IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

THIS OFFERING OF THE SECURITIES DESCRIBED IN THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER REGULATION 2(1)(SS) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED ("SEBI ICDR REGULATIONS").

IMPORTANT: This e-mail is intended for the named recipient(s) only. If you are not an intended recipient, please delete this e-mail from your system immediately. You must read the following before continuing. The following applies to the pre-numbered preliminary placement document of Equitas Small Finance Bank Limited (the "**Bank**") dated February 14, 2022 in relation to the proposed qualified institutions placement of equity shares of face value of ₹10 each ("**Equity Shares**") by the Bank filed with the BSE Limited and the National Stock Exchange of India Limited (the "**Stock Exchanges**") (such document, the "**Preliminary Placement Document**") attached to this e-mail, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Preliminary Placement Document. In accessing the Preliminary Placement Document, you acknowledge and agree to be bound by the following terms and conditions, including any modifications to them, from time to time, each time you receive any information from us as a result of such access. The information in the Preliminary Placement Document is confidential and subject to updation, completion, revision, verification, amendment and change without notice. None of IIFL Securities Limited and SBI Capital Markets Limited (the "**Book Running Lead Managers**") or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accepts any liability whatsoever for any loss howsoever arising from any use of this e-mail or the attached Preliminary Placement Document or their respective contents or otherwise arising in connection therewith. **You acknowledge that the Preliminary Placement Document is intended for use by you only and you agree not to forward it to any other person, internal or external to your company, in whole or in part, or otherwise provide access via e-mail or otherwise to any other person.**

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of any manufacturer's product approval process, the target market assessment in respect of the Equity Shares has led to the conclusion that: (i) the target market for the Equity Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Equity Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Equity Shares (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Equity Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

INVESTING IN THE EQUITY SHARES DESCRIBED IN THE PRELIMINARY PLACEMENT DOCUMENT INVOLVES A HIGH DEGREE OF RISK AND YOU SHOULD NOT INVEST ANY FUNDS IN THE EQUITY SHARES, UNLESS YOU ARE PREPARED TO RISK LOSING ALL OR PART OF YOUR INVESTMENT. YOU ARE ADVISED TO CAREFULLY READ THE SECTION TITLED "*RISK FACTORS*" ON PAGE 38 AS WELL AS INFORMATION CONTAINED ELSEWHERE IN THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT BEFORE MAKING AN INVESTMENT DECISION.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY OTHER

APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE EQUITY SHARES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) ("**U.S. QIB(S)**") PURSUANT TO SECTION 4(A)(2) OR ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT; FOR AVOIDANCE OF DOUBT, THE TERM U.S. QIBS DOES NOT REFER TO A CATEGORY OF INSTITUTIONAL INVESTORS DEFINED UNDER APPLICABLE INDIAN REGULATIONS AND REFERRED TO IN THIS PRELIMINARY PLACEMENT DOCUMENT AS "QIBS" AND (B) OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE UPON REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES ARE MADE.

FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE EQUITY SHARES OF THE BANK AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT, SEE "SELLING RESTRICTIONS", "NOTICE TO INVESTORS", AND "TRANSFER RESTRICTIONS". THE ATTACHED PRE-NUMBERED PRELIMINARY PLACEMENT DOCUMENT MAY NOT BE FORWARDED, DOWNLOADED, DELIVERED OR DISTRIBUTED, IN WHOLE OR IN PART, ELECTRONICALLY OR OTHERWISE TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE EQUITY SHARES DESCRIBED IN THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT.

This Issue and the distribution of this Preliminary Placement Document is being done in reliance on Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, as amended and the rules framed thereunder. This Preliminary Placement Document is personal to each prospective investor and does not constitute an offer or invitation or solicitation of an offer to the public or to any other person or class of investors, other than qualified institutional buyers (as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations) within or outside India.

