIR no. 2042/2020 in compliance with the Order. The matter is currently pending.

5. Our Bank has filed a complaint dated December 7, 2019 against two two-wheeler dealers who availed loan from our Bank (collectively, the "**Accused**"), at the Ranny Police Station, on the grounds that the Accused after availing loan for their customers did not deliver the vehicles and misappropriated amounts aggregating to ₹0.14 million advanced by our Bank and absconded thereafter. The Ranny police has also registered a FIR no. 1384/2019 dated December 16, 2019 against the Accused under Section 420 of the IPC on the grounds that the Accused committed cheating and dishonestly induced delivery of property. The Ranny police submitted the final report no. 1559/2020 dated September 30, 2019 before the Judicial First Class Magistrate, Ranny against the Accused. The matter is currently pending.

6. Our Bank has filed a complaint dated April 20, 2020 against an unknown person ("**Accused**") at the Awdhutwadi Police Station, on the grounds that the Accused, with the intention of theft, tried to break the ATM machine of our Bank located at Sheetal Plaza Jam Road, Yavatmal, but was unsuccessful. The Awdhutwadi police has registered a FIR no. 0365/2020 dated April 22, 2020 against the Accused under Sections 379, 511 and 427 of the IPC. The matter is currently under police investigation.

7. Our Bank has filed a complaint dated June 4, 2020 against an unknown person ("**Accused**") at the Tirur Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank's Tirur branch. The Tirur police has also filed a FIR no. 0633/2020 dated June 4, 2020 before the Judicial First Class Magistrate, Tirur, against the Accused under Sections 511 and 380 of the IPC on the grounds that the Accused attempted to commit theft. The matter is currently under police investigation.

8. Our Bank has filed a complaint dated December 1, 2020 against an unknown person ("**Accused**") at the Pattiveeranpatti Police Station, on the grounds that the Accused attempted theft at the ATM counter of our Bank's Batlagundu branch and caused damages to our Bank's property. The Pattiveeranpatti police has also registered a FIR

no. 995/2020 dated December 1, 2020 against the Accused under Sections 457 and 511 of the IPC on the grounds that the Accused attempted to commit theft. The matter is currently under police investigation.

9. Our Bank has filed a complaint dated December 2, 2020 against a former employee of our Bank ("**Accused**") at the Kasaragod Police Station, on the grounds that the Accused fraudulently misappropriated amounts belonging to our Bank aggregating to ₹0.05 million by forging the claimed bills under the pretext of business promotion, staff welfare, office stationary, travel allowance etc. without incurring the same. The Kasaragod police has also filed a FIR no. 1310/2020 dated December 2, 2020 before the Chief Judicial Magistrate, Kasaragod ("**CJM Kasaragod**") under Sections 465, 468, 471 and 420 of the IPC on the grounds that the Accused *inter alia* committed cheating and forgery. The Kasaragod police submitted the final report no. 708/2021 dated May 15, 2021 before the CJM Kasaragod against the Accused. The matter is currently pending.

10. Our Bank has filed a complaint dated February 19, 2021 against one of the gold loan borrowers of our Bank ("**Accused**") at the Thrissur East Police Station, on the grounds that the Accused pledged spurious gold articles, thereby causing loss to our Bank to an extent of ₹0.22 million, in addition to certain interest earned on such amount. The Thrissur East police has also filed a FIR no. 0236/2021 dated February 22, 2021 before the Chief Judicial Magistrate Court, Thrissur ("**CJM, Thrissur**") against the Accused under Section 420 of the IPC on the grounds that the Accused committed cheating. The Thrissur East police submitted the final report no. 441/2021 dated July 14, 2021 before the CJM, Thrissur against the Accused. Our Bank has filed a criminal miscellaneous petition dated January 20, 2023 under Section 451 of the CrPC before the CJM, Thrissur praying *inter alia* to release the recovered gold articles, and to grant the permission to melt the spurious gold ornaments and sell the content to realise the loan amount. The matter is currently pending.

11. Our Bank has filed a complaint dated July 2, 2021 against one of the gold loan borrowers of our Bank ("**Accused**") at the Mannuthy Police Station, on the grounds that the Accused pledged spurious gold articles, thereby defrauding our Bank to an extent of ₹0.16 million, in addition to certain interest earned on such amount. The Mannuthy police has also filed a FIR no. 0636/2021 dated July 3, 2021 before the Judicial First Class Magistrate Court-III, Thrissur ("**JM, Thrissur**") against the Accused under Sections 406 and 420 of the IPC. The Mannuthy police submitted the final report no. 431/2021 dated December 29, 2021 before the JM, Thrissur against the Accused. The matter is currently pending.

12. Our Bank has filed a complaint dated February 16, 2022 against two former employees of our Bank (collectively, the "**Accused**") at the Malappuram Police Station, on the grounds that the Accused committed forgery at Kodur branch of our Bank by falsely opening a gold loan account in the name of a customer and creating a pledge of gold ornaments by forging the signatures in our Bank's registers and other related documents. The Malappuram police has also registered a FIR no. 0123/2022 dated February 21, 2022 against the Accused under Sections 34, 420, 465, 468 and 471 of the IPC. The Accused filed a criminal miscellaneous petition before the High Court of Kerala, at Ernakulam ("**High Court**") for quashing the FIR. Meanwhile, the Malappuram police submitted the final report before the Judicial First Class Magistrate Court, Malappuram ("**JMFC, Malappuram**"). The High Court pursuant to its order dated June 15, 2022 stated that since the final report in the matter has been submitted and cognizance thereon was taken by JMFC, Malappuram, without prejudicing the right of the Accused to challenge the final report and the petition was dismissed as infructuous. Subsequently, the Accused filed a criminal miscellaneous petition dated July 15, 2022 before the High Court praying *inter alia* to quash the final report. The High Court pursuant to its order dated August 24, 2022 impleaded our Bank as an additional respondent in the criminal miscellaneous petition dated July 15, 2022 and directed the Accused to discharge the dues towards the gold loan and make necessary applications directed by our Bank to close the gold loan amount and upon such payment being made by the Accused, our Bank shall close the gold loan account and release the entire gold ornaments to the Accused. The matter is currently pending.

13. Our Bank has filed a complaint dated July 14, 2021 against an unknown person ("**Accused**") at the Badambadi Police Station, Cuttack, on the grounds that the Accused was involved in a burglary incident that took place inside the ATM of our Bank's Cuttack branch. The Badambadi police has also registered a FIR no. 0194/2021 dated July 15, 2021 against the Accused under Section 457 of the IPC. The matter is currently under police investigation.

14. Our Bank has filed a complaint dated July 29, 2021 against one of the gold loan borrowers ("**Accused**") of our Bank at the Puthencruze Police Station, on the grounds that the Accused pledged spurious gold articles, thereby defrauding our Bank to an extent of ₹0.09 million, in addition to certain interest earned on such amount. The Puthencruze police has also filed a FIR no. 0914/2021 dated July 29, 2021 before the Judicial First Class Magistrate Court-I, Kolencherry ("**JMC, Kolencherry**") against the Accused under Sections 406 and 420 of the IPC. The Puthencruze police submitted the final report no. 318/2021 before the JMC, Kolencherry. The matter is currently pending.

15. Our Bank has filed a complaint dated July 29, 2021 against one of the gold loan borrowers of our Bank ("**Accused**") at the Muvattupuzha Police Station, on the grounds that the Accused pledged spurious gold articles, thereby making an unlawful gain by causing wrongful loss to our Bank to an extent of ₹0.19 million, in addition to certain interest earned on such amount. The Muvattupuzha police has also filed a FIR no. 2814/2021 dated August 2, 2021 before the Judicial First Class Magistrate Court, Muvattupuzha against the Accused under Section 420 of the IPC on the grounds that the Accused committed cheating. The matter is currently pending.

16. Our Bank has filed a complaint dated August 4, 2021 before the Thrissur City Police Commissioner and a complaint December 10, 2021 at the Thrissur East Police Station against one of the gold loan borrowers of our Bank ("**Accused**"), on the grounds that the Accused pledged spurious gold ornaments, thereby making an unlawful gain by causing wrongful loss to our Bank to an extent of ₹0.21 million, in addition to certain interest earned on such amount. Our Bank has also filed a private complaint dated January 17, 2022 before the Chief Judicial Magistrate Court, Trichur, against the Accused which was forwarded to the Trichur East Police Station for investigation and report. The Thrissur East police has filed a FIR no. 0208/2022 dated February 1, 2022 before the Chief Judicial Magistrate Court, Thrissur ("**CJMC, Thrissur**"), against the Accused under Sections 34, 120B, 418, 420 and 465 of the IPC. The Thrissur East police has filed a charge sheet no. 710/2022 dated April 26, 2022 against the Accused under Sections 34, 120(b), 420 and 465 of the IPC before the CJMC, Thrissur and the matter is currently pending.

17. Our Bank has filed a complaint dated August 27, 2021 against a former employee of our Bank ("**Accused**") at the Njarakkal Police Station, on the grounds that the Accused fraudulently misappropriated the gold loan accounts and had illegally taken out the gold ornaments from the packets which have been audited by our Bank and replaced them with imitation gold, thereby causing a loss to our Bank. The Njarakkal police has also filed a FIR no. 1077/2021 dated August 27, 2021 before the Judicial First Class Magistrate Court, Njarakkal ("**Court**") against the Accused under Section 409 of the IPC. The Njarakkal police, pursuant to the investigation, recovered the gold ornaments misappropriated by the Accused. Our Bank filed a claim petition dated October 6, 2021 under Section 451 of the CrPC ("**Petition**") before the Court for releasing the recovered gold ornaments and seeking permission from the Court to return the same to the respective customers who pledged the seized gold ornaments with our Bank. The Court pursuant to its order dated November 23, 2021 ("**Order**") allowed the petition in part subject to certain conditions including furnishing bank guarantee of ₹3.00 million as security and granted an interim custody to our Bank in respect of the certain identified gold ornaments. Our Bank has filed a criminal miscellaneous petition dated March 21, 2022 under Section 482 of the CrPC before the High Court of Kerala, at Ernakulam praying *inter alia* to quash the Order to the extent it did not order release of the remaining gold ornaments and to allow the Petition. The matter is currently pending.

18. Our Bank has filed a complaint dated September 30, 2021 against one of the gold loan borrowers of our Bank ("**Accused**") at the Adoor Police Station, on the grounds that the Accused pledged fake gold ornaments with our Bank and thereby unlawfully obtained a sum of ₹0.15 million. The Adoor police has also registered a FIR no. 1767/2021 dated October 1, 2021 against the Accused under Section 420 of the IPC on the grounds that the Accused committed cheating. The police has filed a charge sheet no. 2931/2021 dated December 9, 2021 against the Accused under Section 420 the IPC before the Judicial First Class Magistrate, Adoor ("**JFCM, Adoor**"). Subsequently, our Bank has filed a criminal miscellaneous petition dated February 16, 2023 under Section 451 of the CrPC before the JFCM, Adoor praying *inter alia* to release 51 grams of ornaments seized by the Adoor Police Station and grant permission to sell the seized ornaments after melting the same. The matter is currently pending.

19. Our Bank has filed a complaint dated October 5, 2021 against two unknown persons (collectively, the "**Accused**") at the Nithiravilai Police Station, on the grounds that the Accused tried to break open the ATM machine and attempted theft at Thoothur branch of our Bank. The Nithiravilai police has also registered a FIR no. 0240/2021 dated October 5, 2021 against the Accused under Sections 380, 457 and 511 of the IPC. The matter is currently under police investigation.

20. Our Bank has filed a complaint dated October 11, 2021 against an unknown person ("**Accused**") at the Kalmana Police Station, on the grounds that the Accused, with the intention of theft, broke the ATM machine, CCTV camera and damaged the ATM premises of our Bank's Pardi-Nagpur branch. The Kalmana police has also registered a FIR no. 0797/2021 dated October 11, 2021 against the Accused under Sections 379, 427 and 511 of the IPC. The matter is currently under police investigation.

21. Our Bank has filed two complaints, each dated October 12, 2021 and December 7, 2021 against one of the gold loan borrowers ("**Accused**") of our Bank at the East Police Station, Thrissur and before the Superintendent, East Police Station, Thrissur, respectively, on the grounds that the Accused pledged spurious gold articles, thereby defrauding our Bank to an extent of ₹0.17 million. Our Bank has also filed a private complaint no. 57/2022 dated January 3, 2022 before the Chief Judicial Magistrate, Thrissur ("**CJM, Thrissur**") against the Accused which was forwarded to the East Police Station, Thrissur for further investigation and report. The Thrissur East police has registered a FIR no. 0094/2022 dated January 10, 2022 before the CJM, Thrissur, against the Accused under Sections 34, 418, 420, and 465 of the IPC. The Thrissur City, Town East police has filed a charge sheet no. 1552/2022 against three gold loan borrowers of our Bank under Sections 34, 406 and 420 of the IPC before the Judicial First Class Magistrate, Court No. 1, Thrissur and the matter is currently pending.

22. Our Bank has filed two complaints, each dated October 12, 2021 and December 7, 2021 against one of the gold loan borrowers of our Bank ("**Accused**") at the East Police Station, Thrissur and before the Superintendent, East Police Station, Thrissur, respectively, on the grounds that the Accused pledged spurious gold ornaments, thereby defrauding our Bank to an extent of ₹0.21 million. A private complaint no. 5445/2021 dated December 20, 2021 was filed before the Chief Judicial Magistrate, Thrissur ("**CJM, Thrissur**") against the Accused which was forwarded to the East Police Station, Thrissur for further investigation and report. The Thrissur East police Station has also filed a FIR no.

0053/2022 dated January 6, 2022 before the CJM, Thrissur, against the Accused under Sections 34, 418, 420, and 465 of the IPC. The Thrissur City, Town East police has filed a charge sheet no. 1076/2022 dated June 28, 2022 against the Accused under Sections 418, 420 and 465 of the IPC before the CJM, Thrissur and the matter is currently pending.

23. The Nasrullaganj police has registered a FIR no. 0316/2022 dated May 13, 2022 against an unknown person (“**Accused**”) under Sections 379 and 511 of the IPC on the grounds that the Accused attempted to break open the ATM installed at our Bank’s Nasrullaganj branch. The matter is currently under police investigation.

24. Our Bank has filed a complaint dated June 20, 2021 against an unknown person (“**Accused**”) at the Vythiri Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank’s Kunnathidavaka, Vythiri branch. The Vythiri police has also submitted a FIR no. 0255/2022 dated June 20, 2022 against the Accused under Sections 380, 457 and 511 of the IPC before the Judicial First Class Magistrate, Kalpetta. The matter is currently under police investigation.

25. Our Bank has filed a complaint dated June 22, 2022 against certain former employees of our Bank (collectively, the “**Accused**”) before the Commissioner of Police, Commissioner office, Tirunelveli, on the grounds that the Accused persons sanctioned gold loans to certain customers by pledging spurious gold ornaments and misappropriated such loan amounts. Pursuant to the complaint, it was further stated that the Accused misappropriated the entries in the system of our Bank by entering wrong entries and forged the loan documents, thereby defrauding our Bank to an extent of ₹6.99 million. The Tirunelveli City police has also registered a FIR no. 12/2022 dated July 30, 2022 against the Accused under Sections 406, 409, 417, 418 and 420 of the IPC. Our Bank has filed a writ petition dated July 15, 2022 before the High Court of Madras, Madurai Bench (“**High Court**”) against the Commissioner of Police, Tirunelveli City and others on the grounds that the police has not taken any action to trigger the investigation even after registering the FIR and prayed before the High Court to issue an order or direction in the nature of writ of mandamus directing the police to take necessary actions based on the complaint filed by our Bank. The matter is currently pending.

26. Our branch manager reported attempt of theft by an unknown person (“**Accused**”) trying to break open the ATM premises of our Bank’s Valancherry branch at the Valancherry Police Station. The Valancherry police has filed a FIR no. 0394/2022 dated July 5, 2022 before the Judicial First Class Magistrate Court-I, Tirur, against the Accused under Sections 380 and 511 of the IPC. The matter is currently under police investigation.

27. Our Bank has filed a complaint dated October 21, 2021 against an unknown person (“**Accused**”) at the APMC Police Station, Vashi, on the grounds that the Accused attempted theft at the ATM premises of our Bank’s Vashi branch. The APMC police has also prepared a non-cognizable offence information report no. 1507/2021 dated October 21, 2021 against the Accused under Section 427 of the IPC. The matter is currently under police investigation.

28. Our Bank has filed a complaint dated March 10, 2021 against an unknown person (“**Accused**”) at the Butibori Police Station, on the grounds that the Accused caused damage to the ATM machine installed at our Bank’s Butibori branch. The Butibori police has also prepared a non-cognizable offence information report no. 0100/2021 dated March 10, 2021 against the Accused under Section 427 of the IPC. The matter is currently under police investigation.

29. Our Bank has filed a complaint dated June 21, 2022 against three unknown persons (collectively, the “**Accused**”) at the APMC Police Station, Vashi, on the grounds that the Accused attempted theft and damaged the CCTV camera installed at our Bank’s Vashi branch. The APMC police has also prepared a non-cognizable offence information report no. 0798/2022 dated June 21, 2022 against the Accused under Section 427 of the IPC. The matter is currently under police investigation.

30. Our Bank has filed a complaint dated April 1, 2022 against a lorry vehicle driver (“**Accused**”) at the Changaramkulam Police Station, on the grounds that the Accused hit on the display board of our Bank and severely damaged the same. The Changaramkulam police has also filed a FIR no. 0206/2022 dated April 12, 2022 before the Court of Chief Judicial Magistrate, Ponnani, against the Accused under Section 279 of the IPC. The matter is currently pending.

31. Our Bank has filed a complaint dated March 2, 2022 against one of the gold loan borrowers of our Bank (“**Accused**”) at the Changanassery Police Station, on the grounds that the Accused pledged spurious gold articles, thereby making an unlawful gain by causing unlawful loss to our Bank to an extent of ₹0.09 million, in addition to certain interest earned on such amount. The Changanassery police has also filed a FIR no. 0563/2022 dated March 12, 2022 before the Judicial First Class Magistrate Court, Changanassery (“**JFCM, Changanassery**”), against the Accused under Section 420 of the IPC. The Changanassery police has filed a charge sheet no. 590/2022 dated March 18, 2022 against the Accused under Section 420 of the IPC before the JFCM, Changanassery and the matter is currently pending.

32. Our Bank has filed a complaint dated April 11, 2022 against an unknown person (“**Accused**”) at the Dumka Town Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank’s Dumka branch. The Dumka Town police has also registered a FIR no. 0109/2022 dated April 11, 2022 against the Accused under Sections 379, 427 and 511 of the IPC. The matter is currently under police investigation.

33. Our branch manager reported an attempt of theft by an unknown person (“**Accused**”) at the ATM premises of our Bank’s Warud branch at the Warud Police Station. The Warud police has registered a FIR no. 0326/2022 dated May

11, 2022 against the Accused under Sections 379, 427 and 511 of the IPC. The matter is currently under police investigation.

34. Our Bank has filed a complaint dated October 8, 2022 against an unknown person ("**Accused**") at the Nanjangud Police Station, on the grounds that the Accused attempted theft and stole the DVR tape of CCTV camera installed at our Bank's Nanjangud branch. The Nanjangud Police Station has also registered a FIR no. 0220/2022 dated October 8, 2022 against the Accused under Sections 380 and 457 of the IPC. The matter is currently under police investigation.

35. Our Bank has filed a complaint dated October 19, 2022 against one of the gold loan borrowers of our Bank ("**Accused**") at the Kondotty Police Station, on the grounds that the Accused pledged spurious gold articles, thereby making an unlawful gain by causing wrongful loss to our Bank aggregating to an amount of ₹0.21 million. Our Bank has also filed a private complaint dated January 30, 2023 before the Judicial First Class Magistrate Court, Malappuram against the Accused which was forwarded to the Kondotty Police Station for investigation. The Kondotty police has also filed a FIR no. 0158/2023 dated February 7, 2023 against the Accused under Sections 406, 420 and 465 of the IPC. The matter is currently pending.

36. Our Bank has filed a complaint dated October 19, 2022 against one of the gold loan borrowers of our Bank ("**Accused**") at the Kondotty Police Station, on the grounds that the Accused pledged spurious gold articles, thereby making an unlawful gain by causing wrongful loss to our Bank aggregating to an amount of ₹0.09 million. Our Bank has also filed a private complaint dated February 2, 2023 before the Judicial First Class Magistrate Court, Malappuram against the Accused which was forwarded to the Kondotty Police Station for investigation. The Kondotty police has also filed a FIR no. 0157/2023 dated February 7, 2023 against the Accused under Sections 406, 420 and 465 of the IPC. The matter is currently pending.

37. Our branch manager reported an attempt of theft by an unknown person ("**Accused**") at the premises of our Bank's Kurkheda branch at the Kurkheda Police Station. The Kurkheda police has also registered a FIR no. 0143/2022 dated October 28, 2022 against the Accused under Sections 380, 457 and 511 of the IPC. The matter is currently under police investigation.

38. Our Bank has filed a complaint dated December 16, 2022 against a former employee of our Bank ("**Accused**") at the Mannuthy Police Station, on the grounds that the Accused fraudulently misappropriated the gold loan accounts and illegally transferred money causing a loss to our Bank aggregating to an amount of ₹0.32 million ("**Amount**"). The Mannuthy police has also filed a FIR no. 1004/2022 dated December 19, 2022 before the Judicial First Class Magistrate Court-III, Thrissur ("**JFCM, Thrissur**") against the Accused under Sections 409 and 420 of the IPC. The Accused filed an anticipatory bail application dated February 1, 2023 before the High Court. Subsequently, the High Court of Kerala at Ernakulam ("**High Court**") pursuant to its order dated February 28, 2023 directed our Bank to furnish the details of person from whose account the Accused has withdrawn and transferred the Amount. Our Bank pursuant to the affidavit dated March 3, 2023 submitted the required details before the High Court. Pursuant to its order dated March 6, 2023, the High Court granted anticipatory bail to the Accused with direction to cooperate in the investigation. The Mannuthy police has filed a charge sheet no. 169/2023 dated March 30, 2023 against the Accused under Sections 409 and 420 read with Section 34 of the IPC before the JFCM, Thrissur and the matter is currently pending.

39. Our Bank has filed a complaint dated January 2, 2023 against an unknown person ("**Accused**") at the Kalmana Police Station, on the grounds that the Accused attempted theft at the premises of our Bank's Kalmana branch. The Kalmana police has also registered a FIR no. 0002/2023 dated January 2, 2023 against the Accused under Sections 380, 427 and 511 of the IPC. The matter is currently under police investigation.

40. Our Bank has filed a complaint dated January 12, 2023 against an unknown person ("**Accused**") at the Kambalakkad Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank's Kottathara Pallikkunnu branch. The Kambalakkad police has also registered a FIR no. 0012/2023 dated January 12, 2023 against the Accused under Sections 380, 427, 457 and 511 of the IPC. The matter is currently under police investigation.

41. Our Bank has filed a complaint dated March 17, 2023 against an unknown person ("**Accused**") at the Koramangala Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank's Koramangala branch. The Koramangala police has also filed a FIR no. 0060/2023 dated March 17, 2023 before the 41st Additional Chief Metropolitan Magistrate Court, Bangalore against the Accused under Sections 380 and 511 of the IPC. The matter is currently pending.

42. Our Bank has filed a complaint dated April 5, 2023 against an unknown person ("**Accused**") at the Cyber Crime Police Station, Thrissur, on the grounds that the Accused by fraudulently representing himself as an employee of our Bank collected one time passwords from three customers of our Bank and pre-closed the fixed and recurring deposits of these customers. These amounts were later transferred by the Accused to various accounts maintained outside of our Bank causing wrongful loss to our Bank to an extent of ₹0.42 million. The Cyber Crime police has also filed a FIR no. 0017/2023 dated April 10, 2023 before the Chief Judicial Magistrate Court, Thrissur against the Accused under Section 420 of the IPC and Section 66D of the Information Technology (Amendment) Act, 2008. The matter is currently pending.

43. Our Bank has filed a complaint dated May 17, 2023 against four gold loan borrowers of our Bank (collectively, the "**Accused**") at the Warora Police Station, on the grounds that the Accused pledged spurious gold articles, thereby making an unlawful gain by causing wrongful loss to our Bank to an extent of ₹5.45 million. The Warora police has also registered a FIR no. 0385/2023 dated May 20, 2023 against the Accused under Sections 120-B, 417, 420, 467 and 468 of the IPC. The matter is currently under police investigation.

44. Our Bank has filed a complaint dated May 23, 2023 against an unknown person ("**Accused**") at the Thiruvalla Police Station, on the grounds that the Accused damaged the ATM installed at the premises of our Bank's Thiruvalla branch. The Thiruvalla police has also filed a FIR no. 0647/2023 dated May 24, 2023 against the Accused under Sections 427 and 447 of the IPC. The matter is currently under police investigation.

45. Our Bank has filed a complaint dated June 23, 2021 against two unknown persons ("**Accused**") at the Kovilpalayam Police Station, on the grounds that the Accused attempted theft at the ATM premises of our Bank's Vellanaipatti branch. The Kovilpalayam police has also filed a FIR no. 448/2021 dated June 23, 2021 against the Accused under Sections 380, 457 and 511 of the IPC. The matter is currently under police investigation.

46. Our Bank basis an oral complaint filed a FIR no. 1529/2023 dated June 20, 2023 before the Judicial First Class Magistrate Court-I, Thrissur against a person ("**Accused**") under Sections 286 and 426 of the IPC and Section 9(B)(1)(b) of the Indian Explosives Act, 1884, as amended on the grounds that the Accused threw unidentified explosive substance into the ATM premises of our Bank's Patturaikkal branch. The matter is currently pending.

47. Our Bank has filed a complaint dated May 19, 2023 against a former employee of our Bank ("**Accused**") at the Tirur Police Station, on the grounds that the Accused fraudulently misappropriated the pledged gold in the custody of our Bank to make wrongful gains by persuading a subordinate staff of our Bank to pledge the misappropriated gold in his name. The Tirur police has also filed a FIR no. 0837/2023 dated June 20, 2023 before the Judicial First Class Magistrate Court-I, Tirur under Sections 409 and 420 of the IPC. The matter is currently pending.

There are 627 cases filed by our Bank pending before various forums across the country for alleged violation of Section 138 of Negotiable Instruments Act, 1881 and CrPC, for recovery of amounts due to our Bank for which cheques issued in favour of our Bank by our customers/debtors have been dishonoured. The total pecuniary value involved in all these matters aggregates to ₹55.05 million.

There are 78 police complaints filed by our Bank against its employees and unknown persons in relation to alleged violations arising in the ordinary course of business operations of our Bank, including, among others, cases filed under the IPC alleging criminal breach of trust, cheating, forgery, misappropriation of money and involved in embezzlement of money etc.

Further, there are also certain instances of frauds committed by the employees of our business correspondents against our Bank. While our Bank accounts for the losses suffered by it in respect of these frauds, the legal action in relation to these frauds are initiated by the relevant business correspondent. Further, our Bank recovers the losses suffered by it from the relevant business correspondent.

Recovery proceedings under the SARFAESI Act

In addition to the matters above, our Bank is presently involved in 111 matters in relation to recovery of amounts under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("**SARFAESI Act**"). Our Bank has filed notices in 111 matters for enforcement of security interest under Sections 13 and 14 of the SARFAESI Act, to exercise the right over secured assets for recovery of amounts due from various borrowers of our Bank ("**Borrowers**"), whose accounts have been classified as non-performing assets, due to default in repayments. The total pecuniary value involved in such matters aggregates to ₹59.61 million, of which the monetary claims in no matter is above ₹30.23 million. The matters are currently pending at various stages.

Litigation involving our Promoters

Pursuant to the Business Transfer Agreement, the business undertaking of our Corporate Promoter comprising its lending and financing business together with inter-alia, all the assets, liabilities, rights, title, interest, obligations, risks and rewards relating to and arising out of the business undertaking was transferred to our Bank on March 10, 2017. Further, as agreed to between our Bank and the Corporate Promoter, all legal proceedings in relation to the said business undertaking, pending as on the transfer date i.e., March 10, 2017 or in respect of which, the cause of action had arisen on or prior to the transfer date i.e., March 10, 2017, shall continue to be managed by the Corporate Promoter and that all claims, liabilities, obligations etc., arising out of such legal proceedings shall be borne by the Corporate Promoter. Further, all legal proceedings in relation to the said business undertaking, in respect of which, the cause of action has arisen post the transfer date i.e., March 10, 2017, shall be managed by our Bank and all claims, liabilities, obligations etc., arising out of such legal proceedings shall be borne by our Bank. Further, in terms of the Business Transfer Agreement, our Corporate Promoter is liable for all tax liabilities and is entitled to all tax refunds pertaining to the business undertaking which accrue to our Corporate Promoter up to March 9, 2017, (including such sums received by our Bank or the Corporate Promoter post March 9, 2017). Further, as agreed between our Bank and the Corporate Promoter, our Bank is liable for all tax liabilities and is entitled to all tax refunds pertaining to *the business undertaking which accrue to our Bank, from (and including) March 10, 2017, in relation to the tax liabilities assumed by our Bank, including service tax.*

Litigation against our Corporate Promoter

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against our Corporate Promoter which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against our Corporate Promoter.

Actions Taken by Regulatory and Statutory Authorities

Except as mentioned below, as of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against our Corporate Promoter.

1. The Deputy Director, Employees' State Insurance Corporation ("**ESIC**"), passed an order dated May 14, 2018 under Section 45A of the Employees' State Insurance Act, 1948, as amended ("**ESI Act**") on grounds of insufficiency of contribution to the extent that contribution was not paid under the head 'performance incentive' by our Corporate Promoter and directed our Corporate Promoter to pay contribution aggregating to ₹1.65 million in respect of its employees. Our Corporate Promoter responded to such order through its letter dated May 17, 2018, *inter alia*, (i) praying for an order that the Corporate Promoter is not liable to pay the contribution on performance incentive; (ii) stating that contribution has been paid by the Corporate Promoter in respect of the wages paid to its employees; and (iii) clarifying that it had not considered performance incentive for payment of contribution as it is not a regular payment and varies from employee to employee depending on factors such as performance of sales etc. Our Corporate Promoter also filed an appeal dated June 21, 2018 under Section 45AA of the ESI Act, before the Additional Commissioner and Regional Director, ESIC ("**Appellate Authority**") for setting aside the order of the Deputy Director, ESIC. However, the Appellate Authority through its order dated September 28, 2018 upheld the order passed by the Deputy Director, ESIC and directed our Corporate Promoter to pay ₹1.24 million as balance contribution due from the Corporate Promoter, after appropriating ₹0.41 million paid in respect of the appeal, within 15 days of receipt of its order. Pursuant to this, our Corporate Promoter filed a petition before the Employees Insurance Court, Thrissur ("**EIC**") praying for, *inter alia*, (i) setting aside of the orders passed by the Deputy Director, ESIC and the Appellate Authority, (ii) a declaration that the Corporate Promoter was not liable to pay the amount of contribution, and (iii) a stay on all further proceedings pursuant to the order of the Appellate Authority. The EIC by its order dated November 15, 2018 granted an interim stay on the order passed by the Appellate Authority subject to payment of ₹0.12 million by way of a demand draft in favour of the ESIC and submission of proof of payment on or before February 25, 2019. The same was complied with by our Corporate Promoter. Subsequently, the Deputy Director, ESIC filed an application dated November 21, 2018 before the Recovery Officer, ESIC, for recovery of contribution under Section 45C to 45I of the ESI Act from our Corporate Promoter, aggregating ₹2.21 million. Thereafter, the Recovery Officer, ESIC issued a notice dated December 3, 2018 to our Corporate Promoter in Form No. ESI CP 2 for recovery of ₹2.21 million from our Corporate Promoter. Our Corporate Promoter by its letter dated December 28, 2018 responded to the letter from the Deputy Director, ESIC stating that it has obtained a stay order from the EIC. The matter is currently pending.

2. There have been past instances of delays in the submission of compliance certificates as required under Pension Fund Regulatory and Development Authority (Aggregators) Regulations, 2015. Pursuant to the audit and inspection for FY 2016-2017 issued by the external auditor appointed by national pension system ("**NPS**") Trust and the subsequent letters issued by the NPS Trust, our Corporate Promoter and our Bank were directed to amongst other things compensate 1,771 subscribers for the delay in uploading the subscriber contribution file ("**SCF**") and transferring funds to the trustee bank. Accordingly, our Corporate Promoter was required to compensate its NPS subscribers for an amount aggregating to ₹142,470. Pursuant to letter dated January 2, 2020, our Corporate Promoter has communicated to the NPS Trust that out of the total compensation amount of ₹142,470 payable to 1,771 subscribers, a compensation amount of ₹134,600, pertaining to 1,686 subscribers has been paid by our Corporate Promoter and that the balance amount of ₹7,870 pertaining to 85 subscribers has not been paid owing to technical difficulties, i.e. completion of 60 years of age of certain subscribers or completion of withdrawal process by certain subscribers. Accordingly, our Corporate Promoter has sought guidance from the NPS Trust on how to complete this process. Based on the approval from the NPS Trust and pursuant to letter dated July 28, 2020, our Corporate Promoter has communicated to the PFRDA that out of the balance amount of ₹7,870 pertaining to 85 subscribers, a compensation amount of ₹5860 pertaining to 60 subscribers has been transferred but withdrawal was not processed. Subsequently, pursuant to letter dated March 24, 2021, the Corporate Promoter has communicated to the NPS Trust that the remaining compensation amount of ₹2,010 pertaining to 25 subscribers has been transferred and withdrawal process has also been completed. There is no written communication from PFRDA in this regard.

Disciplinary action

There are no disciplinary actions including penalty imposed by SEBI or stock exchanges against our Corporate Promoter in the last five financial years including outstanding actions.

Litigation by our Corporate Promoter

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation instituted by our Corporate Promoter which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation instituted by our Corporate Promoter.

Litigation against Kadambelil Paul Thomas

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against Kadambelil Paul Thomas which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

Except as mentioned below, as of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against Kadambelil Paul Thomas:

1. The police officer, Aluva East Police Station (the "**Complainant**"), has filed an FIR no. 1936/2014 dated May 14, 2017 against our Individual Promoter, Kadambelil Paul Thomas, in his capacity as the then managing director of our Corporate Promoter, and others, (the "**Accused**"), under Sections 406 and 420 of the IPC, Section 17 of the Kerala Money Lenders Act, 1958 ("**KML Act, 1958**") and Section 3 of the Kerala Prohibition of Charging Exorbitant Interest Act, 2012 on the grounds that the Accused are allegedly engaged in illegal money-lending by charging exorbitant interest rates. Pursuant to a search of the Aluva branch of the Corporate Promoter, conducted by the Complainant, promissory notes, application forms, consent letters, letters of guarantee, registers recording illegal money transactions, passbooks and currency notes of ₹0.30 million, obtained illegally, were found. A charge sheet no. 691/15 dated February 26, 2015 has been filed by the Complainant against the Accused under Sections 406 and 420 of the IPC, Section 17 of the KML Act, 1958 and Section 3 of the Kerala Prohibition of Charging of Exorbitant Interest Act, 1958, before the Judicial First Class Magistrate Court-1, Aluva. Subsequently, our Individual Promoter has filed a criminal miscellaneous petition no. 2228 of 2015 dated April 1, 2015 under Sections 482 and 483 of the CrPC before the High Court of Kerala, at Ernakulam ("**High Court**") praying for all further proceedings initiated against our Individual Promoter in Crime No. 1936/2014, to be quashed. The High Court pursuant to its order dated March 13, 2020 allowed the petition and granted the stay on all further proceedings ("**Stay Order**"). Subsequently, the High Court pursuant its order dated September 2, 2022 extended the Stay Order for a further period of two months. The High Court pursuant to its order dated November 2, 2022 and March 2, 2023 extended the stay in this matter for further period of four months and six months, respectively. The matter is currently pending.

   Meanwhile, in relation to the applicability of the KML Act, 1958 to NBFCs operating in Kerala, the Supreme Court of India, pursuant to its order dated May 10, 2022 held that the KML Act, 1958 is not applicable to the NBFCs registered under the RBI Act, 1934, including our Corporate Promoter, and allowed all the appeals filed by NBFCs operating in Kerala. For details in this regard, see "*Risk Factors – There is an ongoing criminal proceeding involving our Individual Promoter and if these proceedings are determined against him, it could have a material adverse effect on our reputation*" on page 44.

Actions Taken by Regulatory and Statutory Authorities

As of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against Kadambelil Paul Thomas.

Disciplinary action

As of the date of this Draft Red Herring Prospectus, there are no disciplinary actions including penalty imposed by SEBI or stock exchanges against Kadambelil Paul Thomas in the last five financial years including outstanding actions. However, certain directions have been issued by the RBI to our Bank in respect of the office of Kadambelil Paul Thomas as set out below:

Pursuant to RBI letter dated May 28, 2018 read with RBI letter dated March 9, 2017, Kadambelil Paul Thomas was required to divest his shareholding in our Corporate Promoter within a period of one year, i.e., March 8, 2018, before taking charge as Managing Director and Chief Executive Officer in compliance with Section 10B(4) of the Banking Regulation Act. While Kadambelil Paul Thomas transferred majority of his shareholding in our Corporate Promoter on February 22, 2018, the balance equity share holding, which was issued to him as sweat equity was subject to a three-year lock-in period from allotment, i.e., up to September 28, 2018, and accordingly, could not be transferred within the aforementioned timeline. As a result, Kadambelil Paul Thomas was directed by the RBI to step down from his position of Managing Director and Chief Executive Officer. Kadambelil Paul Thomas resigned from his position of Managing Director and Chief Executive Officer on June 2, 2018 and re-joined on October 1, 2018 with the approval of the RBI dated October 1, 2018, post divesture of his shareholding in the Corporate Promoter in compliance with the letters issued by the RBI.

Litigation by Kadambelil Paul Thomas

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation instituted by Kadambelil Paul Thomas which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation instituted by Kadambelil Paul Thomas.

Litigation involving our Directors

Litigation against our Directors

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against any of our Directors which involve a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

Except as mentioned below, as of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against any of our Directors:

1. The police officer, Aluva East Police Station, has filed an FIR no. 1936/2014 against our Managing Director and Chief Executive Officer, Kadambelil Paul Thomas, under Sections 406 and 420 of the IPC, Section 17 of the Kerala Money Lenders Act, 1958 and Section 3 of the Kerala Prohibition of Charging Exorbitant Interest Act, 2012. For details in relation to this case, see "- *Litigation against Kadambelil Paul Thomas – Criminal Litigation*" on page 367.

Actions Taken by Regulatory and Statutory Authorities

As of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against any of our Directors.

However, certain directions have been issued by the RBI to our Bank in respect of the office of our Managing Director and Chief Executive Officer, Kadambelil Paul Thomas. For further details, see "- *Litigation against Kadambelil Paul Thomas – Disciplinary action*" on page 368.

Litigation by our Directors

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation instituted by any of our Directors which involves a monetary liability of ₹30.23 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of our Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation instituted by any of our Directors.

Litigation involving our Group Entities

As of the date of this Draft Red Herring Prospectus, there are no outstanding litigation involving our Group Entities which has a material impact on our Bank.

Tax Claims

Except as disclosed below, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoters.

Nature of case	Number of cases	Amount involved (₹ in million)*
Bank		
Direct Tax	10	271.14
Indirect Tax	3	17.53
Directors		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Promoters		
Corporate Promoter		
Direct Tax	3	19.66
Indirect Tax	6	249.95
Kadambelil Paul Thomas		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil

* *To the extent ascertainable and quantifiable*

Description of certain tax matters involving our Bank and our Corporate Promoter, above the materiality threshold

Matters involving our Bank

Service tax matters

1. The office of the Commissioner of Central Tax and Central Excise (Audit), Kochi had issued a show cause notice dated February 17, 2021 ("**SCN**") to our Bank on the grounds that our Bank had, allegedly, contravened certain provisions of the Finance Act, 1994 ("**Finance Act**") and CENVAT Credit Rules, 2004 ("**CENVAT Rules**"). In terms of the SCN, our Bank was required to show cause as to why (i) an amount aggregating to ₹11.34 million not paid on taxable income received under "gain on securitisation" and "gain on assignment" for the period 2016-17 and 2017-18 (upto June); (ii) an amount aggregating to ₹0.03 million not paid on income received as pass book charges, account register charges and miscellaneous charges for the period 2016-17 and 2017-18 (upto June); (iii) an amount aggregating to ₹0.34 million being CENVAT credit of service tax irregularly taken and utilized in the month of May 2017, should not be demanded and recovered; (iv) ₹885 paid by cash towards Swachh Bharath Cess ("**SB Cess**") should not be appropriated against the SB Cess demanded; (v) interest at the appropriate rate on the amounts demanded under (ii) and (iii) above should not be demanded and recovered under Section 75 of the Finance Act read with Rule 14(1)(ii) of the CENVAT Rules; (vi) ₹0.13 million paid by cash towards SB Cess and Krishi Kalyan Cess ("**KK Cess**") should not be appropriated against the interest demanded; (vii) penalties under the provisions of the Finance Act read CENVAT Rules should not be imposed; and (viii) ₹0.13 million paid by cash towards penalty on service tax, SB Cess and KK Cess should not be appropriated against the penalty proposed to be imposed. Our Bank pursuant to its letter dated May 24, 2021 responded to the SCN denying the alleged contraventions and praying, *inter alia,* for the proceedings initiated against it pursuant to the SCN, to be dropped. This matter is currently pending.

Direct tax matters

1. The Assessment Unit, Income Tax Department ("**Assessment Unit**") had issued an assessment order dated September 22, 2022 ("**Assessment Order**") under Section 143(3) read with Section 144B of the IT Act. In terms of the Assessment Order, our Bank filed its return of income for the assessment year ("**AY**") 2020-21 on February 6, 2021 admitting a total income of ₹2,839.70 million and subsequently the matter was selected for scrutiny under computer aided scrutiny system. As per the Assessment Order, it was alleged that our Bank under-reported the income to the Assessment Unit (i) made an addition of ₹0.27 million in relation to disallowance under Section 14A read with Rule 8D of the IT Act; (ii) disallowed and added back the reverse entry of ₹54.83 million in computation on account of the deferred tax; (iii) disallowed the depreciation claimed on investment aggregating to ₹18.32 million under Section 37

of the IT Act; and (iv) disallowed an amount aggregating to ₹491.51 million under Section 36(1)(vii) of the IT Act in lieu of claiming provisioning for non-performing assets, and separately initiated penalty proceedings under Section 270A(1) of the IT Act for under-reporting of income. A demand notice and notice for penalty, each dated September 22, 2022 has been issued by Assessment Unit under Sections 156 and 274 read with Section 270 A of the IT Act, respectively, to our Bank demanding our Bank to pay a sum aggregating to ₹217.99 million and to show cause as to why an order imposing penalty under Section 270A of the IT Act should not be passed. This matter is currently pending.

Matters involving our Corporate Promoter

Service tax matters

1. The Principal Commissioner, Central Tax and Central Excise, Kochi ("**Principal Commissioner**") had issued a show cause notice dated November 8, 2017 to our Corporate Promoter on the grounds that our Corporate Promoter had, allegedly, contravened certain provisions of the Finance Act, 1994 ("**Finance Act**") read with the Service Tax Rules, 1994 ("**Service Tax Rules**"), to the extent that our Corporate Promoter, *inter alia,* (i) did not obtain service tax registration under the category "other taxable services"; (ii) failed to pay service tax on the gain on securitisation/ interest spread on securitisation/ income from assignment for the Financial Years 2012-13 to 2015-2016; and (iii) did not assess the tax due on the service of "other taxable services" and had not filed the requisite form filings in that regard with the intent to evade payment of tax. As per the show cause notice, the aforementioned alleged contraventions resulted in evasion of service tax of ₹67.64 million by our Corporate Promoter. Our Corporate Promoter responded to the show cause notice through its letter dated March 6, 2018, before the Principal Commissioner of Central Tax and Central Excise, Kochi, ("**Commissioner**"), and prayed for the proceedings initiated against it, to be dropped. The Commissioner of Central GST and Central Excise, Kozikode, by its order dated July 26, 2018 dropped all the proceedings proposed in the show cause notice and disposed the show cause notice issued by the Principal Commissioner. Against this order, the Principal Commissioner filed an appeal dated December 10, 2018 before the Customs Excise and Service Tax Appellate Tribunal, Bengaluru. Our Corporate Promoter also filed cross objections to the appeal on April 29, 2019. This matter is currently pending.

2. The office of the Commissioner, Central Tax and Central Excise, Kochi had issued a show cause notice dated January 10, 2022 to our Corporate Promoter on the grounds that our Corporate Promoter had, allegedly contravened certain provisions of the Finance Act, 1994 ("**Finance Act**") read with the Service Tax Rules, 1994 ("**Service Tax Rules**"), to the extent that our Corporate Promoter, *inter alia,* (i) failed to pay service tax on the consideration received by it in respect of the taxable services provided towards the servicing of securitised loans for the financial year 2016-17; (ii) did not endorse the category of 'other taxable services' in their service tax registration; and (iii) did not assess the tax due on the taxable service provided with the intent to evade payment of service tax. It was alleged that our Corporate Promoter had intentionally shown the considerations received towards the services provided by way of servicing of portfolios under the head "gains on securitization/interest spread on securitization of loan/income from assignment" in its balance sheet so as to mislead the tax department and evade payment of service tax. As per the show cause notice, the aforementioned alleged contraventions resulted in evasion of service tax of ₹75.60 million by our Corporate Promoter which is payable along with the interest and penalties at the appropriate rates for the period by which such payment has been delayed as prescribed under Section 75 of the Finance Act and applicable Service Tax Rules. Our Corporate Promoter responded to the show cause notice through its letter dated June 20, 2022 denying the alleged contraventions and praying, *inter alia,* for the proceedings initiated against it, to be dropped. This matter is currently pending.

3. The Commissioner Central Tax and Central Excise (Audit), Cochin ("**Commissioner**") had issued a show cause notice dated January 14, 2022 to our Corporate Promoter on the grounds that our Corporate Promoter had, allegedly contravened certain provisions of the Finance Act, 1994 ("**Finance Act**") read with the Service Tax Rules, 1994 ("**Service Tax Rules**") and CENVAT Credit Rules, 2004 ("**CENVAT Rules**"). In terms of the show cause notice, our Corporate Promoter was *inter alia* required to show cause as to why (i) best judgement assessment should not be resorted to for assessment of value of taxable services provided towards setting up of our Bank and the amount aggregating to ₹53.26 million under Section 67 of the Finance Act read with Rule 3 of Service (Determination of value) Rules, 2006; (ii) an amount aggregating to ₹62.26 million being the service tax not paid by our Corporate Promoter; (iii) ineligible CENVAT credit availed and utilized aggregating to ₹17.73 million; (iv) an amount aggregating to ₹0.22 million being an interest not/ short paid by our Corporate Promoter on delayed payment of service tax and cess; (v) interest at the appropriate rate on the service tax, cess short/not paid and CENVAT credit payable under (ii) and (iii) above should not be charged and recovered; (vi) late fee of 0.006 million, should not be charged and recovered under the provisions of Finance Act read with Service Tax Rules and CENVAT Rules; and (vii) penalties under the provisions of the Finance Act read with the Service Tax Rules and CENVAT Rules should not be imposed. Our Corporate Promoter responded to the show cause notice through its letter dated April 8, 2022 before the Commissioner, submitting *inter alia* that there was no failure on the part of our Corporate Promoter to assess the tax liability and praying for the proceedings initiated against it, to be dropped. This matter is currently pending.