Confirmation of your Representation: You are accessing the attached Preliminary Placement Document on the basis that you have confirmed your representation, agreement and acknowledgement to the Book Running Lead Managers that: (1) (i) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and to the extent that you purchase the securities described in the attached Preliminary Placement Document, you will be doing so pursuant to Regulation S or (ii) you are, or are acting on behalf of, a "qualified institutional buyer" (as defined in Rule 144A) pursuant to Section 4(a)(2) of the Securities Act; (2) the securities offered hereby have not been registered under the Securities Act; (3) that you consent to delivery of the attached Preliminary Placement Document and any amendments or supplements thereto by electronic transmission.; (4) you are a "Qualified Institutional Buyer" as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not restricted from participating in the offering under the SEBI ICDR Regulations and other applicable laws and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations;

(5) you are aware that your name will be included in the Placement Document as proposed allottees along with the number of Equity Shares proposed to be Allotted to you and the percentage of your post issue shareholding in the Bank and you consent to such disclosure; (6) you are aware that if you, together with any other Qualified Institutional Buyers belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in this Issue, the Bank shall be required to disclose your name, along with the name of such other Allottees and the number of Equity Shares Allotted to you and to such other Allottees, on the website of the Stock Exchanges, and you consent to such disclosure; (7) you are aware that if you are circulated the Preliminary Placement Document or are Allotted any Equity Shares in the Issue, the Bank is required to disclose details such as your name, address, PAN, email-id and the number of Equity Shares Allotted along with other relevant information as may be required, to the Registrar of Companies, Tamil Nadu at Chennai and you consent to such disclosures; and (8) that you consent to delivery of the attached Preliminary Placement Document and any amendments or supplements thereto by electronic transmission.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or the Book Running Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a "general solicitation" or "general advertising" (each as defined in Regulation D under the Securities Act) or "directed selling efforts" (as defined in Regulation S) in the United States or elsewhere. You are reminded that the attached Preliminary Placement Document has been delivered to you on the basis that you are a person into whose possession the attached Preliminary Placement Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Preliminary Placement Document to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or invitation or solicitation in any place where offers, invitations or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Book Running Lead Managers or any affiliate of the Book Running Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Book Running Lead Managers or such affiliate on behalf of the Bank in such jurisdiction. Further, nothing in this electronic transmission constitutes an offer or an invitation or solicitation of an offer or an offer or invitation to the public under the Companies Act, 2013, or any other applicable law, by or on behalf of either the Bank or the Book Running Lead Managers to subscribe for or purchase any of the Equity Shares described in the attached Preliminary Placement Document. The attached Preliminary Placement Document has not been and will not be filed as a prospectus with any registrar of companies in India and is not and should not be construed as an offer document under the SEBI ICDR Regulations or any other applicable law. The attached Preliminary Placement Document has not been and will not be reviewed or approved by any regulatory authority in India, including the Securities and Exchange Board of India, the Reserve Bank of India, any registrar of companies in India or any stock exchange in India. The attached Preliminary Placement Document is not and should not be construed as an invitation, offer or sale of any securities to the public in India.

The Preliminary Placement Document been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Bank, Book Running Lead Managers or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any of them accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Placement Document distributed to you in electronic format and the physical version available to you on request from the Book Running Lead Managers. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. The attached Preliminary Placement Document is intended only for use by the addressee named herein and may contain legally privileged and / or confidential information. If you are not the intended recipient of the attached Preliminary Placement Document, you are hereby notified that any dissemination, distribution or copying of the attached Preliminary Placement Document is strictly prohibited. If you have received the attached Preliminary Placement Document in error, please immediately notify the sender or the Book Running Lead Managers by reply email and destroy the email received and any printouts of it.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of any Book Running Lead Managers named herein, nor any person who controls them or any director, officer, employee or agent of them, or affiliate or associate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any of the Equity Shares described in the attached pre-numbered Preliminary Placement Document by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) FORWARD, DISTRIBUTE OR DELIVER THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT, ELECTRONICALLY OR OTHERWISE, OR DISCLOSE THE CONTENTS OF THE PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE IN WHOLE OR PART THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISSEMINATION, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Capital terms used but not defined herein shall have the meaning ascribed to such terms in the Preliminary Placement Document attached hereto.

Preliminary Placement Document
Subject to Completion
Not for Circulation and Strictly Confidential
Serial Number: _____
Dated February 14, 2022

The information in this Preliminary Placement Document is not complete and may be changed. The Issue is meant only for Eligible QIBs under Chapter VI of the SEBI ICDR Regulations on a private placement basis and is not an offer to the public or to any other class of investors to purchase the Equity Shares. This Preliminary Placement Document is not an offer to sell any Equity Shares and is not soliciting an offer to subscribe to or buy the Equity Shares in any jurisdiction where such offer, sale or subscription is not permitted. This Preliminary Placement Document is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be Allotted pursuant to the Placement Document.