Outstanding dues to Creditors

As at March 31, 2023, the total number of creditors of our Bank was 249 and the total outstanding dues to these creditors by our Bank was ₹909.10 million. Our Bank owes an amount of ₹42.52 million to micro, small and medium enterprises ("**MSMEs**") 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 exceeding 5.00% (i.e. ₹45.46 million) of the total dues owed to creditors as on March 31, 2023, were considered 'material' creditors. As at March 31, 2023, there are three material creditors to whom our Bank owes an aggregate amount of ₹643.01 million. The details pertaining to outstanding over-dues towards our material creditors, along with their names and amount involved in respect of each material creditor, are available on the website of our Bank at www.esafbank.com/investor-relations-info/. It is clarified that such details available on our website do not form a part of this Draft Red Herring Prospectus and investors should not make any investment decision based on information available on the website of our Bank. Anyone placing reliance on any other source of information, including our Bank's website, would be doing so at their own risk.

Details of outstanding dues owed to MSMEs and other creditors as at March 31, 2023 is set out below:

Types of Creditors	Number of creditors	Amount involved (₹ in million)
Micro, Small and Medium Enterprises	63	42.52
Material creditors	3	643.01
Other creditors	183	223.57
Total Outstanding Dues	**249**	**909.10**

Material Developments

We confirm that from March 31, 2023 till the date of this Draft Red Herring Prospectus that no developments have taken place or circumstances arisen which have materially and adversely affected or are likely to affect, within the next 12 months: (a) our trading, profitability, performance or prospects; (b) the value of our assets; or (c) our ability to pay our liabilities.

GOVERNMENT AND OTHER APPROVALS

Our Bank is in possession of all approvals which are considered material and necessary for the purpose of undertaking its business activities. Set out below, is an indicative list of approvals obtained by our Bank. In view of these key approvals, our Bank can undertake this Offer and its business activities. In addition, certain of our key approvals 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. For further details in connection with the regulatory and legal framework within which we operate, see "Key Regulations and Policies" on page 186.

I. Incorporation details

1. Certificate of incorporation dated May 5, 2016 issued to our Bank, under the name ESAF Small Finance Bank Limited by the RoC.

2. The CIN of our Bank is U65990KL2016PLC045669.

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*" and "*The Offer*" on pages 377 and 69, respectively.

III. Key approvals in relation to our Bank

Regulatory approvals for setting up a small finance bank ("SFB")

1. The RBI pursuant to the RBI In-Principle Approval granted our Corporate Promoter in-principle approval to establish an SFB in the private sector under Section 22 of the Banking Regulation Act, subject to our Corporate Promoter completing all the relevant formalities within the validity period of eighteen months from the date of approval, to the satisfaction of RBI.

2. The RBI pursuant to the RBI Final Approval, issued to our Bank, license no. 'MUM:124', to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.

3. The RBI has, pursuant to a letter dated December 27, 2018, intimated the Bank of its inclusion in the second schedule to the RBI Act, 1934, vide its notification dated November 12, 2018, published in the Gazette of India dated December 22, 2018 to December 28, 2018.

Regulatory approvals for carrying on business activities as a small finance bank ("SFB")

1. As of March 31, 2023, we have an aggregate of 700 Branches. The RBI has, pursuant to various letters, permitted our Bank to open 700 Branches. The RBI has, pursuant to the notification 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms' dated March 28, 2020, granted general permission to all existing SFBs to open banking outlets subject to adherence to unbanked rural centre norms as per RBI circular on 'Rationalisation of Branch Authorisation Policy - Revision of Guidelines' dated May 18, 2017, as amended from time to time.

2. The RBI has, pursuant to a letter dated November 30, 2016, granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS, NEFT and NECS.

3. The RBI has, pursuant to a letter dated January 30, 2017, 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 ₹1,100 million.

4. The RBI has, pursuant to a letter dated January 6, 2017, intimated us of the opening of our principal current account with the RBI in the name of our Bank.

5. The RBI has, pursuant to a letter dated January 31, 2017, intimated us of the opening of our subsidiary general ledger account in the name of our Bank.

6. The RBI has, pursuant to an email dated January 25, 2017, allotted primary IFSC ESMF0000001, to our Bank.

7. The RBI has, pursuant to a letter dated May 9, 2018, granted our Bank permission to set up one administrative office at Thrissur, Kerala.

8. The RBI has, pursuant to a letter dated November 18, 2019, granted our Bank permission to set up two administrative offices at Thrissur, Kerala.

9. The RBI pursuant to a letter dated February 5, 2018, informed us that our Bank has been admitted as a member of Bankers' Clearing House at New Delhi for the purposes of participating, with effect from February 6, 2018, in the cheque truncation system ("**CTS**") clearing at Bankers' Clearing House at New Delhi.

10. The RBI pursuant to a letter dated March 21, 2017, informed us that our Bank has been admitted as a member of Western Grid Bankers' Clearing House**.**

11. The RBI pursuant to a letter dated March 23, 2017, informed us that our Bank has been admitted as a direct member of Bankers' Clearing House at Chennai.

12. The RBI through various letters has allotted the MICR code to 700 Banking Branches of our Bank.

13. The RBI has, pursuant to a letter dated December 9, 2016, granted our Bank approval to commence and operate mobile banking services, with flexible channels for registration with customers.

14. The RBI has, pursuant to an email dated April 9, 2020, granted our Bank approval to undertake the business of depository participant.

15. The Central KYC Registry has, pursuant to an email dated December 27, 2017, confirmed the registration of our Bank in the Central KYC registry**.**

16. The RBI has pursuant to its letter dated April 20, 2023, authorised our Bank as an Authorized Dealer – Category I.

17. The Foreign Exchange Department, RBI has, pursuant to certificate dated April 17, 2017, authorised our Bank as an Authorized Dealer – Category II, and by amendment on February 14, 2019, changed the registered office address and approved the undertaking of forex business at 54 additional Branches of our Bank.

18. The RBI has, pursuant to a letter dated May 30, 2018, granted our Bank approval to open non-resident rupee accounts in 31 Branches.

19. The RBI has, pursuant to a letter dated February 22, 2019, granted our Bank approval to open non-resident rupee accounts in 69 Branches.

20. The RBI has, pursuant to a letter dated January 20, 2020, granted our Bank approval to open non-resident rupee accounts in 42 Branches.

21. The RBI has, pursuant to an email dated October 26, 2018, granted registration to our Bank as a reporting entity.

22. The NPCI has granted our Bank access to the NACH platform.

23. The RBI has, pursuant to a letter dated December 22, 2016, granted the INFINET membership to our Bank.

24. The CCIL has, pursuant to a letter dated March 25, 2019, granted our Bank membership to the CCIL's Repo Dealing Segment.

25. The Deposit Insurance and Credit Guarantee Corporation has, pursuant to a letter dated April 3, 2017, granted our Bank registration as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

26. Clearcorp Dealing Systems (India) Limited has, pursuant to a letter dated December 27, 2018, granted our Bank membership of RBI's NDS-Call system.

27. Clearcorp Dealing Systems (India) Limited has, pursuant to a letter dated January 8, 2019, granted our Bank membership of RBI's NDS-OM system.

28. The RBI has, pursuant to a letter dated August 2, 2019 granted our Bank a no-objection for referring our customers for installation of point of sale/electronic data capture machine and related services under a referral arrangement.

29. The RBI has issued a three digit Basic Statistical Return – BSR Code 209, to our Bank.

30. The IRDAI has, issued a certificate of registration to our Bank to act as a Category Corporate Agent (Composite) with effect from January 18, 2018, and renewed certificate of registration effective from January 18, 2021.

31. The NSDL has, pursuant to an email dated March 7, 2019, granted our Bank registration to the Central Record Keeping Agency.

32. Our Bank has been in compliance with the Foreign Account Tax Compliance Act, 2010, pursuant to registration dated January 23, 2019.

33. The RBI has, pursuant to a letter dated December 5, 2017, issued a no-objection certificate to undertake the activity of distribution of insurance products and pension products on a non-risk sharing basis without any commitment of own funds.

34. The RBI has, pursuant to a letter dated December 5, 2017, issued a no-objection certificate to undertake the distribution of pension products on a non-risk sharing basis without any commitment of own funds**.**

35. The PFRDA has, pursuant to a certificate dated September 14, 2018, granted our Bank registration as a point of presence under the PFRDA Act, 2013 and PFRDA (Point of Presence) Regulations, 2018 to transact in pension schemes and/ or under the National Pension Scheme.

36. The RBI has, pursuant to an email dated November 20, 2018, allotted Depositor Education and Awareness Fund code 2159 to our Bank.

37. The Financial Intelligence Unit, India has granted our Bank registration as a reporting entity.

38. The NPCI has, pursuant to a letter of authority dated February 2, 2017, granted our Bank membership for certain services under the Aadhaar Enabled Payment System.

39. The UIDAI has, pursuant to the email dated January 9, 2020, granted our Bank registration as an Enrolment Agency (Aadhar Seva Kendra).

40. The FIMMDA has, pursuant to a letter dated January 24, 2017, approved our membership in the FIMMDA. The said membership, being an annual subscription, is renewed by our Bank at the beginning of each Financial Year.

41. The Indian Banks' Association has, pursuant to a letter dated May 2, 2017, granted our Bank membership of the Indian Banks' Association with effect from May 2, 2017 as an 'Ordinary Member'.

42. The RBI has, pursuant to a letter dated September 2, 2021 granted our Bank approval to open non-resident rupee accounts in 175 Branches.

43. The RBI has, pursuant to a letter dated June 20, 2022 granted our Bank approval to open non-resident rupee accounts in 149 Branches.

44. SEBI, has pursuant to a certificate dated June 28, 2022 granted a certificated of registration as participant to our Bank with registration no. IN-DP-697-2022 in terms of Section 12(1A) of the SEBI Act, 1992 and the Depositories Act, 1996.

Tax related approvals

1. The permanent account number of our Bank is AAECE2619Q.

2. The tax deduction account number of our Bank is CHNE02409B.

3. The GST registration number of our Bank is 32AAECE2619Q1ZH, for the state of Kerala.

4. Our Bank has applied for registrations in the normal course of business for its Branches across various states in India under the applicable profession tax legislations.

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, the relevant shops and establishment legislations and we have obtained no objection certificates for certain of our Branches including our material branch located in Purnia in the state of Bihar and our branch located in Kawardha in the state of Chhattisgarh, to undertake business from the local authority.

Our Bank has, by a letter dated September 29, 2022, written to the Assistant Labour Inspector, Assistant Labour Office, Aruppukkottai, Tamil Nadu, for guidance on the process for the shops and establishments registration under the Tamil Nadu Shops and Establishment Act, 1947, pursuant to the legal proceeding pending before the Assistant Labour Inspector, Aruppukkottai. For details, see, "*Outstanding Litigation and Material Development - Litigation involving our Bank - Litigation against our Bank - Actions Taken by Regulatory and Statutory Authorities*" on page 357.

IV. Key approvals obtained for the material Branches of our Bank

Our Bank has obtained registrations in the normal course of business for its Branches across various states in India including authorised dealer certificates issued by RBI, trade licenses issued by relevant municipal authorities under applicable laws, and registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. Except as disclosed below, our Bank has obtained goods and services tax registrations with the relevant authorities for our Branches in the states of Kerala, Jharkhand, New Delhi, Madhya Pradesh, Uttar Pradesh, Haryana, Chhattisgarh, West Bengal, Bihar, Meghalaya, Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, Telangana, Assam, Gujarat, Rajasthan, Odisha, Chandigarh, Puducherry, Tripura and Uttarakhand. Certain approvals may lapse 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.

For further details in respect of approvals in relation to our material Branches, see " – *Pending Applications*", " – *Approvals for which renewal applications have been made*" and " – *Approvals for which renewal applications/ applications have not been made*" on page 375 each.

V. Pending Applications

Except as disclosed below, as on the date of this Draft Red Herring Prospectus, there are no pending applications for approvals applied for but not received by our Bank:

1. Application dated March 3, 2022 to the RBI for the request for empanelment of our Bank as agency bank of the RBI to conduct government agency business under the RBI notification CO.DGBA.GBD.No.S1112/42-01-033/2021-2022 dated December 15, 2021, as updated;

2. Application for the shops and establishments license for certain of our Branches in Chhattisgarh, Odisha, Uttar Pradesh, Madhya Pradesh, Maharashtra and Jharkhand;

3. Application to add our branch located in Saraipali as an additional place of business in the GST registration certificate for the state of Chhattisgarh;

4. Application to add our material Branch located in Udaipur as an additional place of business in the GST registration certificate for the state of Tripura;

5. Application to add our material business correspondent operated banking outlets located in Bijawar, Shujalpur, Kanichar, Siillod, Kondgaon, Bhilwara, Siwani in the respective GST registration certificate for the states of Madhya Pradesh, Kerala, Maharashtra, Chhattisgarh, Rajasthan and Haryana; and

6. Applications for certain Branches and business correspondent operated banking outlets as an additional place of business in their respective State GST registration certificates.

VI. Approvals for which renewal applications have been made

Except as disclosed below, as on the date of this Draft Red Herring Prospectus, there are no approvals for which renewal applications have been made

1. Application for renewal of the shops and establishments license for our branch located in Chandigarh.

VII. Approvals for which renewal applications / applications have not been made

Except as disclosed below, as on the date of this Draft Red Herring Prospectus, there are no approvals for which renewal applications/ applications have not been made:

1. Application for the shops and establishments license for our material branch located in Udaipur in the state of Tripura;

2. Application for shops and establishment licenses for 15 Branches located in the states and union territories of Bihar, Jharkhand, New Delhi, Rajasthan, Tripura, Uttar Pradesh, West Bengal, Chhattisgarh, and Assam; and

3. Application for professional tax registrations for our Branches falling under the states of Tripura and Uttarakhand.

VIII. Intellectual property

Our Bank has two trademark registrations for our corporate logos, i.e., and under class 36 of the Trade Marks Act, 1999. Further, our Bank has one trademark registration for the device 'ESAF Small Finance Bank' under Class 36 of the Trade Marks Act, 1999, which is valid up to January 17, 2027.

We have also entered into a license agreement dated January 5, 2020 with ESAF Foundation ("**Trademark Agreement**"), pursuant to which we have been granted a license to use certain trademarks registered in the name of the ESAF Foundation, for our business activities, as set out in the table below:

S. No.	Trademark/domain name/device	Application number	Application date	Applicant	Validity
1.	ESAF	3459570	January 17, 2017	ESAF Foundation	January 17, 2027
2.	ESAF	1657304	February 23, 2008	ESAF Foundation	February 23, 2028
3.	Creating Opportunities	3459573	January 17, 2017	ESAF Foundation	January 17, 2027
4.		3459572	January 17, 2017	ESAF Foundation	January 17, 2027
5.		3459571	January 17, 2017	ESAF Foundation	January 17, 2027
6.	Fighting the partiality of prosperity	3459575	January 17, 2017	ESAF Foundation	January 17, 2027

Pursuant to the Trademark Agreement, we have also been granted a license to use the following trademark:

S. No.	Trademark/ word mark	Application number	Application date	Applicant	Validity
1.	ESAF (word mark)*	2710339	April 1, 2014	ESAF Foundation	NA*

* *This application has been opposed. Our Bank is using the "ESAF" (word mark) under class 36, which has not been opposed.*

For further details, see "*Risk Factors – If we fail to successfully enforce our intellectual property rights or are unable to renew our trademark licencing agreement our business, results of operations and cash flows would be adversely affected*" and "*History and Certain Corporate Matters – Key terms of other subsisting material agreements*" on pages 46 and 209, respectively.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board has approved the Offer pursuant to the resolution passed at its meeting held on June 22, 2023 and has revised the Offer for Sale portion pursuant to its resolution dated July 7, 2023. Further our Shareholders have approved the Fresh Issue pursuant to a resolution passed at the EGM held on June 29, 2023 in terms of Section 62(1)(c) of the Companies Act, 2013. The Board has pursuant to its resolution dated June 22, 2023 and July 7, 2023 taken on record approval for the Offer for Sale for the Offered Shares by the Selling Shareholders. This Draft Red Herring Prospectus has been approved by our Board pursuant to a resolution passed on July 7, 2023.

The Offer for Sale has been authorised by each of the Selling Shareholders as follows:

Sr. No.	Name of the Selling Shareholder	Number of Offered Shares	Date of consent letter	Date of corporate action/board resolution/power of attorney
Promoter Selling Shareholder				
1.	ESAF Financial Holdings Private Limited	[●] Equity Shares aggregating up to ₹1192.60 million	July 5, 2023	June 2, 2023
Other Selling Shareholders				
2.	PNB MetLife	[●] Equity Shares aggregating up to ₹126.70 million	July 5, 2023	November 9, 2020
3.	Bajaj Allianz Life	[●] Equity Shares aggregating up to ₹103.70 million	July 5, 2023	December 6, 2011

In-principle listing approvals

Our Bank has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], 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 reaching a net worth of ₹5,000 million.

Prohibition by SEBI or other Governmental Authorities

Our Bank is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, to the extent applicable.

Our Bank, our Promoters, the members of the Promoter Group, our Directors, and each of the Selling Shareholders, the persons in control of the Bank and the persons in control of our Promoters 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 Promoters, Directors or persons in control of our Bank 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 is no outstanding actions initiated by SEBI against our Directors in the five years preceding the date of this Draft Red Herring Prospectus.

Our Bank, Promoters or Directors have not been declared as Wilful Defaulters or a Fraudulent Borrowers.

Our Individual 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 Owners) Rules, 2018

Our Bank, Individual Promoter, Corporate Promoter, members of the Promoter Group, and each of the Selling Shareholders severally and not jointly confirm that they are in compliance with the Companies (Significant Beneficial Owners) Rules, 2018, to the extent in force and applicable to each of them, as on the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Bank is eligible for the Offer in accordance with the eligibility criteria provided in 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 and consolidated 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 and consolidated 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 and consolidated basis; and

- Our Bank has not changed its name in the last one year prior to the date of this Draft Red Herring Prospectus.

Our Bank's operating profit, net worth, net tangible assets, and monetary assets as a percentage of our net tangible assets, operating profits and net worth derived from the Restated Financial Information included in this Draft Red Herring Prospectus as at, and for the last three Financial Years are set forth below:

As per Restated Financial Information

(in ₹ million, except % data)

Particulars (Restated Basis)	Financial Year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
Restated net tangible assets (Note 1) (A)	2,00,593.95	1,73,981.65	1,21,636.44
Restated monetary assets (Note 2) (B)	7,670.49	15,119.04	18,191.26
% of Restated monetary assets to restated net tangible assets (B/A)	**3.82%**	**8.69%**	**14.96%**
Operating profit (Note 3)	4,060.44	738.50	1,413.74
Net worth (Note 4)	**16,937.79**	**13,937.46**	**13,450.34**

Notes:

Note 1: "Net Tangible Assets" mean the sum of all net assets (net of provision on non-performing advances, provision on tax, provision for depreciation on Fixed Assets and Investments) of the Bank excluding intangible assets as defined in Accounting Standard 26 (AS 26), deferred tax assets as defined in Accounting Standard 22 (AS 22) as prescribed under Section 133 of the Companies Act, 2013 and standard asset provision which are not netted off in the restated statement of assets and liabilities.

Note 2: For the purpose of the above computation, "Monetary Assets" is computed by adding "Note 8: Restated statement of Cash and Balances with Reserve Bank of India" and Note 9: Restated statement of Balances with Banks and Money at Call and Short Notice" of the Restated Financial Information.

Note 3: For the purpose of the above computation, "Operating Profit" is determined by deducting interest expended, operating expenses and provisions and contingencies (including provision for tax), from Interest earned and other income reported by the Bank as per the Restated Profit and Loss Account for the respective years.

Note 4: "Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits and share premium account and 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 Statement of Assets and Liabilities, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Our Bank confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Each Selling Shareholder severally and not jointly confirms, that the Equity Shares being offered by such Selling Shareholder in the Offer have been held by such Selling Shareholder for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI and are eligible for sale in the offer in accordance with Regulation 8 of the SEBI ICDR Regulations.

Our Bank shall not make an Allotment if the number or prospective allottees is less than one thousand in accordance with Regulation 49(1) of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO THE 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 THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, BEING ICICI SECURITIES LIMITED, DAM CAPITAL ADVISORS LIMITED, AND NUVAMA WEALTH MANAGEMENT LIMITED (FORMERLY KNOWN AS EDELWEISS SECURITIES LIMITED) ("BRLMs"), HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS 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 THIS 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 JULY 7, 2023 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013, OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Offer will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies in terms of Section 32 of the Companies Act, 2013, and the Prospectus with the Registrar of Companies in terms of Sections 26, 30, 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, each of the Selling Shareholders and BRLMs

Our Bank, our Directors, each of the Selling Shareholders and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring 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.esafbank.com, or the respective websites of our Corporate 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 as will be provided for in the Underwriting Agreement.

All information shall be made available by our Bank, each of the Selling Shareholders, severally and not jointly (to the extent that the information pertains to such Selling Shareholder and its respective portions of the Offered Shares through the Offer Documents) and the BRLMs to the investors 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.

Bidders will be required to confirm and will be deemed to have represented to our Bank, each of the Selling Shareholders, the Underwriters, the BRLMs and their respective directors, partners, designated partners, 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, each of the Selling Shareholders, the Underwriters, the BRLMs and their respective directors, partners, designated partners, 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, our Promoters, members of the Promoter Group, each of the Selling Shareholders, their respective directors, officers, agents, 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 Promoters, members of the Promoter Group, each of the Selling Shareholders, and their respective directors, officers, agents, 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

Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

Bidders eligible under Indian law to participate in the Offer

This Offer is being made in India to persons resident in India (including Indian nationals resident in India who are competent to contract under the Indian Contract Act, 1872, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares, domestic Mutual Funds, registered with the SEBI, public financial institutions as specified under Section 2(72) of the Companies Act, 2013 scheduled commercial banks, permitted national investment funds, NBFC-SIs, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to permission from the RBI), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with IRDAI, permitted provident funds (subject to applicable law) and pension funds, National Investment Fund, permitted insurance companies and pension funds, permitted 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, VCFs and AIFs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

In terms of the Banking Regulation Act read with Reserve Bank of India (acquisition and holding of shares or voting rights in banking companies) Directions, 2023 and guidelines thereunder, as updated, 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 details, see *"Key Regulations and Policies"* and "*Offer Procedure"* on pages 186 and 403, respectively.

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.

Selling and Transfer Restrictions

The Equity Shares offered in the Offer have not been and will not be registered, listed or otherwise qualified in any jurisdiction except India and may not be offered or sold to persons outside of India except in compliance with the applicable laws of each such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

This Draft Red Herring Prospectus does not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction, including in India, to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Invitations to subscribe to or purchase the Equity Shares in the Offer will be 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.

No action has been, or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor the offer of the Offered Shares shall, under any circumstances, create any implication that there has been no change in the affairs of our Bank or the Selling Shareholders since the date of this Draft Red Herring Prospectus or that the information contained herein is correct as of any time subsequent to this date.

Eligibility and Transfer Restrictions

The Equity Shares offered in the Offer have not been and will not be registered, listed or otherwise qualified in any jurisdiction except India and may not be offered or sold to persons outside of India except in compliance with the applicable laws of each such jurisdiction. In particular, the Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or the laws of any state of the United States and may not be offered or sold in 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 state securities laws. Accordingly, such Equity Shares are being offered and sold (i) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act; and (ii) to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act), pursuant to Section 4(a)(2) of the U.S. Securities Act with respect to our Bank and Rule 144A with respect to each of the Selling Shareholders.

Each purchaser of the Equity Shares in the Offer who does not receive a copy of the preliminary offering memorandum for the Offer shall be deemed to:

- Represent and warrant to our Bank, the Selling Shareholders, the BRLMs and the Syndicate Members that it was outside the United States (as defined in Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (as defined in Regulation S) when its buy order for the Equity Shares was originated.

- Represent and warrant to our Bank, the Selling Shareholders, the BRLMs and the Syndicate Members that it did not purchase the Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S).

- Represent and warrant to our Bank, the Selling Shareholders, the BRLMs and the Syndicate Members that it bought the Equity Shares for investment purposes and not with a view to the distribution thereof. If in the future it decides to resell or otherwise transfer any of the Equity Shares, it agrees that it will not offer, sell or otherwise transfer the Equity Shares except in a transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act.

- Represent and warrant to our Bank, the Selling Shareholders, the BRLMs and the Syndicate Members that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

- Represents and warrant to our Bank, the Selling Shareholders, the BRLMs and the Syndicate Members that if it acquired any of the Equity Shares for one or more managed accounts, that it was authorized in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and it hereby makes) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.

- Agree to indemnify and hold the Bank, the Selling Shareholders, the BRLMs and the Syndicate Members harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

- Acknowledge that our Bank, the Selling Shareholders, the BRLMs, the Syndicate Members and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

References above to "it" in the case of individuals means "he" or "she", as the case may be.

Disclaimer Clause of BSE Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Disclaimer Clause of National Stock Exchange of India Limited

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to our Bank, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Listing

The Equity Shares issued pursuant to the Red Herring Prospectus and the Prospectus are proposed to be listed on the BSE and the NSE. Applications will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Bank shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus in accordance with applicable law.

Consents

Consents in writing of each the Selling Shareholders, our Directors, our Company Secretary and Compliance Officer, Legal Counsel to our Bank, Bankers to our Bank, the BRLMs, the Registrar to the Offer, CRISIL MI&A and A. John Moris & Co., independent chartered accountant; and consents in writing of the Syndicate Members, the Banker(s) to the Offer/ Escrow Collection Bank(s)/ Public Offer Account Bank/ Refund Bank(s), Sponsor Banks, the Share Escrow Agent to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 26 and 32 of the Companies Act. Further, consents obtained above have not been withdrawn as on the date of this Draft Red Herring Prospectus.

Expert to the Offer

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

Our Bank has received written consent dated July 6, 2023 from our Joint Statutory Auditors namely, Deloitte Haskins & Sells, Chartered Accountants, and Abarna & Ananthan, Chartered Accountants to include their names in this Draft Red Herring Prospectus, as required under Section 26(5) of the Companies Act, 2013, read with the SEBI ICDR Regulations, and as "experts" as defined under Section 2(38) of the Companies Act, 2013, to the extent and in their capacity as auditors, in respect of the examination report dated June 20, 2023 issued by them on our Restated Financial Information, and the statement of special tax benefits dated July 6, 2023 included in this Draft Red Herring Prospectus and such consents have not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "experts" and the consents thereof shall not be construed to mean "experts" or consents within the meaning as defined under the U.S. Securities Act.

Our Bank has received written consent dated July 7, 2023 from A. John Moris & Co., independent chartered accountants, holding a valid peer review certificate from ICAI, to include their name in this Draft Red Herring Prospectus, as required under

Section 26(5) of the Companies Act, 2013, read with the SEBI ICDR Regulations, and as an "expert" as defined under Section 2(38) of the Companies Act in respect of the certificates issued by them in their capacity as an independent chartered accountant to our Bank. However, the term "expert" and the consent thereof shall not be construed to mean an "expert" or consent within the meaning as defined under the U.S. Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entity during the last three years

Except as disclosed in "*Capital Structure – Share Capital History of our Bank*" on page 82, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus.

None of our Group Entities are listed on any stock exchange. Our Bank does not have any subsidiary or associate entity.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

Since this is the initial public issue of 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 in the last five years preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public or rights issue in the five years preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoters of our Bank

As on the date of this Draft Red Herring Prospectus, Our Corporate Promoter is not listed on any stock exchange. Our Bank does not have any subsidiaries.

Price information of past issues handled by the BRLMs

A. ICICI

1. Price information of past issues handled by ICICI

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.	Vedant Fashions Limited^^	31,491.95	866.00	February 16, 2022	935.00	+3.99%,[-0.20%]	+14.53%,[-8.54%]	+37.67%,[+2.17%]
2.	Life Insurance Corporation of India^	2,05,572.31	949.00(1)	May 17, 2022	867.20	-27.24%,[-3.27%]	-28.12%,[+9.47%]	-33.82%,[+13.76%]
3.	Prudent Corporate Advisory Services Limited^	4,282.84	630.00(2)	May 20, 2022	660.00	-20.71%,[-5.46%]	-2.10%,[+10.92%]	+26.23%,[+13.89%]
4.	Paradeep Phosphates Limited^	15,017.31	42.00	May 27, 2022	43.55	-10.24%,[-3.93%]	+27.50%,[+7.65%]	+31.19%,[+11.91%]
5.	Syrma SGS Technology Limited^	8,401.26	220.00	August 26, 2022	262.00	+31.11%[-1.25%]	+29.20%,[+4.55%]	+20.66%,[+3.13%]
6.	Fusion Micro Finance Limited^^	11,039.93	368.00	November 15, 2022	359.50	+9.86%,[+1.40%]	+12.84%,[-2.97%]	+25.52%,[-0.48%]
7.	Five Star Business Finance Limited^^	15,885.12	474.00	November 21, 2022	468.80	+29.72%,[+1.24%]	+19.20%,[-1.19%]	+11.72%,[+0.24%]
8.	Archean Chemical Industries Limited^^	14,623.05	407.00	November 21, 2022	450.00	+25.42%,[+1.24%]	+56.87%,[-1.19%]	+32.68%, [+0.24%]
9.	Landmark Cars Limited^	5,520.00	506.00(3)	December 23, 2023	471.30	+22.83%,[+1.30%]	+1.16%,[-2.72%]	+35.06%,[+5.82%]
10.	KFIN Technologies Limited^^	15,000.00	366.00	December 29, 2022	367.00	-13.55%,[-3.22%]	-24.56%,[-6.81%]	-4.48%,[+2.75%]

^BSE as designated stock exchange.
^^NSE as designated stock exchange.

(1) *Discount of Rs. 45 per equity share offered to eligible employees and Retail Individual Bidders. Discount of Rs. 60 per equity share offered to eligible policyholders. All calculations are based on Issue Price of Rs. 949.00 per equity share.*

(2) *Discount of Rs. 59 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 630.00 per equity share.*

(3) *Discount of Rs. 48 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 506.00 per equity share.*

2. Summary statement of price information of past issues handled by ICICI

Financial Year	Total no. of IPOs	Total funds raised (₹ millions)	Nos. of IPOs trading at discount – as on 30th calendar days from listing date			Nos. of IPOs trading at premium – 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%
2023-24*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022-23	9	2,95,341.82	-	1	3	-	3	2	-	1	1	-	5	2
2021-22	26	7,43,520.19	-	3	6	6	4	7	3	4	5	5	4	5

** This data covers issues up to YTD*

Notes:

1. *Data is sourced either from www.nseindia.com or www.bseindia.com, as per the designated stock exchange disclosed by the respective Issuer Company.*

2. *Similarly, benchmark index considered is "NIFTY 50" where NSE is the designated stock exchange and "S&P BSE SENSEX" where BSE is the designated stock exchange, as disclosed by the respective Issuer Company.*

3. *30th, 90th, 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 is a holiday, in which case we have considered the closing data of the previous trading day.*

B. DAM Capital

1. Price information of past issues (during current financial year and two financial years preceding the current financial year) handled by DAM Capital

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.	Avalon Technologies Limited(1)	8,650.00	436.00	April 18, 2023	436.00	-10.09%, [+2.95%]	Not applicable	Not applicable
2.	Uniparts India Limited(2)	8,356.08	577.00	December 12, 2022	575.00	-5.11%, [-3.24%]	-7.38%, [-4.82%]	-0.60%, [+0.80%]
3.	Inox Green Energy Services Limited(2)	7,400.00	65.00	November 23, 2022	60.50	-30.77%, [-1.11%]	-32.77%, [-1.33%]	-26.85%, [+0.36%]
4.	Kaynes Technology India Limited(1)	8,578.20	587.00	November 22, 2022	778.00	+19.79%, [-0.25%]	+48.24%, [-1.64%]	+102.18%, [-0.22%]
5.	Syrma SGS Technology Limited(2)	8,401.26	220.00	August 26, 2022	262.00	+31.11%, [-1.25%]	+29.20%, [+4.55%]	+20.66%, [+3.13%]
6.	CMS Info Systems Limited(2)	11,000.00	216.00	December 31, 2021	218.50	+21.99%, [-1.81%]	+25.35%, [+0.74%]	+3.75%, [-8.71%]
7.	Metro Brands Limited(2)	13,675.05	500.00	December 22, 2021	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
8.	C.E. Info Systems Limited(2)	10,396.06	1,033.00	December 21, 2021	1,581.00	+70.21%, [+6.71%]	+48.48%, [+2.74%]	+21.40%, [-8.80%]
9.	Star Health and Allied Insurance Company Limited(1)	60,186.84	900.00@	December 10, 2021	845.00	-14.78%, [+1.72%]	-29.79%, [-6.66%]	-22.21%, [-6.25%]
10.	Go Fashion (India) Limited(1)	10,136.09	690.00	November 30, 2021	1,310.00	+59.75%, [+1.36%]	+32.91%, [-1.91%]	+48.90%, [-3.71%]

Source: www.nseindia.com and www.bseindia.com

@ *A discount of INR 80 per equity share was provided to eligible employees bidding in the employee reservation portion.*
(1) *NSE was the designated stock exchange for the said issue.*
(2) *BSE was the designated stock exchange for the said issue.*

Notes:

1. *Issue size derived from prospectus / basis of allotment advertisement, as applicable.*
2. *Price on NSE or BSE is considered for the above calculations as per the designated stock exchange disclosed by the respective issuer at the time of the issue, as applicable.*
3. *% 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.*
4. *Wherever 30th/ 90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered.*
5. *The Nifty 50 or S&P BSE SENSEX index is considered as the benchmark index as per the designated stock exchange disclosed by the respective issuer at the time of the issue, as applicable.*
6. *Not applicable – Period not completed.*

2. Summary statement of price information of past issues (during current financial year and two financial years preceding the current financial year) handled by DAM Capital

Financial Year	Total no. of IPOs	Total funds raised (₹ millions)	Nos. of IPOs trading at discount – as on 30th calendar days from listing date			Nos. of IPOs trading at premium – 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%
2023-24	1	8,650.00	-	-	1	-	-	-	-	-	-	-	-	-

Financial Year	Total no. of IPOs	Total funds raised (₹ millions)	Nos. of IPOs trading at discount – as on 30th calendar days from listing date			Nos. of IPOs trading at premium – 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%
2022-23	4	32,735.54	-	1	1	-	1	1	-	1	1	1	-	1
2021-22	8	136,678.74	-	-	4	2	-	2	-	2	2	-	1	3

Source: www.nseindia.com and www.bseindia.com

Notes:

1. *The information is as on the date of this offer document*
2. *The information for each of the financial years is based on issues listed during such financial year.*
3. *Since 30 or 180 calendar days from listing date has not elapsed for few issues, hence data for same is not available.*

C. Nuvama

1. Price information of past issues handled by Nuvama

S. 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.	Inox Green Energy Services Limited	7400.00	65.00	November 23, 2022	60.50	-30.77% [-1.11%]	-32.77% [-1.33%]	-26.85% [0.36%]
2.	Five Star Business Finance Limited	15934.49	474.00	November 21, 2022	468.80	29.72% [1.24%]	19.20% [-1.19%]	11.72% [0.24%]
3.	DCX Systems Limited	5000.00	207.00	November 11, 2022	286.25	17.10% [0.63%]	-12.56% [-1.83%]	-12.32% [-0.05%]
4.	Vedant Fashions Limited	31,491.95	866.00	February 16, 2022	935.00	3.99% [-0.20%]	14.53% [-8.54%]	37.67% [2.17%]
5.	MedPlus Health Services Limited	13,982.95	796.00@	December 23, 2021	1,015.00	53.22% [3.00%]	23.06% [1.18%]	-6.55% [-9.98%]
6.	Tarsons Products Limited	10,234.74	662.00$	November 26, 2021	700.00	-4.16% [0.03%]	-4.46% [0.22%]	0.20% [-5.35%]
7.	S. J. S. Enterprises Limited	8,000.00	542.00	November 15, 2021	542.00	-24.99% [-4.33%]	-29.33% [-4.06%]	-30.67% [-12.85%]
8.	Vijaya Diagnostic Centre Limited	18,942.56	531.00*	September 14, 2021	540.00	5.41% [4.50%]	8.08% [0.76%]	-20.59% [-4.31%]
9.	Aptus Value Housing Finance India Limited	27,800.52	353.00	August 24, 2021	333.00	-2.82% [5.55%]	-0.82% [6.86%]	0.64% [3.92%]
10.	Devyani International Limited	18,380.00	90.00	August 16, 2021	140.90	32.83% [4.93%]	78.39% [9.30%]	97.17% [4.90%]

Source: www.nseindia.com and www.bseindia.com

* *Vijaya Diagnostic Centre Limited - A discount of ₹ 52 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹531 per equity share.*

$ *Tarsons Products Limited - A discount of ₹ 61 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹662 per equity share.*

@ *MedPlus Health Services Limited - A discount of ₹ 78 per equity share was offered to eligible employees bidding in the employee reservation portion. All calculations are based on the offer price of ₹796 per equity share.*

\# *As per Prospectus*

*** *Pursuant to order passed by Hon'ble National Company Law Tribunal, Mumbai Bench dated April 27, 2023, the merchant banking business of Edelweiss Financial Services Limited has demerged and now transferred to Nuvama Wealth Management Limited and therefore the said merchant banking business is part of Nuvama.*

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. *Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.*
5. *Not Applicable. – Period not completed*
6. *Disclosure in Table-1 restricted to 10 issues.*

2. Summary statement of price information of past issues handled by Nuvama

Financial Year	Total no. of IPOs	Total funds raised (₹ millions)	Nos. of IPOs trading at discount – as on 30th calendar days from listing date			Nos. of IPOs trading at premium – 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%
2023-24	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022-23*	3	28,334.49	-	1	-	-	1	1	-	1	1	-	-	1
2021-22	9	2,31,182.63	-	-	3	1	2	3	-	1	2	2	1	3

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. *Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information and benchmark index.*

Track record of the Book Running Lead Managers

For details regarding the track record of the BRLMs, as specified in circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by SEBI, see the websites of the BRLMs, as set forth in the table below:

S. No.	Name of the BRLM	Website
1.	ICICI Securities Limited	www.icicisecurities.com
2.	DAM Capital Advisors Limited	www.damcapital.in
3.	Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)	www.nuvamawealth.com

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 as on the date of this Draft Red Herring Prospectus, and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for retention of records with the Registrar to the Offer for a minimum period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, in order to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All Offer related grievances other than those of the Anchor Investors 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 the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder and ASBA Account number (for Bidders other than UPI Bidders bidding through the UPI Mechanism) in which the amount equivalent to the Bid Amount was blocked or the UPI ID in case of UPI Bidders using the UPI Mechanism.

All grievances relating to Bids submitted with Registered Brokers, may be addressed to the Stock Exchanges, with a copy to the Registrar to the Offer. Further, Bidders shall also enclose a copy of the Acknowledgment Slip received from the Designated Intermediaries in addition to the information mentioned hereinabove.

Our Bank, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of the SCSBs or Designated Intermediaries including any defaults in complying with its obligations under applicable SEBI ICDR Regulations.

Investors can contact our Company Secretary and Compliance Officer and/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. For all Offer related queries and for redressal of complaints, Bidders may also write to the BRLMs or the Registrar to the Offer, in the manner provided below. Further, the Bidder shall also enclose a copy of the Acknowledgment Slip or provide the acknowledgement number duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove. The Registrar to the Offer shall obtain the required information from the SCSBs and Sponsor Banks for addressing any clarifications or grievances of ASBA Bidders. For offer related grievances, investors may contact Book Running Lead Managers, details of which are given in "*General Information*" on page 75.

Anchor Investors are required to address all grievances in relation to the Offer to the BRLMs.

In terms of SEBI circular SEBI/HO/CFD/PoD-2/P/CIR/2023/0094 dated June 21, 2023 and subject to applicable law, any ASBA Bidder whose Bid has not been considered for Allotment, due to failure on the part of any SCSB, shall have the option to seek redressal of the same by the concerned SCSB within three months of the date of listing of the Equity Shares. SCSBs are required to resolve these complaints within 15 days, failing which the concerned SCSB would have to pay interest at the rate of 15% per annum for any delay beyond this period of 15 days. Further, the Bidders shall be compensated by the SCSBs at the rate higher of ₹100 or 15% per annum of the application amount in the events of delayed or withdrawal of applications, blocking of multiple amounts for the same UPI application, blocking of more amount than the application amount, delayed unblocking of amounts for non-allotted/partially-allotted applications for the stipulated period. In an event there is a delay in redressal of the investor grievances in relation to unblocking of amounts beyond the date of receipt of the complaint, the Book Running Lead Managers shall compensate the investors at the rate higher of ₹100 per day or 15% per annum of the application amount from the date of which the investor grievance is received by the BRLMs or Registrar until the date on which the blocked amounts are unblocked. Further, in terms of UPI Circulars, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

Disposal of Investor Grievances by our Bank

The Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2013) dated April 17, 2013 and the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 read with the SEBI circular SEBI/HO/OIAE/IGRD/CIR/P/2021/642 dated October 14, 2021 and the SEBI circular SEBI/HO/OIAE/IGRD/P/CIR/2022/0150 dated November 7, 2022 in relation to redressal of investor grievances through SCORES.

Our Bank has also appointed Ranjith Raj P, Company Secretary of our Bank, as the Compliance Officer for the Offer. For details, see "*General Information – Company Secretary and Compliance Officer*" on page 75.

Our Bank has constituted a Stakeholders' Relationship Committee comprising Kolasseril Chandramohanan Ranjani, Kadambelil Paul Thomas, Ravi Venkatraman and John Samuel, as members. For details, see "*Our Management*" on page 213.

Our Group Entities are not listed on any stock exchange.

Our Bank estimates that the average time required by our Bank or the Registrar to the Offer, or the relevant Designated Intermediary 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 not received investor complaints during the period of three years preceding the date of this Draft Red Herring Prospectus, hence no investor complaint in relation to our Bank is pending as on the date of filing of this Draft Red Herring Prospectus.

Exemption from complying with any provisions of securities laws, if any, granted by SEBI

Our Bank filed an application dated May 18, 2023 ("**Exemption Application**") under Regulation 300(1)(c) of the SEBI ICDR Regulations to SEBI seeking relaxation from disclosing Dia Vikas Capital Private Limited, a pure financial investor in our Corporate Promoter holding 19.99% of the paid-up equity share capital of our Corporate Promoter and also holding 1,804,850, 1% compulsorily convertible preference shares of face value of ₹100 each of our Corporate Promoter, as a part of the "promoter group" of the Bank in accordance with the SEBI ICDR Regulations on the following grounds: (i) under the first proviso to Regulation 2(1)(pp) of the SEBI ICDR Regulations, a financial institution, scheduled bank, foreign portfolio investor other than individuals, corporate bodies and family offices, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the IRDAI or any other category as specified by SEBI from time to time are not deemed to be part of the promoter group merely by virtue of the fact that 20% or more of the equity share capital of the promoter of the issuer is held by such person or entity. Our Bank sought such exemption on the grounds that a financial investor such as Dia Vikas should not be considered to form part of promoter group of our Bank merely by virtue of holding more than 20% of the paid-up capital of our Corporate Promoter on a fully diluted basis; (ii) Dia Vikas has no control or special rights over the Bank either as a shareholder of the Corporate Promoter or by virtue of the Corporate Promoter SHA or the charter documents of the Corporate Promoter; (iii) Dia Vikas has not held any shares in the Bank, or had any other rights in the Bank at any point in the past, as a result of which, there has been no identifiable relation between the Bank and Dia Vikas at any point of time; and (iv) Dia Vikas does not exercise any control or influence over the Bank, nor is Dia Vikas involved in the day-to-day operations or administrative functions of the Bank. Our Bank pursuant to the Exemption Application sought exemption from (i) naming Dia Vikas as promoter group in the Offer Documents; and (ii) providing any confirmations as required to be provided by an issuer's promoter group under the SEBI ICDR Regulations in respect of Dia Vikas in the Offer Documents. The Exemption Application has been granted by SEBI by its approval letter dated June 23, 2023.

Correspondences from the RBI

Further, our Bank has received a letter dated June 9, 2023 ("**RBI Letter**") from the RBI regarding the non- adherence to licensing condition relating to the listing of Equity Shares of our Bank under the provisions of the SFB Licensing Guidelines. By virtue of the RBI Letter, our Bank has been directed to file the draft red herring prospectus with SEBI by June 30, 2023 and complete the listing process of our Equity Shares by November 30, 2023. In response to the RBI Letter, our Bank through its letter dated June 13, 2023, *inter-alia*, submitted that (i) our Bank is currently in process of preparing the draft red herring prospectus to be filed with the SEBI; and (ii) our Bank will aim to file the draft red herring prospectus within the prescribed timeline of June 30, 2023 with an outer timeline of July 15, 2023 accounting for unexpected delays on external dependencies, if any.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of certain material United States federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Equity Shares. This summary applies only to investors that hold the Equity Shares as capital assets (generally, property held for investment). This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Equity Shares by particular investors, and does not address state, local, foreign or other tax laws. This discussion is based on the tax laws of the United States as in effect on the date of this Draft Red Herring Prospectus and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Letter of Offer, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not address alternative minimum tax considerations or state, local, non-United States or other tax laws, or the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- dealers in stocks, securities, currencies or notional principal contracts;
- U.S. expatriates and former long-term residents of the United States;
- regulated investment companies and real estate investment trusts;
- tax-exempt entities;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding Equity Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of (1) our Bank's voting stock or (2) the total value of all classes of stock of our Bank;
- persons who acquired Equity Shares pursuant to the exercise of any employee share option or otherwise as consideration; or
- persons holding Equity Shares through partnerships or other pass-through entities.

Treasury Regulations may in some circumstances prohibit a U.S. Holder from claiming a foreign tax credit with respect to certain non-U.S. taxes that are not creditable under applicable income tax treaties (the "**Foreign Tax Credit Regulations**"). Accordingly, if you are not eligible for benefits under the Convention Between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**U.S.-India Treaty**"), you should consult your tax advisor regarding the credibility or deductibility of any Indian taxes imposed on dividends on, or disposition of, the Equity Shares. The discussions below regarding the credibility of Indian taxes do not address the foreign tax credit consequences to you if you are not eligible for the benefits of the U.S.-India Treaty.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO THEM RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE RIGHTS AND EQUITY SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Equity Shares that is for United States federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation organised under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or

- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust, or (2) has a valid election in effect under the applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the partner's status and the activities of the partnership. Prospective purchasers that are partnerships or partners in such a partnership should consult their own tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Equity Shares by the partnership.

Taxation of Distributions on the Equity Shares

Subject to the Passive Foreign Investment Company Rules discussed below, the gross amount of distributions to you with respect to the Equity Shares generally will be included in your gross income in the year received as foreign source ordinary dividend income, but only to the extent that the distribution is paid out of our Bank's current or accumulated earnings and profits (as determined under United States federal income tax principles). To the extent that the amount of the distribution exceeds our Bank's current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your Equity Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, our Bank does not intend to calculate its earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be taxed as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Subject to applicable limitations, with respect to non-corporate U.S. Holders (including individual U.S. Holders), dividends may constitute "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that (1) our Bank is not a PFIC (as discussed above) for either the taxable year in which the dividend is paid or the preceding taxable year, (2) such dividend is paid on Equity Shares that have been held by you for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date, and (3) our Bank is eligible for the benefits of the U.S.-India Treaty.