EQUITAS SMALL FINANCE BANK LIMITED

Registered Office and Corporate Office: 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India
Tel: +91 44 4299 5000; **Email:** cs@equitasbank.com | **Website**: www.equitasbank.com | **CIN**: L65191TN1993PLC025280

Our Bank was incorporated as V.A.P. Finance Private Limited on June 21, 1993 at Madras, Tamil Nadu as a private limited company under the Companies Act, 1956 (as defined hereinafter), with the Registrar of Companies, Tamil Nadu at Chennai (the "**RoC**"). Our Bank was converted into a public limited company and consequently, the name of our Bank was changed to V.A.P. Finance Limited and a fresh certificate of incorporation was issued by the RoC on March 5, 1994. Our Bank thereafter became a private limited company under section 31(1) of the Companies Act, 1956 and a fresh certificate of incorporation dated March 30, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Limited to V.A.P. Finance Private Limited. A fresh certificate of incorporation dated August 12, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Private Limited to Equitas Finance Private Limited. A fresh certificate of incorporation was granted by the RoC on September 29, 2015 consequent upon change of name from Equitas Finance Private Limited to Equitas Finance Limited pursuant to conversion of our Bank into a public limited company. Our Promoter, EHL was granted the RBI In-Principle and RBI Final Approval on October 7, 2015 and June 30, 2016, respectively, to establish a small finance bank ("**SFB**"). Subsequently, our Bank was converted into an SFB. A fresh certificate of incorporation dated September 2, 2016 was granted by the RoC consequent upon change of name of our Bank from Equitas Finance Limited to Equitas Small Finance Bank Limited. Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated December 23, 2016 issued by the RBI and published in the Gazette of India dated February 4 – February 10, 2017. For further details, see "*General Information*" on page 454.

The Bank is issuing up to [●] equity shares of face value of ₹ 10 each (the "**Equity Shares**") at a price of ₹ [●] per Equity Share (the "**Issue Price**"), including a premium of ₹ [●] per Equity Share, aggregating to approximately ₹ [●] crore (the "**Issue**"). For further details, see "*Summary of the Issue*" on page 31.

THIS ISSUE IS BEING UNDERTAKEN IN RELIANCE UPON CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013, AS AMENDED, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AND RULES FRAMED THEREUNDER EACH AS AMENDED.

The Equity Shares are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**", and together with BSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE as on February 11, 2022 was ₹56.30 and ₹56.45 per Equity Share, respectively. Our Bank has received in-principle approvals pursuant to Regulation 28(1)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares to be issued pursuant to the Issue, from BSE and NSE on February 14, 2022. Our Bank shall make applications to the Stock Exchanges for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to the Issue. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of our Bank or the Equity Shares.

A copy of this Preliminary Placement Document, which includes disclosures prescribed under Form PAS-4 (as defined hereinafter), has been delivered to the Stock Exchanges. A copy of the Placement Document (which shall also include disclosures prescribed under Form PAS-4) shall be delivered to the Stock Exchanges. Our Bank shall also make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 (as defined hereinafter) and the PAS Rules (as defined above). This Preliminary Placement Document has not been reviewed by the Securities and Exchange Board of India ("**SEBI**"), the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority, and is intended only for use by Eligible QIBs (as defined hereinafter). This Preliminary Placement Document has not been and shall not be filed as a prospectus with the RoC, shall not be circulated or distributed to the public in India or any other jurisdiction, and the Issue shall not constitute a public offer in India or any other jurisdiction.

OUR BANK HAS PREPARED THIS PRELIMINARY PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE ISSUE. THE ISSUE AND DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING MADE TO ELIGIBLE QIBS IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES PRESCRIBED THEREUNDER, AND CHAPTER VI OF THE SEBI ICDR REGULATIONS. THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PROSPECTIVE INVESTOR OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN ELIGIBLE QIBS. THIS PRELIMINARY PLACEMENT DOCUMENT SHALL BE CIRCULATED ONLY TO SUCH ELIGIBLE QIBS WHOSE NAMES ARE RECORDED BY OUR BANK PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO THE EQUITY SHARES.