The amount of any distribution paid by our Bank in a currency other than U.S. dollars (a "**foreign currency**") will be equal to the U.S. dollar value of such foreign currency on the date such distribution is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency so received is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not recognise foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss, if any, realised on the subsequent sale or other disposition of such foreign currency will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends received with respect to the Equity Shares generally will be treated as foreign source income. A U.S. Holder will be entitled, subject to generally applicable limitations and conditions, to claim a U.S. foreign tax credit in respect of any Indian taxes withheld on dividends received on the Equity Shares. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid or accrued during the taxable year may instead claim a deduction of such taxes. If a U.S. Holder is eligible for benefits under the U.S.-India Treaty or otherwise is entitled to a refund for the taxes withheld, such holder will not be entitled to a foreign tax credit or deduction for the amount of any non-U.S. taxes withheld in excess of the maximum rate under the U.S.-India Treaty or for the taxes with respect to which such holder can obtain a refund from the Indian taxing authorities. The rules relating to computing foreign tax credits or deducting foreign taxes are complex, and U.S. Holders are urged to consult their own tax advisers regarding the availability of foreign tax credits in their particular situation.

Taxation of a Disposition of Equity Shares

Subject to the Passive Foreign Investment Company rules discussed below, you generally will recognise capital gain or loss on any sale or other taxable disposition of Equity Shares purchased in the Issue equal to the difference between the U.S. dollar value of the amount realised for the Equity Shares and your tax basis (in U.S. dollars) in the Equity Shares. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Shares for more than one year, capital gain on a disposition of the Equity Shares generally will be eligible for reduced federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognise generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Under the U.S.-India Treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, the amount of any tax collected through withholding will be included in the amount realized and a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

A U.S. Holder that receives foreign currency from the sale or disposition of Equity Shares generally will realise an amount equal to the U.S. dollar value of such foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Equity Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Equity Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognise foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the settlement date. Gain or loss, if any, realised on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Passive Foreign Investment Company Rules

A non-U.S. corporation is a PFIC in any taxable year in which, after taking into account certain look-through rules, either (i) at least 75 percent of its gross income is passive income or (ii) at least 50 percent of the average value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held to produce passive income. In general, a non-U.S. corporation is considered to be a passive foreign investment company, or a PFIC, for any taxable year if either:

- at least 75% of its gross income is passive income, or
- at least 50% of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. Cash is generally a passive asset. However, under proposed U.S. Treasury regulations, on which taxpayers may rely, an amount of cash held in a non-interest bearing financial account that is held for the present needs of an active trade or business and is no greater than the amount necessary to cover operating expenses incurred in the ordinary course of the trade or business and reasonably expected to be paid within 90 days is generally not treated as a passive asset. Goodwill is active to the extent attributable to activities that produce or are intended to produce active income. In general, income earned in the active conduct of a banking business by a non-U.S. corporation is not passive income. To qualify as a foreign bank that is engaged in the active conduct of a banking business, a bank must satisfy certain requirements regarding its licensing and activities. For the purposes of determining whether a company is a PFIC, a company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the preceding taxable year and the expected composition of our Bank's income and assets, our Bank expects that it will not be treated as a PFIC in the preceding taxable year, the current taxable year and the foreseeable future taxable years, However, our Bank's possible status as a PFIC must be determined for each year and cannot be determined until the end of each taxable year. Because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our Bank's control, including the amount and nature of our Bank's income, as well as on the market valuation of our Bank's assets, including Equity Shares, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that our Bank will be not a PFIC in its current taxable year or in future taxable years or that the IRS will agree with our conclusion regarding our Bank's PFIC status.

If our Bank is a PFIC at any time during a U.S. Holder's holding period of the Equity Shares, such U.S. Holder will be subject to either the regular PFIC rules (the "**Regular PFIC Rules**") or, if a "mark-to-market" election is available and made, the special mark-to-market PFIC rules (the "**Mark-To-Market Rules**"), both of which are described below. U.S. Holders cannot make a "qualified electing fund" election (which is a special election applicable to certain PFICs) because our Bank does not intend to provide the information required under the qualified electing fund rules.

If a corporation is a PFIC for any taxable year during which a U.S. Holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. Holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the Regular PFIC Rules described below as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

Regular PFIC Rules

Under the Regular PFIC Rules, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Internal Revenue Code of 1986, as amended. Under those rules, (a) any gain realised on a sale or other disposition of the Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Equity Shares exceed 125% of the average annual distributions the U.S. Holder received on the Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Equity Shares) would be treated as realised rateably over the U.S. Holder's holding period for the Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realised and to taxable years before the first day on which our Bank became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which our Bank was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which our Bank was a PFIC. If, at any time, our Bank had non-U.S. subsidiaries that were classified as PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) our Bank received a distribution from, or disposed of all or part of our Bank's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

Mark-to-Market Rules

Under the Mark-to-Market Rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the Regular PFIC Rules discussed above. If you make a valid mark-to-market election for the Equity Shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the Equity Shares as of the close of your taxable year over your adjusted basis in such Equity Shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the Equity Shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the Equity Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Equity Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Equity Shares, as well as to any loss realised on the actual sale or disposition of the Equity Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Equity Shares. Your basis in the Equity Shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs generally would apply to distributions by our Bank, except that the lower applicable capital gains rate with respect to qualified dividend income (discussed above) would not apply.

The mark-to-market election is available only for "marketable stock", which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. Under applicable U.S. Treasury regulations, a "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in the jurisdiction in which the exchange is located and in respect of which certain other requirements are met. If either of the Stock Exchanges is a qualified exchange and the Equity Shares are considered to be regularly traded on such stock exchange, U.S. Holders should be eligible to make a mark-to-market election with respect to the Equity Shares.

Prospective U.S. Holders are urged to consult their own tax advisers about the consequences of holding the Equity Shares if we are considered a PFIC in any taxable year, including the availability of the mark -to-market election, and whether making the election would be advisable in their particular circumstances.

Medicare Tax

A United States person that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% surtax on the lesser of (1) such person's "net investment income" for the relevant taxable year and (2) the excess of such person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of an individual will be between US$125,000 and US$250,000, depending on the individual's circumstances). A United States person's net investment income will generally include its dividend income and its net gains from the disposition of Equity Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information Reporting and Backup Withholding

Dividend payments with respect to Equity Shares and proceeds from the sale, exchange or redemption of Equity Shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your United States federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

U.S. Holders that hold Equity Shares in any year in which our Bank is a PFIC may be required to file Internal Revenue Service Form 8621 regarding distributions received on the Equity Shares and any gain realised on the disposition of the Equity Shares. In addition, U.S. Holders may be required to file additional information with respect to their ownership of Equity Shares.

Foreign Account Tax Compliance Act ("FATCA")

U.S. return disclosure obligations (and related penalties) apply to U.S. Holders that hold certain specified foreign financial assets in excess of US$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the potential application of the FATCA rules to their Equity Shares.

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered and Allotted pursuant to the Offer shall be subject to the provisions of the Companies Act, the 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 this Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, Bid cum Application Form, the Revision Form, the CAN and terms and conditions as may be incorporated in the Allotment Advice and other documents or 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 and listing and trading of securities issued from time to time by SEBI, GoI, 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, GoI, the Stock Exchanges, the RoC and/or any other authorities to the extent applicable or such other conditions as maybe prescribed by such governmental and/or regulatory authority while granting its approval for the Offer.

The Offer

The Offer comprises a Fresh Issue and an Offer for Sale.

Expenses for the Offer shall be shared amongst our Bank and each of the Selling Shareholders in the manner specified in "*Objects of the Offer – Offer Expenses*" on page 98.

Ranking of Equity Shares

The Equity Shares being issued, offered and Allotted in the Offer shall rank *pari passu* with the existing Equity Shares in all respects including dividends and other corporate benefits, if any, declared by our Bank after the date of Allotment. For further details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 423.

Mode of Payment of Dividend

Our Bank shall pay dividends, if declared, to the Shareholders in accordance with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association and provisions of the 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 (including pursuant to the Allotment of Equity Shares), will be payable to the Allottees, 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*" on pages 243 and 423, respectively.

Face Value, Offer Price, Floor Price and Price Band

The face value of each Equity Share is ₹10 and the Floor Price is ₹[●] per Equity Share and the Cap Price is ₹[●] per Equity Share. The Anchor Investor Offer Price is ₹[●] per Equity Share.

The Price Band and the minimum Bid Lot size for the Offer will be decided by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, and advertised in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, at least two Working Days prior to the Bid/Offer Opening Date, and shall be made available to the Stock Exchanges for the purpose of uploading the same on their respective websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges. The Offer Price shall be determined by our Bank and the Selling Shareholder in consultation with the BRLM, after the Bid/Offer Closing Date, on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process.

At any given point of time, there shall be only one denomination for the Equity Shares.

Compliance with Disclosure and Accounting Norms

Our Bank shall comply with all disclosure and accounting norms as specified by the SEBI from time to time.

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 or e-voting, in accordance with the provisions of the Companies 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 claims 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 (being an SFB) under the Companies Act, Banking Regulation Act, the Listing Regulations, as applicable, the Memorandum of Association and the Articles of Association and other applicable laws.

For a detailed description of the main provisions of the Articles of Association 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 423.

Allotment only in dematerialised form

Pursuant to Section 29 of the Companies Act, 2013 and the SEBI ICDR Regulations, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations and the Listing 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 March 31, 2017 amongst our Bank, NSDL and Registrar to the Offer.
- Tripartite agreement dated January 20, 2017 amongst our Bank, CDSL and Registrar to the Offer.

Employee Discount

Employee discount, if any, will be offered to Eligible Employees bidding in the Employee Reservation Portion respectively. Eligible Employees bidding in the Employee Reservation Portion respectively at a price within the Price Band can make payment based on, Bid Amount net of Employee Discount, at the time of making a Bid. Eligible Employees bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, less Employee Discount, at the time of making a Bid.

Market Lot and Trading Lot

Since trading of the Equity Shares on the Stock Exchanges is in dematerialised form, consequent to which, the tradable lot is one Equity Share. Allotment in this Offer will be only in dematerialised and electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares. For the method of Basis of Allotment, see "*Offer Procedure*" on page 403.

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.

Period of operation of subscription list

See "*– Bid/ Offer Programme*" on page 395.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, as amended, 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 to the exclusion of the other persons, unless the nomination is varied or cancelled in the prescribed manner. 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 nomination may be cancelled or varied by nominating any other person in place of the present nominee, by the holder of the Equity Shares who has made the nomination, by giving a notice of such cancellation or variation to our Bank in the prescribed form. A buyer will be entitled to make a fresh nomination/ cancel 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, our 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 dematerialised 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 OPENS ON	[●](1)
BID/OFFER CLOSES ON	[●](2)(3)

(1) Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations.

(2) Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations.

(3) The UPI mandate end time and date shall be at 5:00 p.m. on Bid/Offer Closing Date.

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer Closing Date	[●]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [●]
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account*	On or about [●]
Credit of Equity Shares to demat accounts of allottees	On or about [●]
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about [●]

* *In case of (i) 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, for cancelled / withdrawn / deleted ASBA Forms, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher from the date. On which the request for cancellation/ withdrawal/ deletion is placed in the Stock Exchanges bidding platform until the date on which the amounts are unblocked (ii) any blocking of multiple amounts for the same ASBA Form (for amounts blocked through the UPI Mechanism), the Bidder shall be compensated at a uniform rate ₹100 per day or 15% per annum of the total cumulative blocked amount except the original application amount, whichever is higher from the date on which such multiple amounts were blocked till the date of actual unblock; (iii) any blocking of amounts more than the Bid Amount, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the difference in amount, whichever is higher from the date on which such excess amounts were blocked till the date of actual unblock; (iv) any delay in unblocking of non-allotted/ partially allotted Bids, exceeding four Working Days from the Bid/Offer Closing Date, the Bidder shall be compensated at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher for the entire duration of delay exceeding four Working Days from the Bid/Offer Closing Date by the SCSB 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 BRLMs shall be liable for compensating the Bidder at a uniform rate of ₹100 per day or 15% per annum of the Bid Amount, whichever is higher, in addition to the compensation paid by the SCSB responsible for causing delay, from the date of receipt of the investor grievance until the date on which the blocked amounts are unblocked. For the avoidance of doubt, the provisions of the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular no: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, read with SEBI master circular no. SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023, shall be deemed to be incorporated in the agreements to be entered into by and between the Bank and the relevant intermediaries, to the extent applicable.*

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI circular no: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular no: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

The above timetable, other than the Bid/Offer Closing Date, is indicative and does not constitute any obligation or liability on our Bank, the Selling Shareholders 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, or such other period as may be prescribed by the SEBI, the timetable may be changed due to various factors, such as extension of the Bid/Offer Period by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, revision of the Price Band or any 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. Each of the Selling Shareholders, severally and not jointly, confirm that they 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 within 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 this Draft 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.

The Registrar to the Offer shall submit the details of cancelled/withdrawn/deleted applications to the SCSB's on daily basis within 60 minutes of the Bid closure time from the Bid/ Offer Opening Date till the Bid/Offer Closing Date by obtaining the same from the Stock Exchanges. The SCSB's shall unblock such applications by the closing hours of the Working Day and submit the confirmation to the BRLMs and the RTA on a daily basis as per the format prescribed in SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021.

To avoid duplication, the facility of re-initiation provided to Syndicate Members shall preferably be allowed only once per bid/batch and as deemed fit by the Stock Exchanges, after closure of the time for uploading Bids.

For avoidance of doubt, it is clarified that Bids not uploaded on the electronic bidding system or in respect of which full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, will be rejected.

In terms of the UPI Circulars, in relation to the Offer, the BRLMs will be required to submit reports of compliance with timelines and activities prescribed by SEBI in connection with the allotment and listing procedure within six Working Days from the Bid/Offer Closing Date, identifying non-adherence to timelines and processes and an analysis of entities responsible for the delay and the reasons associated with it.

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. IST
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

* *UPI mandate end time and date shall be at 5.00 pm on Bid/Offer Closing Date.*

On the Bid/ Offer Closing Date, the Bids shall be 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 and Eligible Employees Bidding in the Employee Reservation Portion.

On Bid/Offer Closing Date, extension of time may be granted by Stock Exchanges only for uploading Bids received by RIBs and Eligible Employees Bidding in the Employee Reservation Portion after taking into account the total number of Bids received and as reported by the BRLMs to the Stock Exchanges.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/ Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/ Offer Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/ Offer Closing Date. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/ Offer Closing Date, as is typically experienced in public offerings in India, it may lead to some Bids not being uploaded due to lack of sufficient time to upload. Such Bids that cannot be uploaded on the electronic bidding system will not be considered for allocation under this Offer. Bids and any revision in Bids will be accepted only during Working Days during the Bid/Offer Period. Investors may please note that as per letter no. List/SMD/SM/2006 dated July 3, 2006 and letter no. NSE/IPO/25101- 6 dated July 6, 2006 issued by BSE and NSE respectively. Bids and any revision in Bids shall not be accepted on Saturdays and public holidays as declared by the Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the relevant Designated Intermediary in the electronic system to be provided by the Stock Exchanges. The Designated Intermediaries shall modify select fields uploaded in the Stock Exchange Platform during the Bid/Offer Period till 5.00 pm on the Bid/Offer Closing Date after which the Stock Exchange(s) send the bid information to the Registrar to the Offer for further processing.

None among our Bank, the Selling Shareholders or any member of the Syndicate is liable for any failure in (i) uploading the Bids due to faults in any software or hardware system or otherwise, and (ii) blocking of application amount by SCSBs on receipt of instructions from the Sponsor Banks due to any errors, omissions, or otherwise non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in the UPI Mechanism.

Our Bank and the Promoter Selling Shareholder in consultation with the BRLMs, reserve the right to revise the Price Band during the Bid/ Offer Period in accordance with the SEBI ICDR Regulations. The Floor Price will not be less than the face value of the Equity Shares. In all circumstances, the Cap Price shall be less than or equal to 120% of the Floor Price provided that the Cap Price shall be at least 105% of the Floor Price. The revision in the Price Band shall not exceed 20% on either side, i.e., the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly.

In case of revision in the Price Band, the Bid/ Offer Period shall be extended for at least three additional Working Days after such revision of the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Bank and the Promoter Selling Shareholder in consultation with the BRLMs, for reasons to be recorded in writing, extend the Bid/ Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/ Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the change on the websites of the BRLMs terminals of the Syndicate Members and by intimation to the Designated Intermediaries. In case of revision of price band, the Bid Lot shall remain the same. In case of discrepancy in data entered in the electronic book vis-vis data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive (i) the minimum subscription of 90% of the Fresh Issue; and (ii) a 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, if any, in accordance with applicable laws, or if the subscription level falls below the thresholds mentioned above after the Bid/Offer Closing Date, on account of withdrawal of applications or after technical rejections; or after technical rejections; or if the listing or trading permission is not obtained from the Stock Exchanges for the securities so offered pursuant to the Red Herring Prospectus and the Prospectus; or if the subscription level falls below the threshold under Rule 19(2)(b) of the SCRR mentioned above after the Bid/Offer Closing Date, our Bank shall forthwith refund the entire subscription amount received, in accordance with applicable law including the SEBI circular bearing no. SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023. If there is a delay beyond four days after our Bank and every Director of our Bank who is an officer in default, to the extent applicable, shall pay interest at the rate of 15% per annum prescribed under applicable law.

The requirement for minimum subscription is not applicable to the Offer for Sale. In the event of an under subscription in the Offer, subject to receiving the minimum subscription requirement of 90% of the Fresh Issue, and compliance with Rule 19(2)(b) of the SCRR, the Allotment for the valid Bids will be made in the first instance towards subscription for 90% of the Fresh Issue. Subject to any balance valid Bids in the Offer, the Allotment for the balance valid Bids will be made towards the Equity Shares offered by the Selling Shareholders (in proportion of the Offered Shares offered by each Selling Shareholder), followed by the balance Fresh Issue portion.

Each of the Selling Shareholders shall, severally and not jointly, reimburse, in proportion to their respective Offered Shares, any expenses and interest incurred by our Bank on behalf of the Selling Shareholders for any delays in making refunds as required under the Companies Act and any other applicable law, provided that no Selling Shareholders shall 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 such Selling Shareholder.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Bank shall ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000 failing which the entire application money shall be unblocked in the respective ASBA Accounts of the Bidders. In case of any delay, if any, in unblocking the ASBA Accounts within such timelines as prescribed under applicable laws, the Selling Shareholder and our Bank shall be liable to pay interest on the application money in accordance with applicable laws.

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.

Option to receive Equity Shares in dematerialised form

Allotment of Equity Shares to successful Bidders will only be in the dematerialised form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialised segment of the Stock Exchanges. However, Allotees may get the Equity Shares rematerialized subsequent to Allotment of the Equity Shares in the Offer, subject to applicable laws.

New Financial Instruments

Our Bank is not issuing any new financial instruments through this Offer.

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 and the Anchor Investor lock-in in the Offer as provided in "*Capital Structure*" on page 82 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association as detailed in "*Description of Equity Shares and Terms of Articles of Association*" on page 423, there are no restrictions on transfers of 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.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (acquisition and holding of shares or voting rights in banking companies) Directions, 2023 and guidelines thereunder, 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 186 and 403, respectively.

Withdrawal of the Offer

Our Bank and each of the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Fresh Issue and each Selling Shareholder, severally and not jointly, reserves the right not to proceed with the Offer for Sale, in whole or in part thereof, to the extent of their respective portion 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 same 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 in this regard. The BRLMs, through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Banks (in case of UPI Bidders), 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.

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 within six Working Days of the Bid/Offer Closing Date or such other time period as prescribed under applicable law; and (ii) the final RoC approval of the Prospectus after it is filed and/or submitted with the RoC.

OFFER STRUCTURE

The Offer is up to [●] Equity Shares for cash at a price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹6,290.40 million comprising a Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,867.40 million by our Bank and an Offer for Sale of up to [●] Equity Shares aggregating up to ₹1,423.00 million, comprising up to [●] Equity Shares aggregating up to ₹1,192.60 million by the Promoter Selling Shareholder, up to [●] Equity Shares aggregating up to ₹126.70 million by PNB MetLife and up to [●] Equity Shares aggregating up to ₹103.70 million by Bajaj Allianz Life in the Offer.

The face value of the Equity Shares is ₹10 each.

The Offer includes a reservation of up to [●] Equity Shares, aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed [●]% of our post-Offer paid-up equity share capital. The Offer less the Employee Reservation Portion is the Net Offer.

The Offer and Net Offer shall constitute [●]% and [●]% of the post-Offer paid-up Equity Share capital of our Bank.

A Pre-IPO Placement may be undertaken by our Bank, in consultation with the BRLMs, for an aggregate amount not exceeding ₹973.25 million. The Pre –IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre –IPO Placement will be reduced from the Fresh Issue, subject to the Offer complying with Rule 19(2)(b) of the SCRR. Further, if the Pre-IPO Placement is undertaken, our Bank is required to intimate the Stock Exchanges with the details of such Pre-IPO Placement and shall make a public announcement in one English national daily newspaper, one Hindi national daily newspaper and one Malayalam daily newspaper (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, in accordance with applicable laws.

The Offer is being made through the Book Building Process.

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation (2)	Up to [●] Equity Shares##	Not more than [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] 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	The Employee Reservation Portion shall constitute up to [●]% of the post-Offer paid-up Equity Share capital of our Bank	Not more than 50% of the Net Offer shall be Allotted to QIBs. However, up to 5% of the Net QIB Portion (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining Net QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs in the remaining Net QIB Portion	Not less than 15% of the Net Offer or the Offer less allocation to QIB Bidders and RIBs will be available for allocation subject to the following (a) one third of such portion shall be reserved for allocation to Bidders with application size of more than ₹0.20 million up to ₹1.00 million; and (b) two third of such portion shall be reserved for Bidders with application size of more than ₹1.00 million, provided that the unsubscribed portion in either of such sub-categories may be allocated to Bidders in the other sub-category of Non-Institutional Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price	Not less than 35% of the Net Offer or the Offer less allocation to QIBs and Non-Institutional Bidders

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate#; unless the Employee Reservation Portion is undersubscribed, the value of allocation to an Eligible Employee shall not exceed ₹0.20 million (net of the Employee Discount). In the event of undersubscription in the Employee Reservation Portion, the unsubscribed portion may be allocated, on a proportionate basis, to Eligible Employees for a value exceeding ₹0.20 million, subject to total Allotment to an Eligible Employee not exceeding ₹0.50 million	Proportionate as follows (excluding the Anchor Investor Portion): (a) up to [●] Equity Shares shall be available for allocated on a proportionate basis to Mutual Funds only; and (b) [●] Equity Shares shall be Allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. Up to 60% of the QIB Portion Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to domestic Mutual Funds only, subject to valid Bid received from domestic Mutual Funds at or above the Anchor Investor Allocation Price	The Equity Shares available for allocation to Bidders in the Non-Institutional Portion shall be subject to the following: (1) One-third of the Non-Institutional Portion shall be available for allocation to Bidders with an application size more than ₹0.20 million up to ₹1.00 million; and (b) Two-third of the Non-Institutional Portion shall be available for allocation to Bidders with an application size of more than ₹1.00 million. Provided that the unsubscribed portion in either of these two sub-categories of Non-Institutional Portion may be allocated to the Bidders in the other sub-category of Non-Institutional Portion in accordance with SEBI ICDR Regulations The allotment of specified securities to each Non-Institutional Bidder shall not be less than ₹0.20 million, subject to availability of Equity Shares in the Non-Institutional Portion, and the remaining available Equity Shares, if any, shall be Allotted on a proportionate basis in accordance with the SEBI ICDR Regulations.	Allotment to each Retail Individual Bidder shall not be less than the minimum Bid lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, shall be on a proportionate, basis. For details, see "*Offer Procedure*" on page 403.
Minimum Bid	[●] Equity Shares	Such number of Equity Shares and in multiples of [●] Equity Shares such that the Bid Amount exceeds ₹0.20 million	Such number of Equity Shares and in multiples of [●] Equity Shares such that the Bid Amount exceeds ₹0.20 million	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares, so that the maximum Bid Amount by each Eligible Employee in Eligible Employee Portion does not exceed ₹0.50 million, less Employee Discount, if any	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Offer (excluding the Anchor Investor Portion), subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Offer (excluding the QIB Portion), subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹0.20 million
Mode of Allotment	Compulsorily in dematerialised form			
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter			
Allotment Lot	A minimum of [●] Equity Shares and thereafter in multiples of one Equity Share thereafter			

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Bidders	Retail Individual Bidders
Trading Lot	One Equity Share			
Who can apply(3) (4)	Eligible Employees	Public financial institutions as specified in Section 2(72) of the Companies Act, scheduled commercial banks, Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporation, insurance companies registered with IRDAI, provident funds (subject to applicable law) with minimum corpus of ₹250 million, pension funds with minimum corpus of ₹250 million, registered with the Pension Fund Regulatory and Development Authority established under sub-section (1) of section 3 of the Pension Fund Regulatory and Development Authority Act, 2013, National Investment Fund set up by the GoI through resolution F. No.2/3/2005-DD-II dated November 23, 2005, the 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 in accordance with applicable laws.	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the karta), companies, corporate bodies, scientific institutions societies and trusts, and FPIs who are individuals, corporate bodies and family offices and registered with SEBI	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)
Terms of Payment	**In case of Anchor Investors:** Full Bid Amount shall be payable by the Anchor Investors at the time of submission of their Bids(3) **In case of all other Bidders:** Full Bid Amount shall be blocked in the bank account of the ASBA Bidder (other than Anchor Investors) or by the Sponsor Bank(s) through the UPI Mechanism (for RIBs or individual investors bidding under the Non – Institutional Portion for an amount of more than ₹0.20 million and up to ₹0.50 million, using the UPI Mechanism) that is specified in the ASBA Form at the time of submission of the ASBA Form			
Mode of Bidding*	ASBA only (including the UPI Mechanism)	ASBA only (excluding the UPI Mechanism) except for Anchor Investors	ASBA only (including the UPI Mechanism for Bids up to ₹0.50 million)	ASBA only (including the UPI Mechanism)

* *SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, has mandated that ASBA applications in public issues shall be processed only after the application monies are blocked in the investor's bank accounts. Accordingly, Stock Exchanges shall, for all categories of investors viz. Retail, QIB, NII and other reserved categories and also for all modes through which the applications are processed, accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked.*

Eligible Employees Bidding in the Employee Reservation Portion can Bid up to a Bid Amount of ₹0.50 million. 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 ₹0.20 million. In the event of under-subscription in the Employee Reservation Portion the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million (net of the Employee Discount). An Eligible Employee Bidding in the Employee Reservation Portion can also Bid in the Net Offer and such Bids will not be treated as multiple Bids subject to applicable limits. Eligible Employee can also apply under Retail Portion. However, Bids by Eligible Employees in the Employee Reservation Portion and in the Non-Institutional Portion shall be treated as multiple Bids, only if Eligible Employee has

made an application of more than ₹2,00,000 (net of Employee Discount) in the Employee reservation portion. The undersubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion. For further details, please see "Terms of the Offer" on page 393.

Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, offer a discount of up to [●]% to the Offer Price (equivalent of ₹[●] per Equity Share) to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.

(1) *Our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors at the Anchor Investor Offer Price on a discretionary, subject to there being (i) a maximum of two Anchor Investors, where allocation in the Anchor Investor Portion is up to ₹100 million, (ii) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹100 million but up to ₹2,500 million under the Anchor Investor Portion, subject to a minimum Allotment of ₹50.00 million per Anchor Investor, and (iii) in case of allocation above ₹2,500.00 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹2,500.00 million, and an additional 10 Anchor Investors for every additional ₹2,500 million or part thereof will be permitted, subject to minimum allotment of ₹50.00 million per Anchor Investor. An Anchor Investor will make a minimum Bid of such number of Equity Shares, that the Bid Amount is at least ₹100.00 million. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. For details, see "Offer Structure" on page 399.*

(2) *Subject to valid Bids being received at or above the Offer Price. 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) *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 price at which Equity Shares are allocated to the Anchor Investors and the Anchor Investor Offer Price, shall be payable by the Anchor Investor Pay-in Date as mentioned in the CAN.*

(4) *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. The signature of only such first Bidder is required in the Bid cum Application Form and such first Bidder will be deemed to have signed on behalf of the joint holders. The Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.*

Bids by FPIs with certain structures as described under "*Offer Procedure – Bids by FPIs*" on page 410 and having same PAN may be collated and identified as a single Bid in the Bidding process. The Equity Shares Allocated and Allotted to such successful Bidders (with same PAN) may be proportionately distributed.

Eligible Employees Bidding in the Employee Reservation Portion at a price within the Price Band can make payment based on Bid Amount, at the time of making a Bid. Eligible Employees Bidding in the Employee Reservation Portion at the Cut-Off Price have to ensure payment at the Cap Price, at the time of making a Bid.

In terms of the Banking Regulation Act read with Reserve Bank of India (acquisition and holding of shares or voting rights in banking companies) Directions, 2023 and guidelines thereunder, no person either by himself 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.

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.

OFFER PROCEDURE

All Bidders should read 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 especially in relation to the process for Bids by UPI Bidders through the UPI Mechanism. The Bidders should note that the details and process provided in the General Information Document should be read along with this section.

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/applicant; (v) issuance of CAN and allotment in the Offer; (vi) general instructions (limited to instructions for completing the Bid cum Application 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; (xii) interest in case of delay in allotment or refund; and (xiii) disposal of applications and electronic registration of Bids.

*SEBI through the UPI Circulars has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. UPI has been introduced in a phased manner as a payment mechanism in addition to ASBA for applications by Retail Individual Bidders through intermediaries 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**") until June 30, 2019.*

*Subsequently, for applications by RIBs through Designated Intermediaries, the process of physical movement of forms from Designated Intermediaries to SCSBs for blocking of funds has been discontinued and RIBs submitting their ASBA Forms through Designated Intermediaries (other than SCSBs) can only use the UPI Mechanism with existing timeline of T+6 days until further notice by SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, ("**UPI Phase II**"). The final reduced timeline of T+3 days may be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), and modalities of the implementation of UPI Phase III maybe notified and made effective subsequently as may be prescribed by SEBI. Subsequently, pursuant to press release bearing number 12/2023, the revised timeline of T+3 days shall be made applicable in two phases i.e. (i) voluntary for all public issues opening on or after September 1, 2023; and (ii) mandatory on or after December 1, 2023 ("**T+3 Press Release**").*

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, including any circular, clarification or notification which may be issued by SEBI pursuant to the T+3 Press Release. Further, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/P/2022/45 dated April 5, 2022, and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 has introduced certain additional measures for streamlining the process of initial public offers and redressing investor grievances. This circular came into force for initial public offers opening on or after May 1, 2021 except as amended pursuant to SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, and the provisions of these circulars, as amended, are deemed to form part of this Draft Red Herring Prospectus. The provisions of the circular issued by the NSE having reference no. 25/2022 dated August 3, 2022, and the circular issued by BSE having reference no. 20220803-40 dated August 3, 2022 are also deemed to form part of this Draft Red Herring Prospectus. Further, the processing fees for applications made by Retail Individual Bidders using the UPI Mechanism may be released to the remitter banks (SCSBs) only after such banks provide a written confirmation on compliance with SEBI Circular No: SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, read with SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021.

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, in accordance with the SEBI master circular no. SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023, 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. Further, SEBI vide its master circular no. SEBI/HO/CFD/PoD-2/P/CIR/2023/00094 dated June 21, 2023, has reduced the timelines for refund of Application money to four days.

The BRLMs shall be the nodal entity for any issues arising out of public issuance process.

Our Bank, each of the Selling Shareholders 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 this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do 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 the Prospectus.

Further, our Bank, the Selling Shareholders and the members of the Syndicate do not accept any responsibility for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in the Offer.

Book Building Procedure

The Offer is being made in terms of Rule 19(2)(b) of the SCRR read with Regulation 31 of the SEBI ICDR Regulations 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 shall be allocated on a proportionate basis to QIBs, provided that our Bank and the Promoter Selling Shareholder may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, subject to availability of Equity Shares in the respective categories, not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Bidders out of which (a) one third of such portion shall be reserved for Non-Institutional Bidders with application size exceeding ₹0.20 million and up to ₹1.00 million; and (b) two third of such portion shall be reserved for Non-Institutional Bidders with Bid size of more than ₹1.00 million, provided that the unsubscribed portion in either of such sub-categories may be allocated to Non-Institutional Bidders in the other sub-category of Non-Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. Further, up to [●] Equity Shares, aggregating up to ₹[●] million shall be made available for allocation on a proportionate basis only to Eligible Employees Bidding in the Employee Reservation Portion, subject to valid Bids being received at or above the Offer Price, if any. The Employee Reservation Portion shall not exceed 5% of our post -Offer paid-up equity share capital subject to valid Bids being received at or above the Offer Price, net of Employee Discount, if any.

Under-subscription, if any, in any category, except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders, as applicable, at the discretion of our Bank and the Promoter Selling Shareholder, 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. In case of an undersubscription in the Offer, the Equity Shares proposed for sale by the Selling Shareholder shall be in proportion to the Offered Shares by such Selling Shareholders.

In accordance with Rule 19(2)(b) of the SCRR, the Offer and the Net Offer will constitute at least [●]% and [●]%, respectively of the post Offer paid-up Equity Share capital of our Bank.

The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders 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 UPI Bidders Bidding through the UPI Mechanism), as applicable, shall be treated as incomplete and will 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, subject to compliance with applicable law.

Phased implementation of UPI Mechanism

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 and implemented 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, a 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. Under this phase, submission of the ASBA Form without UPI by RIBs to Designated Intermediaries (other than SCSBs) for blocking of funds will be discontinued. However, the time duration from public issue closure to listing would continue to be six Working Days during this phase. SEBI vide its circular no. SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019 extended the timeline for implementation of UPI Phase II till March 31, 2020. Further, pursuant to SEBI circular dated March 30, 2020, this phase has been extended 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. Accordingly, upon commencement of Phase III, the reduced time duration shall be applicable for the Offer. Further, pursuant to press release bearing number 12/2023, the revised timeline of T+3 days shall be made applicable in two phases i.e. (i) voluntary for all public issues opening on or after September 1, 2023; and (ii) mandatory on or after December 1, 2023.

The Offer will be made under UPI Phase II of the UPI Circular, unless UPI Phase III of the UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date.

The processing fees for applications made by UPI Bidders using the UPI Mechanism may be released to the SCSBs only after such banks provide a written confirmation on compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 read with SEBI circular SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 02, 2021 and such payment of processing fees to the SCSBs shall be made in compliance with SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022. NPCI vide circular reference no. NPCI/UPI/OC No. 127/ 2021-22 dated December 09, 2021, inter alia, has enhanced the per transaction limit in UPI from more than ₹0.20 million to ₹0.50 million for UPI based ASBA in initial public offerings.

All SCSBs offering facility of making application in public issues shall also provide facility to make application using UPI. Our Bank will be required to appoint certain of the SCSBs as sponsor banks to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the UPI Bidders using the UPI.

SEBI through its circular (SEBI/HO/CFD/DIL2/CIR/P/2022/45) dated April 5, 2022, has prescribed that all individual investors applying in initial public offerings opening on or after May 1, 2022, where the application amount is up to ₹0.50 million, shall use UPI. Individual investors bidding under the Non-Institutional Portion bidding for more than ₹0.20 million and up to ₹0.50 million, using the UPI Mechanism, shall provide their UPI ID in the Bid-cum-Application Form for bidding through Syndicate, sub-syndicate members, Registered Brokers, RTAs or CDPs, or online using the facility of linked online trading, demat and bank account (3 in 1 type accounts), provided by certain brokers.

Further, in terms of the UPI Circulars, the payment of processing fees to the SCSBs shall be undertaken pursuant to an application made by the SCSBs to the BRLMs, and such application shall be made only after (i) unblocking of application amounts for each application received by the SCSB has been fully completed, and (ii) applicable compensation relating to investor complaints has been paid by the SCSB.

The Offer will be made under UPI Phase II of the UPI Circular, unless UPI Phase III of the UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date. If the Offer is made under UPI Phase III of the UPI Circular, the same will be advertised in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively, on or prior to the Bid/ Offer Opening Date and such advertisement shall also be made available to the Stock Exchanges for the purpose of uploading on their websites.

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 will be available with the Designated Intermediaries at the Bidding Centres, and our Registered and Corporate Office. An electronic copy of the Bid cum Application Form will also be 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.

For Anchor Investors, the Bid cum Application Forms will be available at the offices of the BRLMs.

ASBA Bidders shall mandatorily participate in the Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process. The UPI Bidders can additionally Bid through the UPI Mechanism.

UPI Bidders bidding using the UPI Mechanism must provide the valid UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Forms that do not contain the UPI ID are liable to be rejected.

ASBA Bidders (other than UPI Bidders using the UPI Mechanism) must 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 do not contain such details are liable to be rejected.

Retail Individual Bidders submitting their Bid cum Application Form to any Designated Intermediary (other than SCSBs) shall be required to Bid using the UPI Mechanism and must provide the UPI ID in the relevant space provided in the Bid cum Application Form. Bids submitted by Retail Individual Bidders with any Designated Intermediary (other than SCSBs) without mentioning the UPI ID are liable to be rejected. Retail Individual Bidders Bidding using the UPI Mechanism may also apply through the SCSBs and mobile applications using the UPI handles as provided on the website of SEBI.

ASBA Bidders shall ensure that the Bids are 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 are liable to be rejected. UPI Bidders using UPI Mechanism, may 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 may submit their ASBA Forms with the SCSBs (except UPI Bidders using the UPI Mechanism). ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB or the Sponsor Banks, as applicable, at the time of submitting the Bid pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022, all the ASBA applications in Public Issues shall be processed only after the application monies are blocked in the investor's bank accounts. Stock Exchanges shall accept the ASBA applications in their electronic book building platform only with a mandatory confirmation on the application monies blocked. The circular shall be applicable for all categories of investors viz. Retail, QIB and NIB and also for all modes through which the applications are processed.

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	[●]
Non-Residents including Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral development financial institutions applying on a repatriation basis	[●]
Anchor Investors	[●]
Eligible Employees Bidding in the Employee Reservation Portion	[●]

* *Excluding electronic Bid cum Application Forms*

Notes:

(1) Electronic Bid cum Application forms and the Abridged Prospectus will also be available for download on the websites of the Stock Exchanges (www.nseindia.com and www.bseindia.com).

(2) Bid cum Application Forms for Anchor Investors shall be available at the offices of the BRLMs.

(3) Bid cum Application Forms for Eligible Employees shall be available at the Registered Office of the Bank.

In case of ASBA Forms, the relevant Designated Intermediaries shall capture and upload the relevant bid details (including UPI ID in case of ASBA Forms under the UPI Mechanism) in the electronic bidding system of the Stock Exchanges. For UPI Bidders using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Banks on a continuous basis to enable the Sponsor Banks to initiate UPI Mandate Request to UPI Bidders for blocking of funds. For ASBA Forms (other than UPI Bidders using the UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

For UPI Bidders using the UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank(s) on a continuous basis to enable the Sponsor Bank(s) to initiate UPI Mandate Request to UPI Bidders for blocking of funds. The Sponsor Banks shall initiate request for blocking of funds through NPCI to UPI Bidders, who shall accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. In accordance with BSE Circular No: 20220803-40 and NSE Circular No: 25/2022, each dated August 3, 2022, for all pending UPI Mandate Requests, the Sponsor Bank shall initiate requests for blocking of funds in the ASBA Accounts of relevant Bidders with a confirmation cut-off time of 5:00 pm on the Bid/ Offer Closing Date ("**Cut-Off Time**"). Accordingly, UPI Bidders bidding using through the UPI Mechanism should accept UPI mandate requests for blocking of funds prior to the Cut-Off Time and all pending UPI mandate requests at the Cut-Off Time shall lapse. For ensuring timely information to investors, SCSBs shall send SMS alerts as specified in SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, as amended pursuant to SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022. The NPCI shall maintain an audit trail for every bid entered in the Stock Exchanges bidding platform, and the liability to compensate UPI Bidders (using the UPI Mechanism) in case of failed transactions shall be with the concerned entity (i.e., the Sponsor Banks, NPCI or the bankers to an Offer) at whose end the lifecycle of the transaction has come to a halt. The NPCI shall share the audit trail of all disputed transactions/ investor complaints to the Sponsor Banks and the bankers to an Offer.

The Sponsor Banks will undertake a reconciliation of Bid responses received from Stock Exchanges and sent to NPCI and will also ensure that all the responses received from NPCI are sent to the Stock Exchanges platform with detailed error code and description, if any. Further, the Sponsor Banks will undertake reconciliation of all Bid requests and responses throughout their lifecycle on daily basis and share reports with the BRLMs in the format and within the timelines as specified under the UPI Circulars. Sponsor Banks and issuer banks shall download UPI settlement files and raw data files from the NPCI portal after every settlement cycle and do a three-way reconciliation with Banks UPI switch data, CBS data and UPI raw data. NPCI is to coordinate with issuer banks and Sponsor Banks on a continuous basis.

Pursuant to NSE circular dated August 3, 2022 with reference no. 25/2022, the following is applicable to all initial public offers opening on or after September 1, 2022:

a. Cut-off time for acceptance of UPI Mandate shall be up to 5:00 pm on the initial public offer closure date and existing process of UPI bid entry by syndicate members, registrars to the offer and depository participants shall continue till further notice.

b. There shall be no T+1 mismatch modification session for PAN-DP mismatch and bank/ location code on T+1 day for already uploaded bids. The dedicated window provided for mismatch modification on T+1 day shall be discontinued.

c. Bid entry and modification/ cancellation (if any) shall be allowed in parallel to the regular bidding period up to 5:00 pm on the initial public offer closure day.

d. Exchanges shall display initial public offer demand details on its website and for UPI bids the demand shall include/ consider UPI bids only with latest status as RC 100 – Black Request Accepted by Investor/ Client, based on responses/ status received from the Sponsor Banks.

In terms of the Banking Regulation Act and the SFB Licensing Guidelines read with the Reserve Bank of India (acquisition and holding of shares or voting rights in banking companies) Directions, 2023 and guidelines thereunder, no person either by himself, 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 the 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.

Accordingly, in case of Bids 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 person) exceeding 5% or more of the total paid-up share capital of our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Offer, at least two Working Days 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 least two Working Days prior to the 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.

Electronic registration of Bids

a) The Designated Intermediary may register the Bids using the online facilities of the Stock Exchanges. The Designated Intermediaries can also set up facilities for off-line electronic registration of Bids, subject to the condition that they may subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis before the closure of the Offer.

b) On the Bid/Offer Closing Date, the Designated Intermediaries may upload the Bids till such time as may be permitted by the Stock Exchanges and as disclosed in this Draft Red Herring Prospectus.

c) Only Bids that are uploaded on the Stock Exchanges Platform are considered for allocation/Allotment. The Designated Intermediaries shall modify select fields uploaded in the Stock Exchange Platform during the Bid/ Offer Period till 5.00 pm on the Bid/Offer Closing Date after which the Stock Exchange(s) send the bid information to the Registrar to the Offer for further processing.

The Sponsor Banks shall host a web portal for intermediaries (closed user group) from the date of Bid/ Offer Opening Date till the date of listing of the Equity Shares with details of statistics of mandate blocks/ unblocks, performance of apps and UPI handles, down-time/network latency (if any) across intermediaries and any such processes having an impact/ bearing on the Offer bidding process.

Participation by Promoters and members of the Promoter Group of the Bank, the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to purchase Equity Shares in this Offer in any manner, except towards fulfilling their underwriting obligations. However, the respective associates and affiliates of the BRLMs and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may 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, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Except for Mutual Funds, AIFs or FPIs other than individuals, corporate bodies and family offices, sponsored by entities which are associates of the BRLMs or pension fund sponsored by entities which are associate of the BRLMs, insurance companies promoted by entities which are associates of the BRLMs, no BRLMs or its respective associates can apply in the Offer under the Anchor Investor Portion.

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 Promoters and members of the Promoter Group, the Promoter will 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 can 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 will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be 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*" on page 186.

Bids by Eligible Employees

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹0.50 million (net the Employee Discount).

However, the initial allocation to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹0.20 million. Allotment in the Employee Reservation Portion will be as detailed in the section "*Offer Structure*" on page 399.

However, Allotments to Eligible Employees in excess of ₹0.20 million shall be considered on a proportionate basis, in the event of under-subscription in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹0.50 million. Subsequent under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Offer.

Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price.

Bids under the Employee Reservation Portion by Eligible Employees shall be:

(i) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [●] colour form).

(ii) Only Eligible Employees (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines) would be eligible to apply in this Offer under the Employee Reservation Portion.

(iii) In case of joint bids, the sole bidder or the first bidder shall be the Eligible Employee.

(iv) Bids by Eligible Employees may be made at Cut-off Price.

(v) Only those Bids, which are received at or above the Offer Price (net the Employee Discount) would be considered for allocation under this portion.

(vi) The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee subject to a maximum Bid Amount of ₹0.50 million (net the Employee Discount).

(vii) Eligible Employees bidding in the Employee Reservation Portion can Bid through the UPI mechanism

(viii) If the aggregate demand in this portion is less than or equal to [●] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(ix) Bids by Eligible Employees in the Employee Reservation Portion and in the Net Offer portion shall not 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.

(x) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form or Revision Form.

(xi) As per the SEBI circular SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, Eligible Employees bidding in the Employee Reservation Portion can Bid through the UPI Mechanism.

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹0.20 million, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹0.50 million (net of Employee Discount).

If the aggregate demand in this portion is greater than [●] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see "*Offer Procedure*" on page 403.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB or confirm or accept the UPI Mandate Request (in case of UPI Bidders bidding through the UPI Mechanism) to block their Non- Resident External NRE Account (including UPI ID, if activated), or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB confirm or accept the UPI mandate request (in case of UPI Bidders using the UPI Mechanism) to block their NRO Account for the full Bid Amount, at the time of the submission of the Bid cum Application Form. NRIs applying in the Offer through the UPI Mechanism are advised to enquire with the relevant bank, whether their account is UPI linked, prior to submitting a Bid cum Application Form.

Eligible NRIs bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents ([●] in colour). Eligible NRIs bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents ([●] in colour).

In accordance with the FDI Policy, the total holding by any individual NRI, on a repatriation or non-repatriation basis, shall not exceed 5% of the total paid-up equity capital on a fully diluted basis or shall not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together, on a repatriation or non-repatriation basis, shall not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrant. Provided that the aggregate ceiling of 10% may be raised to 24% if a special resolution to that effect is passed by the general body of the Indian company.

Our Bank has, pursuant to a Board resolution dated June 29, 2021 and Shareholders resolution dated July 12, 2021, has increased the limit of investment of NRIs to up to 24% of the paid-up equity share capital of the Bank, provided that the shareholding of each NRI in the Bank shall not exceed 5% of the equity share capital or such other limit as may be stipulated by the RBI.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, should be made in the individual name of the *Karta*. The Bidder/Applicant should specify that the Bid is being 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 will be considered at par with Bids/Applications from individuals.

For details of investment by NRIs, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 422. Participation of Eligible NRIs shall be subject to FEMA Regulations.

Bids by FPIs

In terms of the SEBI FPI Regulations, the investment in Equity Shares by a single FPI or an investor group (which means multiple entities registered as FPIs and directly or indirectly having common ownership of more than 50% or common control) must be below 10% of our post-Offer equity share capital. Further, in terms of the FEMA Non-Debt Instruments Rules, the total holding by each FPI or an investor group shall be below 10% of the total paid-up equity share capital of our Bank and the total holdings of all FPIs put together can be up to the sectoral cap applicable to the sector in which our Bank operates (i.e., up to 74%), as prescribed under the FEMA Non-Debt Instruments Rules.

With effect from April 1, 2020, the aggregate limit for FPI investments shall be the sectoral caps applicable to our Bank (i.e., automatic up to 49% and government route beyond 49% and up to 74%).

In case the total holding of an FPI increases beyond 10% of the total paid-up equity share capital, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by our Bank, the total investment made by the FPI will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and our Bank and the investor will be required to comply with applicable reporting requirements.

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 Bank and the Promoter Selling Shareholder, in consultation with the Book Running Lead Managers, reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents ([●] in colour).

To ensure compliance with the above requirement, SEBI has, pursuant to its circular dated July 13, 2018, directed that at the time of finalisation of the Basis of Allotment, the Registrar shall (i) use the PAN issued by the Income Tax Department of India for checking compliance for a single FPI; and (ii) obtain validation from Depositories for the FPIs who have invested in the Offer to ensure there is no breach of the investment limit, within the timelines for issue procedure, as prescribed by SEBI 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 customer' 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 instrument is made 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 the criteria provided under Regulation 21(1) of the 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 to are pre-approved by the FPI.

Bids by FPIs submitted under the multiple investment managers structure with the same PAN but with different beneficiary account numbers, Client ID and DP ID including the following cases may not be treated as multiple Bids:

- FPIs which utilise the multi investment manager structure;
- Offshore derivative instruments which have obtained separate FPI registration for ODI and proprietary derivative investments;
- Sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration;
- FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager;
- Multiple branches in different jurisdictions of foreign bank registered as FPIs;

- Government and Government related investors registered as Category 1 FPIs; and
- Entities registered as collective investment scheme having multiple share classes.

The FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for non-residents.

Further, Bids received from FPIs bearing the same PAN will be treated as multiple Bids and are liable to be rejected, except for Bids from FPIs that utilize the multiple investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants which were issued in November 2019 to facilitate implementation of SEBI FPI Regulations (such structure "**MIM Structure**"), provided such Bids have been made with different beneficiary account numbers, Client IDs and DP IDs. Accordingly, it should be noted that multiple Bids received from FPIs, who do not utilize the MIM Structure, and bear the same PAN, are liable to be rejected. In order to ensure valid Bids, FPIs making multiple Bids using the same PAN, and with different beneficiary account numbers, Client IDs and DP IDs, are required to provide a confirmation along with each of their Bid cum Application Forms that the relevant FPIs are making multiple Bids utilize the MIM Structure and indicate the names of their respective investment managers in such confirmation. In the absence of such confirmation from the relevant FPIs, such multiple Bids will be rejected.

For further details, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 422.

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.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. While the SEBI VCF Regulations have since been repealed, the funds registered as VCFs under the SEBI VCF Regulations continue to be regulated by such regulations till the existing fund or scheme managed by the fund is wound up. The holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF of FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs. 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. 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.

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, the Selling Shareholders or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency

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, must be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserves 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 are 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 Master Direction Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended (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*" on page 186.

Bids by SCSBs

SCSBs participating in the Offer are required to comply with applicable law including 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, respectively. Such SCSBs are 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 shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such Bids.

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 must 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;

(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 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 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 shall 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, registered with the Pension Fund Regulatory and Development Authority established under sub-section (1) of section 3 of the Pension Fund Regulatory and Development Authority Act, 2013, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs reserves 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, 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, registered with the Pension Fund Regulatory and

Development Authority established under sub-section (1) of section 3 of the Pension Fund Regulatory and Development Authority Act (in each case, subject to applicable law and in accordance with their respective constitutional documents), 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 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 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 auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, are required to be attached to the Bid cum Application Form. Failing this, our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs, reserves 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.

Bids by Anchor Investors

In accordance with the SEBI Regulations, the key terms for participation by Anchor Investors are provided below:

(1) Anchor Investor Application Forms will be made available for the Anchor Investor Portion at the offices of the BRLMs.

(2) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹100 million. A Bid cannot be submitted for over 60% of the QIB Portion. In case of a Mutual Fund, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹100 million.

(3) One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.

(4) Bidding for Anchor Investors will open one Working Day before the Bid/ Offer Opening Date.

(5) Our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs will finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than: (a) maximum of two Anchor Investors, where allocation under the Anchor Investor Portion is up to ₹100 million; (b) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹100 million but up to ₹2,500 million, subject to a minimum Allotment of ₹50 million per Anchor Investor; and (c) in case of allocation above ₹2,500 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹2,500 million, and an additional 10 Anchor Investors for every additional ₹2,500 million, subject to minimum Allotment of ₹50 million per Anchor Investor.

(6) Allocation to Anchor Investors will be completed on the anchor investor bidding date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation will be made available in the public domain by the BRLMs before the Bid/ Offer Opening Date, through intimation to the Stock Exchanges.

(7) Anchor Investors cannot withdraw or lower the size of their Bids at any stage after submission of the Bid.

(8) If the Offer Price is greater than the Anchor Investor Allocation Price, the additional amount being the difference between the Offer Price and the Anchor Investor Allocation Price will be payable by the Anchor Investors on the Anchor Investor Pay-in Date specified in the CAN. If the Offer Price is lower than the Anchor Investor Allocation Price, Allotment to successful Anchor Investors will be at the higher price, i.e., the Anchor Investor Offer Price.

(9) 50% Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked in for a period of 90 days from the date of Allotment and the remaining 50% shall be locked-in for a period of 30 days from the date of Allotment.

(10) Neither the (a) the BRLMs(s) or any associate of the BRLMs (other than mutual funds sponsored by entities which are associate of the BRLMs or insurance companies promoted by entities which are associate of the BRLMs or Alternate Investment Funds (AIFs) sponsored by the entities which are associates of the BRLMs or FPIs, other than individuals, corporate bodies and family offices, sponsored by the entities which are associate of the BRLMs) nor (b) the Promoters, Promoter Group or any person related to the Promoters or members of the Promoter Group shall apply under the Anchor Investors category.

(11) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered multiple Bids.

For more information, please read the General Information Document and "*Restrictions on Foreign Ownership of Indian Securities*" on page 422.

The above information is given for the benefit of the Bidders. Our Bank, each of the Selling Shareholders 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 this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does 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 this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Offer.

Information for Bidders

The relevant Designated Intermediary will enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options are not considered as multiple Bids. It is the Bidder's responsibility to obtain the Acknowledgment Slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares shall be allocated/Allotted. Such Acknowledgement Slip will be non-negotiable and by itself will not create any obligation of any kind. When a Bidder revises his or her Bid, he /she shall surrender the earlier Acknowledgement Slip and may request for a revised Acknowledgment Slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid. In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank, the Selling Shareholders, and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor does it take any responsibility for the financial or other soundness of our Bank, the management or any scheme or project of our Bank; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

General Instructions

Please note that QIBs and Non-Institutional Investors are not permitted to withdraw their Bid(s) or lower the size of their Bid(s) (in terms of quantity of Equity Shares or the Bid Amount) at any stage. UPI Bidders can revise their Bid(s) during the Bid/ Offer Period and withdraw their Bid(s) until Bid/ Offer Closing Date. Anchor Investors are not allowed to withdraw or lower the size of their Bids after the Anchor Investor bidding date.

***Do's*:**

1. Check if you are eligible to apply as per the terms of this Draft 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. Ensure that the PAN is linked with Aadhaar in compliance with Central Bureau of Direct Taxes notification dated February 13, 2020 and press release dated June 25, 2021;

4. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

5. Ensure that you (other than in the case of Anchor Investors) have mentioned the correct ASBA Account number if you are not a UPI Bidder bidding using the UPI Mechanism in the Bid cum Application Form and if you are a UPI Bidder 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;

6. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre (except electronic Bids) within the prescribed time;

7. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form under the ASBA process to any of the Designated Intermediaries;

8. If you are an ASBA Bidder and the first applicant is not the ASBA Account holder (or the UPI-linked bank account holder, as the case may be), ensure that the Bid cum Application Form is signed by the ASBA Account Holder (or the UPI-linked bank account holder, as the case may be). Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;

9. Ensure that you request for and receive a stamped acknowledgement in the form of a counterfoil or by specifying the application number for all your Bid options as proof of registration 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. UPI Bidders bidding in the Offer to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID 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 acknowledgement;

13. 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 Banks, 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 UPI Bidders submitting their Bids and participating in the Offer through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Banks for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

14. 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 MRD/DoP/Dep/Cir-09/06 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 will be rejected;

15. Ensure that the Demographic Details are updated, true and correct in all respects;

16. 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;

17. Ensure that the category and the investor status is indicated in the Bid cum Application Form;

18. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents, including a copy of the power of attorney are submitted;

19. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

20. 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;

21. 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;

22. UPI Bidders who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which UPI Bidders should ensure acceptance of the UPI Mandate Request received from the Sponsor Banks to authorise blocking of funds equivalent to the revised Bid Amount in the UPI Bidder's ASBA Account;

23. UPI Bidders should ensure that you have accepted the UPI Mandate Request received from the Sponsor Banks prior to 5:00 pm on the Bid/Offer Closing Date;

24. UPI Bidders 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 UPI Bidder may be deemed to have verified the attachment containing the application details of the UPI Bidder in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Banks to block the Bid Amount mentioned in the Bid cum Application Form in his/her ASBA Account;

25. The ASBA bidders shall ensure that bids above ₹0.50 million, are uploaded only by the SCSBs;

26. UPI Bidders Bidding using the UPI Mechanism should mention valid UPI ID of only the Bidder (in case of single account) and of the first Bidder (in case of joint account) in the Bid cum Application Form;

27. Ensure that Anchor Investors submit their Bid cum Application Forms only to the BRLMs;

28. 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 shall be rejected;

29. UPI Bidders Bidding using the UPI Mechanism, who have revised their Bids subsequent to making the initial Bid, should also approve the revised UPI Mandate Request generated by the Sponsor Banks to authorize blocking of funds equivalent to the revised Bid Amount in his/her account and subsequent debit of funds in case of allotment in a timely manner; and

30. Ensure that while bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and UPI Bidders 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).

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;

2. Do not Bid for a Bid Amount exceeding ₹0.50 million (for Bids by UPI Bidders);

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 UPI Bidder 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 physical 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 pm on the Bid/Offer Closing Date;

20. If you are a QIB, do not submit your Bid after 3:00 pm on the QIB Bid/Offer Closing Date;

21. Do not Bid on another ASBA Form after you have submitted a Bid to any of the Designated Intermediaries;

22. Do not Bid for Equity Shares in excess of what is specified for each category;

23. In case of ASBA Bidders (other than 3 in 1 Bids) Syndicate Members shall ensure that they do not upload any bids above ₹0.50 million;

24. 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 this Draft Red Herring Prospectus;

25. Do not submit the Bid without ensuring that funds equivalent to the entire Bid Amount are available for blocking in the relevant ASBA Account or in the case of UPI Bidders bidding using the UPI Mechanism, in the UPI-linked bank account where funds for making the Bid are available;

26. 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 or Eligible Employees Bidding in the Employee Reservation Portion can revise or withdraw their Bids on or before the Bid/Offer Closing Date;

27. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;

28. If you are a UPI Bidder 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;

29. Do not Bid if you are an OCB;

30. Do not Bid for a Bid Amount exceeding ₹0.20 million (for Bids by Retail Individual Bidders) and ₹0.50 million for Bids by Eligible Employees Bidding in the Employee Reservation Portion (net of Employee Discount);

31. 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 UPI Bidders using the UPI Mechanism;

32. Do not submit more than one Bid cum Application Form for each UPI ID in case of UPI Bidders bidding using the UPI Mechanism;

33. Do not submit a Bid cum Application Form with a third party UPI ID or using a third party bank account (in case of Bids submitted by UPI Bidders using the UPI Mechanism); and

34. UPI Bidders 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.

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 75.

For helpline details of the Book Running Lead Managers pursuant to the SEBI/HO.CFD.DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see "*General Information*" on page 75.

Further, helpline details of the BRLMs pursuant to the SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 are set forth in the table below:

Sr. No.	Name of BRLM	E-mail	Telephone
1.	ICICI Securities Limited	esafsfb.ipo@icicisecurities.com	+91 22 6807 7100
2.	DAM Capital Advisors Limited	esaf.ipo@damcapital.in	+91 22 4202 2500
3.	Nuvama Wealth Management Limited (*formerly known as Edelweiss Securities Limited*)	ESAF@nuvama.com	+91 22 4009 4400

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 Offer may be made for the purpose of making allotment in minimum lots.

The Allotment of Equity Shares to Bidders other than to the Retail Individual Bidders, Non-Institutional 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 Equity Shares, if any, shall be allotted on a proportionate basis.

Not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Bidders. The Equity Shares available for allocation to Non-Institutional Bidders under the Non-Institutional Portion, shall be subject to the following: (i) one-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with an application size of more than ₹0.20 million and up to ₹1.00 million, and (ii) two-third of the portion available to Non-Institutional Bidders shall be reserved for applicants with an application size of more than ₹1.00 million, provided that the unsubscribed portion in either of the aforementioned sub-categories may be allocated to applicants in the other sub-category of Non-Institutional Bidders. The Allotment to each Non-Institutional Bidder shall not be less than the minimum application size, subject to the availability of Equity Shares in the Non-Institutional Portion, and the remaining Equity 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, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. Anchor Investors are not permitted to Bid in the Offer through the ASBA process. Instead, Anchor Investors should transfer the Bid Amount (through direct credit, RTGS, NACH or NEFT). For Anchor Investors, the payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

(a) In case of resident Anchor Investors: "[●]"

(b) In case of non-resident Anchor Investors: "[●]"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank, each of the Selling Shareholders 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

Subject to Section 30 of the Companies Act, 2013, our Bank shall, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper, and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively.

In the pre-Offer advertisement, we shall state 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, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

Allotment Advertisement

Our Bank, the BRLMs and the Registrar shall publish an advertisement in relation to Allotment before commencement of trading, disclosing the date of commencement of trading of the Equity Shares, in all editions of [●], an English national daily newspaper, all editions of [●], a Hindi national daily newspaper, and [●] editions of the Malayalam daily newspaper [●] (Malayalam being the regional language of Kerala, where our Registered and Corporate Office is located), each with wide circulation, respectively.

The above information is given for the benefit of the Bidders/applicants. Our Bank, each of the Selling Shareholders 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 this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and filing of this Draft Red Herring Prospectus and the Prospectus with the RoC

(a) Our Bank, each of the Selling Shareholders and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Offer Price but prior to the filing of Prospectus.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Depository Arrangements

The Allotment of the Equity Shares in the Offer shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). For more information, see "*Terms of the Offer*" on page 393.

Undertakings by our Bank

Our Bank undertakes the following:

- adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders (including 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 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/unblocking (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 unsuccessful Bidder within six Working Days from the Bid/ Offer Closing Date or such other 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;

- where release of block on the application amount for unsuccessful bidders or part of the application amount in case of proportionate allotment, a suitable communication shall be sent to the applicants;

- Except for Equity Shares that may be allotted pursuant to the conversion of vested employee stock options, if any granted under the ESAF ESOP Plan 2019, the sweat equity shares which may be allotted to the Managing Director and Chief Executive Officer, subject to approval from the RBI as disclosed in "*Our Management – Terms of* *appointment of Directors – Remuneration paid to the Executive Director*" on page 217, 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 this Draft Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

Undertakings by each of the Selling Shareholders

Each Selling Shareholder undertakes severally and not jointly confirms as applicable 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:

- It is the legal and beneficial owner of the Offered Shares, and holds clear and marketable title to such Equity Shares;
- the Equity Shares offered for sale by each of the Selling Shareholders 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 each of the Selling Shareholders pursuant to the Offer are free and clear of any pre-emptive rights, liens, mortgages, charges, pledge, security interest, defects, claim, trust or any other encumbrances or transfer restriction and shall be in dematerialised 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 their respective portion of 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 Exchange;
- 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; and
- it is not debarred or prohibited from accessing the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI or any securities market regulator in any other jurisdiction or any authority or court

The decisions with respect to the Price Band, the minimum Bid Lot, revision of Price Band will be taken by our Bank and the Promoter Selling Shareholder, in consultation with the BRLMs. The Offer Price will be decided by our Bank and the Selling Shareholders, in consultation with the BRLMs, on the Pricing Date in accordance with the Book Building Process and this Draft Red Herring Prospectus.

Only the statements and undertakings in relation to each of the Selling Shareholders and their portion of the Equity Shares offered in the Offer for Sale which are specifically "confirmed" or "undertaken" by each of the Selling Shareholders in this Draft Red Herring Prospectus, shall be deemed to be "statements and undertakings specifically confirmed or undertaken" by each of the Selling Shareholders severally and not jointly. All other statements and/ or undertakings in this Draft Red Herring Prospectus shall be statements and undertakings made by our Bank even if the same relate to any one or more of the Selling Shareholders.

The filing of this Draft Red Herring Prospectus also does not absolve the Selling Shareholders from any liabilities to the extent of the statements specifically made or confirmed by themselves in respect of themselves and of their respective Offered Shares, under Section 34 or Section 36 of Companies Act, 2013.

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 each of the Selling Shareholders, severally and not jointly, 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.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who—*

(a) *makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*

(b) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*

(c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*

shall be liable for action under Section 447."

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹1 million or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹5 million or with both.

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 FDI through press notes and press releases. The DPIIT, issued the FDI Policy, which, with effect from October 15, 2020, subsumes and supersedes all press notes, press releases, clarifications, circulars issued by the DPIIT, which were in force as on October 15, 2020. The FDI Policy will be valid and remain in force until superseded in totality or in part thereof.

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 cannot participate in this Offer. For further details, see "*Offer Procedure*" on page 403.

On October 17, 2019, Ministry of Finance, Department of Economic Affairs, had notified the FEMA NDI Rules, which had replaced the Foreign Exchange Management (Transfer and Issue of Security by a Person Resident Outside India) Regulations 2017. Foreign investment in this Offer shall be on the basis of the FEMA NDI Rules. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the FEMA Non-Debt Instruments Rules, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, will require prior approval of the Government of India, as prescribed in the FDI Policy and the FEMA Non-Debt Instruments Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/ purview, such subsequent ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. Each Bidder should seek independent legal advice about its ability to participate in the Offer. In the event such prior approval of the Government of India is required, and such approval has been obtained, the Bidder shall intimate our Bank and the Registrar in writing about such approval along with a copy thereof within the Bid/ Offer Period. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction / purview, such subsequent change in the beneficial ownership will also require approval of the Government of India. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2020 issued on December 8, 2020, a multilateral bank or fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such bank of fund in India.

Foreign Investment Laws

The foreign investment in our Bank is governed by, *inter alia,* the FEMA, as amended, the FEMA Regulations, the FDI Policy issued and amended by way of press notes.

In terms of the FDI Policy, FEMA Regulations and SFB Licensing Guidelines, the aggregate foreign investment in an 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.

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 this Draft Red Herring 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 the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below.

Authorised share capital

The authorized share capital of ESAF Small Finance Bank Limited (the "**Bank**") shall be such as given in Clause V of the Memorandum from time to time, with the power to increase or reduce the capital and to issue any part of its capital original or increased with or without any priority or special privilege, subject to the provisions of the 1949 Act, the Act, the Guidelines or any other rules under Applicable Law.

Alteration of capital

The Bank shall have the power to increase or reduce the authorised capital and to issue any part of its capital original or increased with or without any priority or special privilege subject to compliance with the 1949 Act, the Act, the Guidelines or any other rules under Applicable Law, or subject to any postponement of rights or to any conditions or restrictions so that unless the conditions of issue otherwise prescribe such issue shall be subject to the provisions herein contained.

The Bank in its General Meeting may, from time to time, increase the capital by the creation of new shares of such amount as may be deemed expedient.

Subject to the provisions of Section 43 of the Act and Section 12 of the 1949 Act and the Guidelines, the new shares shall be issued upon such terms and conditions and with such rights and privileges as the Bank in General Meeting shall prescribe, and in particular, such shares may be issued, subject to the 1949 Act and circulars that may be issued by the RBI from time to time, with a special or qualified right to dividend and in the distribution of assets of the Bank.

Any issue of shares which results in a Person (by himself or acting in concert with any other Person) acquiring 5% or more of the paid-up Equity Share capital or voting rights of the Bank shall be made with prior approval of the RBI.

Power to sub- divide and consolidate

The Bank may, by ordinary resolution, from time to time, subject to Section 61 of the Act, alter the conditions of Memorandum as follows:

a. Consolidate and divide all or any its share capital into shares of larger amount than its existing shares;

b. Convert all or any one 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 Memorandum. However, while undertaking the sub-division, the proportion between the amount paid and the amount unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

d. Cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled

Allotment of shares

Subject to the provisions of the Act, 1949 Act and these Articles the shares in the capital of the Bank for the time being 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 at a discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in General Meeting, to give to any person the option or right to call for or be allotted shares of any class of the Bank either at par or at premium such option being exercisable at such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Bank on payment in full or part of any property sold and transferred or for any services rendered to the Bank 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 Bank in the General Meeting.

Forfeiture and lien

If any Member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter if the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Bank by reason of such non-payment. The provisions of forfeiture shall apply in the case of non- payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

The Bank shall have no lien on its fully paid-up shares.

The Bank shall have a first and paramount lien (i) on every share to the extent of all moneys called or payable at a fixed time in respect of such shares and (ii) on all shares/ debentures (not being fully paid-up) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Bank.

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 as a term 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.

Subject to the provisions of the Act, 1949 Act and these Articles the shares in the capital of the Bank for the time being (including any shares forming a part of any increased capital of the Bank) 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 (and subject to compliance with Applicable Law) at a discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in General Meeting, to give to any person the option or right to call for or be allotted shares of any class of the Bank either at par or at premium during such time and for such consideration as the Directors think fit and may allot shares in the capital of the Bank on payment in full or part of any property sold and transferred or for any services rendered to the Bank 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 Bank 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.

Every Member, or his heirs, executors or administrator shall pay to the Bank the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereof, in such amounts, at such time or times and in such manner as the Board of Directors shall from time to time, in accordance with these Articles, require or fix for the payment thereof.

The Bank shall cause to be kept a Register of Members, an index of Members, a register of debenture holders and an index of debenture holders in accordance with Section 88 of the Act.

Subject to Section 89 of the Act and save as herein otherwise provided, the Bank shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof.

Certificate

The certificates of title to shares shall be issued under the Companies (Share Capital and Debentures) Rules, 2014 and other relevant provisions under Applicable Law.

Unless where the shares are issued in dematerialised form, every Member or allottee of shares shall be entitled, without payment, to receive within 2 months after incorporation, in case of subscribers to the Memorandum or within 2 months from the date of allotment or within 1 month after the application for the registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares or within such other period as the conditions of issue shall be provided:

(a) One certificate for all his shares without payment of any charge; or

(b) Several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

On listing of the shares of the Bank on a recognised stock exchange, the share certificates shall be generally issued in marketable lots and where share certificates are issued in lots other than marketable lots, subdivision, and consolidation of share certificates into marketable lots shall be done by the Bank free of charge.

Every certificate shall specify the name of the person in whose favour it is issued. Every share shall be under the Seal of the Bank and signed by two Directors or by a Director and the Company Secretary and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon.

No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or where the pages on the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the Bank. Duplicate share certificates may be issued in lieu of those that are lost or destroyed or in replacement of those which are defaced, torn, old, decrepit, worn out or if there be no further space on the back for endorsement of transfer, with the prior consent of the Board and on such reasonable terms, as the Board may think fit. The Bank shall make entry of such share certificates issued in the register of renewed and duplicate share certificates in such manner and within such timeframe prescribed in the Act.

In respect of any share or shares held jointly by several persons, the Bank shall not be bound to issue more than one share certificate. The certificates of shares registered in the names of two or more persons shall be delivered to any one of such persons named in the Register, which shall be sufficient delivery to all such holders.

The provisions above shall *mutatis mutandis* apply to debentures of the Bank.

Transfer and transmission of shares

No transfer shall be registered unless a proper instrument of transfer has been delivered to the Bank. Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested. The instrument of transfer of any share shall be in the prescribed form and in accordance with the requirements of Section 56 of the Act. The transferor shall be deemed to remain as the holder of such share until the name of the transferee shall have been entered in the Register in respect thereof.

The Board may decline to recognise any instrument of transfer unless: (a) the instrument of transfer is in the form as prescribed under Section 56 and in the rules made under sub-section (1) of Section 56; (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board 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.

Any issue / acquisition of shares which results in a person holding (by himself or acting in concert with any other person) 5% or more of the paid-up Equity Share capital or voting rights of the Bank shall be made only with prior approval of RBI. No person/ group of persons shall acquire or agree to acquire directly or indirectly by himself or acting in concert with any other person, any shares of the Bank or voting rights therein, in contravention of the provisions of the 1949 Act or the Guidelines.

If the Board of Directors refuses to register a transfer of any shares, they shall, within 30 days from the date on which the transfer was lodged with the Bank, send to the transferee and the transferor or person giving intimation of such transmission, notice of the refusal along with the reasons for refusal

The legal heir, nominee, executors or administrators of a deceased Member shall be the only persons recognised by the Bank as having any title to his share except in cases of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be so recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Bank shall not be bound to recognise such executor or administrator, unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a competent court in India. Provided nevertheless that in cases, which the Board in its discretion considers to be special cases and in such cases only, it shall be lawful for the Board to dispense with the production of probates or letters of administration or such other legal representations upon such terms as to indemnity, publication of notice or otherwise as the Board may deem fit.

Every transmission of a share shall be verified in such manner as the Board of Directors may require and the Bank may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Bank with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation of the Bank or the Board of Directors to accept any indemnity.

The provisions of these Articles shall *mutatis mutandis* apply to the transfer of debentures and other securities of the Bank or transmission thereof by operation of law.

Buyback

Subject to the provisions of Section 68 to 70 of the Act, provisions of 1949 Act and guidelines issued by the RBI from time to time, FEMA and any other Applicable Law for the time being in force, the Bank may purchase its own shares or specified securities in such manner as may be prescribed.

Borrowing powers

The Board of Directors may, from time to time, by a resolution passed at a meeting of the Board, borrow money for the purposes of the Bank. Subject to the provisions of the Act, the 1949 Act and guidelines issued by the RBI from time to time, and these Articles, the Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit. Provided that the Board of Directors shall not borrow money except with the approval of the Bank in General Meeting by special resolution, where money to be borrowed together with the money already borrowed by the

Bank, apart from temporary loans obtained in its ordinary course of business and except as otherwise provided hereafter, shall exceed the aggregate of the paid-up capital of the Bank and its free reserves or limits as set under the Act.

Provided that nothing contained herein above shall apply to: (i) any sums of money borrowed by the Bank from any other banking companies or from the RBI, or any other scheduled banks established by or under any law for the time being in force; and (ii) acceptance by the Bank in the ordinary course of business of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

Issue of Bonus Shares

The Bank may issue fully paid-up bonus shares to its Members in accordance with the provisions of Section 63 of the Act, 1949 Act and Applicable Laws subject to such terms and conditions as may be prescribed from time to time.

General Meetings

General Meeting means either an extraordinary general meeting or Annual General Meeting of the Bank's shareholders.

Meetings of Directors

The Directors may meet together at a Board for the dispatch of business from time to time, and at least 4 such meetings shall be held in every year with a time gap of not more than 120 days. The Directors may adjourn and otherwise regulate their meetings and proceedings as they may think fit. Notice of every meeting of the Board of Directors shall be given in writing to every Director at his usual address in India and, in the case of any Director residing abroad, such notice shall also be given by fax to such Director's fax number abroad or sent by electronic mail. A notice of the Board meeting may also be served electronically.

Subject to Section 174 of the Act, the quorum for a meeting of the Board of Directors shall be 1/3rd of its total strength, or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to 2/3rd of the total strength of the number of the remaining Directors, that is to say, the number of Directors who are not interested and present at the meeting being not less than two, shall be the quorum during such time. Subject to the Act, participation of the Directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum. If a meeting of the Board cannot be held for want of quorum, then the meeting shall stand adjourned to such day, time and place as the Director or Directors present at the meeting may fix.

A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all authority, powers and discretions which by or under the Act or the Articles of the Bank are for the time being vested in or exercisable by the Board of Directors generally.

The Board of Directors may constitute such committees of Directors as may be required under the Act or 1949 Act or other Applicable Laws as may be applicable from time to time. The Directors may subject to the provisions of the Act and the 1949 Act, delegate any of their powers to committees consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors.

The Bank shall cause minutes of the proceedings of every meeting of the Board of Directors and of every committee of the Board to be recorded in accordance with the relevant provisions of Section 118 of the Act, within 30 days of the conclusion of every such meeting and the minutes shall contain the matters specified in the said section.

The Bank shall maintain such registers, books and documents as may be required under the Act and 1949 Act.

Managing Director

Subject to requisite approval from RBI and other Applicable Laws, a Managing Director may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit and may be removed by means of a resolution of the Board.

As long as EFHPL and Kadambelil Paul Thomas continue to be the Promoters of the Bank, EFHPL has the right to appoint a maximum of three Directors on the Board of the Bank and Kadambelil Paul Thomas has the right to appoint a maximum of two (including himself if he choose to be one) Directors on the Board of the Bank. Any such appointment, shall to the extent required by Applicable Laws, be subject to the consent of the RBI. The right of the Promoters in this regard shall be subject to the receipt of shareholders' approval, in the first general meeting of the Bank held after successful listing and trading pursuant to completion of the initial public offer by the Bank. In the event any Directors nominated by EFHPL or its shareholders to the Board of the Bank are not accepted by RBI, the same will not be appointed to the Board and will not constitute any breach of obligations by EFHPL with any of its shareholders.

As long as EFHPL and Kadambelil Paul Thomas continue to be the Promoters of the Bank, the Promoters shall nominate the Chairman and Managing Director & CEO of the Bank, subject to the approval of the Board and prior approval of the RBI. The right of the Promoters in this regard shall be subject to the receipt of shareholders' approval, in the first general meeting of the Bank held after successful listing and trading pursuant to completion of the initial public offer by the Bank.

A Managing Director whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the RBI, continue in office until his successor assumes office. Further, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation under the Act or these Articles but he shall, subject to the provisions of any contracts between him and the Bank, be subject to the same provisions as to resignation and removal as the other Directors of the Bank and he shall *ipso facto* immediately cease to be a Managing Director if he ceases to hold the office of Director for any cause.

Subject to the superintendence, control and direction of the Board of Directors, the Board may from time to time entrust to and confer upon a Managing Director, save as prohibited in the Act and other Applicable Laws, such of the powers exercisable under these presents by the Directors as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think fit expedient and they may subject to the provisions of the Act, other Applicable Laws and these Articles confer such powers, either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Appointment of Directors

(a) Until otherwise determined by the General Meeting, the number of Directors on the Board of the Bank shall not be less than 3 (three) or more than 15 (fifteen). Majority of the Board members shall be Independent Directors.

(b) Majority of the Board of Directors shall include persons with professional and other experience as required under the 1949 Act. The Bank shall appoint such number of Independent Directors and woman Director as may be required under the Act, 1949 Act or any other Applicable Law for the time being in force. Subject to Sections 152, 160 and other applicable provisions of the Act and 1949 Act, one third of the total number of Directors of the Bank may be non-retiring Directors.

(c) Subject to the provisions of the Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 and Applicable Laws, if it is provided by any trust deed, securing or otherwise, in connection with any issue of debentures of the Bank, that any person or persons shall have powers to nominate a Director of the Bank, then in the case of any and every such issue of debentures, the person or persons having such power may exercise, such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a "Debenture Director". A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares nor shall he be liable to retire by rotation.

Extra-ordinary general meeting

The Board may, whenever it thinks fit, call an Extra- Ordinary General Meeting.

Votes of Members

Subject to the provisions of the Act, votes may be given either personally or by an attorney 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. Provided however that the voting rights shall be subject to the restrictions imposed under Section 12 of the 1949 Act.

A body corporate (whether a company within the meaning of the Act or not) may if it is duly authorised by a resolution of its directors or other governing body, appoint a person to act as its representative at any meeting in accordance with the provisions of Section 113 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director of such body corporate or by a Member of its governing body and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Bank as sufficient evidence of the validity of his appointment.

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 either personally or by Proxy or as Proxy for another Member or be reckoned in a quorum while any call or other sum shall be due and payable to the Bank in respect of any of the shares of such Member or in respect of any shares on which the Bank has or had exercised any right of lien.

Dividend

No dividend shall be declared or paid by the Bank for any Financial Year, unless requirement of Sections 15, 17 and other applicable provisions, if any, of the 1949 Act are complied with.

Subject to the provisions of Section 123 of the Act, the Board may from time to time pay interim dividends as they deem fit and justified by the profits of the Bank.

The Bank may in General Meeting subject to Sections 123 and other applicable provisions of the Act and 1949 Act, declare dividends, to be paid to Members according to their respective right but no dividend shall exceed the amount recommended by the Board of Directors. No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Sections 123 of the Act or any other law for the time being in force and no dividend shall carry interest as against the Bank unless required by law. 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 dividends as from a particular date such shares shall rank for dividend accordingly.

Unpaid or Unclaimed Dividend

Unclaimed / unpaid dividend shall not be forfeited by the Board before the claim becomes barred by law. However, if it remains unclaimed / unpaid for a period beyond that specified under the Act, the same shall be transferred to the Investor Education and Protection Fund under Section 125 of the Act.

Where a dividend has been declared by the Bank but has not been paid or claimed within 30 days from the date of the declaration, the Bank shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid / unclaimed to a special account to be opened by the Bank in that behalf in any Scheduled Bank to be called "Unpaid Dividend Account of ESAF Small Finance Bank Limited." And all the other provisions of Sections 123 and 124 of the Act in respect of any such unpaid dividend or any part thereof shall be applicable, observed, performed and complied with.

No dividend shall be payable except in cash; Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profits of the Bank for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the Members of the Bank.

No dividend shall bear interest against the Bank.

Winding Up

Subject to the provisions of 1949 Act and the Act and the rules made thereunder:

(1) If the Bank shall be wound up, the liquidator may, with the sanction of a shareholders resolution as necessary 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 Bank, whether they shall consist of property of the same kind or not.

(2) 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 among the Members or different classes of Members.

(3) 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

Every officer or agent for the time being of the Bank shall be indemnified out of the funds of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 463 of the Act in which relief is granted to him by the Court or the Tribunal.

Subject to the provisions of Section 197 of the Act, no Director, Managing Director & CEO or whole time Director or other officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any respect of other act for conformity or for any loss or expenses happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Directors in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, company or corporation with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission or default or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be 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 this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus which will be delivered to the RoC for filing and are also available at the following weblink www.esafbank.com/investor-relations-info/. Copies of the contracts and also the documents for inspection referred to hereunder, may be inspected 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.

A. Material Contracts for the Offer

1. Offer Agreement dated July 7, 2023 between our Bank, the Selling Shareholders and the BRLMs.
2. Registrar Agreement dated July 7, 2023 between our Bank, the Selling Shareholders and the Registrar to the Offer.
3. Cash Escrow and Sponsor Bank Agreement dated [●] between our Bank, the Selling Shareholders, the Registrar to the Offer, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s), Sponsor Banks, Public Offer Account Bank and the Refund Bank.
4. Share Escrow Agreement dated [●] between the Selling Shareholders, our Bank and the Share Escrow Agent.
5. Syndicate Agreement dated [●] between our Bank, the Selling Shareholders, the BRLMs, and Syndicate Members.
6. Underwriting Agreement dated [●] between our Bank, the Selling Shareholders and the Underwriters.

B. Material Documents

1. Certified copies of the updated Memorandum and Articles of Association of our Bank as amended from time to time.
2. Certificate of incorporation dated May 5, 2016 issued by the RoC to our Bank, in the name of ESAF Small Finance Bank Limited.
3. RBI letter dated October 7, 2015 bearing no. DBR.PSBD.NBC(SFB-ESAF). No. 4917/16.13.216/2015-16, pursuant to which the RBI granted our Corporate Promoter an in-principal approval to establish an SFB in the private sector under Section 22 of the Banking Regulation Act.
4. RBI letter dated November 18, 2016 bearing no. DBR.NBD(SFB-ESAF) No. 5654/16.13.216/2016-17, pursuant to which the RBI granted license no. MUM:124 to our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.
5. RBI letter bearing no. DBR.No.Ret.BC.16/12.06.152/2018-19 dated December 27, 2018 with respect to the inclusion of our Bank in the second schedule of the RBI Act.
6. RBI letter bearing no. Ref DOS. ARG. NoAS-10/08.61.005/2019-20 dated May 8, 2020 approving the appointment of Deloitte Haskins & Sells, Chartered Accountants as the Statutory Auditors of our Bank for the Fiscal 2021.
7. RBI letter bearing no. Ref Co. DOS.RPD.No. S2635/08-61-005/2022-23 dated July 22, 2022 approving the appointment of Deloitte Haskins & Sells, Chartered Accountants and Abarna & Ananthan, Chartered Accountants as the joint Statutory Auditors of our Bank for the Fiscal 2022.
8. RBI letter bearing no. DBR. Appt. No. 10346/29.44.005/2016-17 dated March 9 2017 approving the appointment of the Directors on the Board.
9. RBI letter bearing no DoR Appt. No. 4898/29.44.005/2019-20 dated December 19, 2019 approving the appointment of our Part-Time Chairman.
10. RBI letter bearing no. DBR. Appt. No. 2655/29.44.005/2018-19 dated October 1, 2018 approving the appointment of our Managing Director and Chief Executive Officer.
11. RBI letter bearing no. DBR. Appt. No. 6532/29.44.005/2016-17 dated December 8, 2016 approving the constitution of our Board, read with RBI letter bearing no. DBR. Appt. No. 10346/29/44.005/2016-17 dated

March 9, 2017, RBI letter bearing no. DBR. Appt. No. 14103/29.44.005/2016-17 dated May 30, 2017 and RBI letter bearing no. DBR. Appt. No. 10611/29.44.005/29.44.005/2017-18 dated May 28, 2018.

12. RBI letter bearing no. DBR.PSBD.NBC.(SFB-ESAF).No.11089/16.13.216/2015-16 dated March 3, 2016 approving the Memorandum of Association and Articles of Association of our Bank.

13. RBI letter bearing no. DBR.NBD3403/16.02.005/2019-20 dated October 31, 2019 approving the amendment to our Memorandum of Association to increase the authorised share capital of our Bank.

14. RBI letter dated May 18, 2021 with respect to Remuneration of MD&CEO for FY 2020-21.

15. RBI letter dated July 28, 2022 with respect to Remuneration of MD&CEO, ESAF Small Finance Bank Limited for FY 2020-21.

16. RBI letter dated March 15, 2022 with respect to Section 35B of Banking Regulation Act, 1949: Remuneration of MD&CEO, ESAF Small Finance Bank Limited for FY 2020-21.

17. RBI letter dated January 12, 2022 with respect to Section 35B of Banking Regulation Act, 1949: Remuneration of MD&CEO, ESAF Small Finance Bank Limited for FY 2020-21.

18. Contract of employment dated October 1, 2021 entered into between the Bank and Kadambelil Paul Thomas.

19. Shareholders agreement dated July 27, 2018 entered into amongst PNB MetLife India Insurance Company Limited, Bajaj Allianz Life, Muthoot Finance Limited, PI Ventures, our Promoters and our Bank, read along with the deeds of adherence, each dated September 27, 2018, signed by ESMACO, ICICI Lombard General Insurance Company Limited, Yusuffali Musaliam Veettil Abdul Kader, as amended by the waiver cum amendment agreement dated July 7, 2023.

20. Shareholders agreement dated December 23, 2019 entered into amongst our Corporate Promoter, Kadambelil Paul Thomas, George Thomas acting in his capacity as the trustee of ESAF Staff Welfare Trust, ESMACO, SIDBI Trustee Company Limited, Dia Vikas Capital Private Limited as amended by the amendment agreement to the Corporate Promoter SHA dated March 29, 2021 and the letter amendment agreement dated June 26, 2023.

21. Deed of assignment dated February 16, 2017 entered into between the Corporate Promoter and ESAF Enterprise Development Finance Limited.

22. Deposit transfer agreement dated March 7, 2017 entered into between ESMACO and our Bank.

23. Deed of assignment dated March 9, 2017 entered into between ESMACO and our Bank.

24. Trademark licensing agreement dated January 5, 2020 entered into between Evangelical Social Action Forum and our Bank.

25. Agreement to sell business undertaking dated February 22, 2017 entered into between our Corporate Promoter and our Bank.

26. Subscription agreement dated July 27, 2018 entered into between our Bank and PNB MetLife India Insurance Company Limited.

27. Subscription agreement dated July 27, 2018 entered into between our Bank and Muthoot Finance Limited.

28. Subscription agreement dated July 27, 2018 entered into between our Bank and Bajaj Allianz Life Insurance Company Limited.

29. Subscription agreement dated July 27, 2018 entered into between our Bank and PI Ventures LLP.

30. Subscription agreement dated September 27, 2018 entered into between our Bank and ICICI Lombard General Insurance Company Limited.

31. Subscription agreement dated September 27, 2018 entered into between our Bank and ESMACO.

32. Subscription agreement dated September 27, 2018 entered into between our Bank and Yusuffali Musaliam Veettil Abdul Kader.

33. Deed of assignment dated February 16, 2017 entered into between EFHPL and ESAF Enterprise Development Finance Limited

34. Resolutions of the Board of Directors dated June 22, 2023 and July 7, 2023, authorising the Offer and revising the Offer for Sale portion, respectively, and other related matters.

35. Shareholders' resolution dated June 29, 2023, in relation to this Offer and other related matters.

36. The Board has pursuant to its resolutions dated June 22, 2023 and July 7, 2023 taken on record approval for the Offer for Sale for the Offered Shares by the Selling Shareholders.

37. Copies of the annual reports of our Bank for the Fiscals 2023, 2022 and 2021.

38. The examination report dated June 20, 2023 from the Joint Statutory Auditors, on our Bank's Restated Financial Information, included in this Draft Red Herring Prospectus.

39. The Restated Financial Information.

40. Certificate dated July 7, 2023 issued by A. John Moris & Co. certifying key performance indicators of the Bank.

41. Resolution dated July 7, 2023 passed by the Audit Committee approving the key performance indicators for disclosure.

42. The statement of special tax benefits dated July 6, 2023 from the Joint Statutory Auditors.

43. Board resolutions/ authorisations and consents from the Selling Shareholders as disclosed in "*Other Regulatory and Statutory Disclosures*" on page 377.

44. Written consent of the Directors, the BRLMs, the Syndicate Members, Legal Counsel to our Bank as to Indian Law, Selling Shareholders, Bankers to the Bank, Registrar to the Offer, Escrow Collection Bank, Public Offer Account Bank, Refund Bank, Sponsor Banks, Company Secretary and Compliance Officer as referred to in their specific capacities.

45. Written consent dated July 6, 2023 from our Joint Statutory Auditors namely, Deloitte Haskins & Sells, Chartered Accountants and Abarna & Ananthan, Chartered Accountants, to include its name in this Draft Red Herring Prospectus, as required under Section 26(5) of the Companies Act, 2013, read with SEBI ICDR Regulations, and as an "expert" as defined under Section 2(38) of the Companies Act, 2013, to the extent and in their capacity as an auditor, in respect of the examination report dated June 20, 2023 issued by it on our Restated Financial Information, and the statement of special tax benefits dated July 6, 2023 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" and the consent thereof shall not be construed to mean an "expert" or consent within the meaning as defined under the U.S. Securities Act.

46. Written consent dated July 7, 2023 from A. John Moris & Co., independent chartered accountants, holding a valid peer review certificate from ICAI, to include their name in this Draft Red Herring Prospectus, as required under Section 26(5) of the Companies Act, 2013, read with the SEBI ICDR Regulations, as an "expert" as defined under Section 2(38) of the Companies Act in respect of the certificates issued by them in their capacity as an independent chartered accountant to our Bank. However, the term "expert" and the consent thereof shall not be construed to mean an "expert" or consent within the meaning as defined under the U.S. Securities Act.

47. CRISIL MI&A consent letter dated July 6, 2023 for the CRISIL MI&A Report.

48. The report titled "*Industry Report on Small Finance Banks in India*" dated June 2023, issued by CRISIL MI&A, which has been commissioned by and paid for by our Bank pursuant to an agreement with CRISIL MI&A dated August 17, 2022, as amended pursuant to an addendum dated March 13, 2023, exclusively for the purposes of the Offer which is available at the website of our Bank at www.esafbank.com/investor-relations-info/.

49. Board resolution dated July 7, 2023 approving this Draft Red Herring Prospectus.

50. Due diligence certificate dated July 7, 2023 addressed to SEBI from the BRLMs.

51. In principle listing approvals dated [●] and [●], issued by BSE and NSE, respectively.

52. Tripartite agreement dated March 31, 2017 between our Bank, NSDL and the Registrar to the Offer.

53. Tripartite agreement dated January 20, 2017, between our Bank, CDSL and the Registrar to the Offer.

54. Exemption Application dated May 18, 2023 submitted to SEBI under Regulation 300(1)(c) of the SEBI ICDR Regulations.

55. SEBI approval letter to the Exemption Application bearing reference number SEBI/CFD/RAC-DL1/2023/25682 dated June 23, 2023.

56. Letter dated June 28, 2023 issued by the Bank containing details of observations in relation to the annual financial inspection for the previous three financial years issued by the RBI under Section 35 of Banking Regulation Act, 1949.

57. SEBI observation letter dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring 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 laws.

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Ravimohan Periyakavil Ramakrishnan
Part-Time Chairman and Non-Executive Independent Director

Place: Mbabane, Eswatini

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Kadambelil Paul Thomas
Managing Director and Chief Executive Officer

Place: Thrissur, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Joseph Vadakkekara Antony
Non-Executive Independent Director

Place: Ernakulam, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Thomas Jacob Kalappila
Non-Executive Independent Director

Place: Thiruvananthapuram, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Vinod Vijayalekshmi Vasudevan
Non-Executive Independent Director

Place: Dubai, UAE

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Ravi Venkatraman
Non-Executive Independent Director

Place: Mumbai, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Kolasseril Chandramohanan Ranjani
Non-Executive Independent Director

Place: Ernakulam, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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Ajayan Mangalath Gopalakrishnan Nair
Non-Executive Nominee Director

Place: Ernakulam, India

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

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John Samuel
Non-Executive Nominee Director

Place: Bristol, United Kingdom

Date: July 7, 2023

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations/rules issued by the Government of India or the rules, guidelines or regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act, each as amended, and or the rules made or guidelines or regulations issued thereunder, as the case may be. I further certify that all the disclosures and statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

Gireesh C. P
Chief Financial Officer

Place: Thrissur, India

Date: July 7, 2023

DECLARATION BY SELLING SHAREHOLDER

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Bank or any other Selling Shareholder or any person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **ESAF Financial Holdings Private Limited**

Name: Mereena Paul

Designation: Chairperson and Managing Director

Date: July 7, 2023

Place: Thrissur, India

DECLARATION BY SELLING SHAREHOLDER

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Bank or any other Selling Shareholder or any person(s) in this Draft Red Herring Prospectus.

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Signed for and on behalf of **PNB MetLife India Insurance Company Limited**

Name: Sanjay Kumar

Designation: Chief Investment Officer

Date: July 7, 2023

Place: Mumbai, India

DECLARATION BY SELLING SHAREHOLDER

The undersigned Selling Shareholder hereby confirms that all statements, disclosures and undertakings made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself, as one of the Selling Shareholders and its portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, disclosures and undertakings, including any statements, disclosures and undertakings, made by, or relating to the Bank or any other Selling Shareholder or any person(s) in this Draft Red Herring Prospectus.

Signed for and on behalf of **Bajaj Allianz Life Insurance Company Limited**

Name: Sampath B Reddy

Designation: Chief Investment Officer

Date: July 7, 2023

Place: Pune, India