YOU MAY NOT AND ARE NOT AUTHORISED TO: (1) DELIVER THIS PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE COMPANIES ACT, 2013, AS AMENDED, THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OF OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A HIGH DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "*RISK FACTORS*" ON PAGE 38 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THE ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES ISSUED PURSUANT TO THIS PRELIMINARY PLACEMENT DOCUMENT AND THE PLACEMENT DOCUMENT. PROSPECTIVE INVESTORS SHALL CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES AND THE BANK.

Invitations, offers and sales of Equity Shares to be issued pursuant to the Issue shall only be made pursuant to this Preliminary Placement Document, together with the Application Form, the Placement Document and the Confirmation of Allocation Note (each as defined herein). For further details, see "*Issue Procedure*" on page 411. The distribution of this Preliminary Placement Document or the disclosure of its contents without our Bank's prior consent to any person other than Eligible QIBs and persons retained by Eligible QIBs to advise them with respect to their purchase of Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

The Equity Shares offered in the Issue have not been and will not be registered under the United States Securities Act of 1933, as amended ("**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be 'eligible qualified institutional buyers' (as defined in Rule 144A under the Securities Act ("**Rule 144A**") and referred to in this Preliminary Placement Document as a "**U.S. QIB**") in transactions exempt from the registration requirements of the Securities Act, pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States in 'offshore transactions' as defined in and in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales are made. The Equity Shares are transferable only in accordance with the restrictions described under the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432, respectively. For the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Preliminary Placement Document as "**QIBs**". The information on our Bank's website, any website directly or indirectly linked to our Bank's website or on the respective websites of the Book Running Lead Managers (as defined hereinafter) or of their respective affiliates does not form part of this Preliminary Placement Document and prospective investors should not rely on any such information contained in or available through any such websites for their investment in this Issue.

This Preliminary Placement Document is dated February 14, 2022.

BOOK RUNNING LEAD MANAGERS	
IIFL SECURITIES LIMITED	**SBI CAPITAL MARKETS LIMITED**

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NOTICE TO INVESTORS

Our Bank has furnished and accepts full responsibility for all of the information contained in this Preliminary Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Preliminary Placement Document contains all information with respect to our Bank and the Equity Shares, which we consider material in the context of the Issue. The statements contained in this Preliminary Placement Document relating to our Bank and the Equity Shares are in all material respects, true, accurate and not misleading, and the opinions and intentions expressed in this Preliminary Placement Document with regard to our Bank and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to our Bank. There are no other facts in relation to our Bank and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

IIFL Securities Limited and SBI Capital Markets Limited (the "**Book Running Lead Managers**") have not separately verified the information contained in this Preliminary Placement Document (financial, legal, or otherwise). Accordingly, neither the Book Running Lead Managers, nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Running Lead Managers or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Issue of the Equity Shares or their distribution.

Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on any of the Book Running Lead Managers or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Bank and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorised to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Bank, or by or on behalf of the Book Running Lead Managers. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction, including the United States Securities and Exchange Commission ("SEC"), any other federal or state authorities in the United States, the securities authorities of any non-United States jurisdiction and any other United States or non-United States regulatory authority. No authority has passed on or endorsed the merits of the Issue or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offense in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act. For further information, see the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432, respectively.

The information contained in this Preliminary Placement Document has been provided by our Bank and from other sources identified herein. The distribution of this Preliminary Placement Document or the disclosure of its contents without the prior consent of the Bank to any person, other than Eligible QIBs specified by the Book Running Lead Managers or their representatives, and those retained by Eligible QIBs to advise them with respect to their subscription of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Preliminary Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document. Any reproduction or distribution of this Preliminary Placement Document, in whole or in part, and any disclosure of its contents to any other person is prohibited.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares may be restricted in certain jurisdictions by applicable laws. As such, this Preliminary Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank and the Book Running Lead Managers which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity

Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document, nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. For further details, see "*Selling Restrictions*" on page 425.

In making an investment decision, the prospective investors must rely on their own examination of our Bank and the Equity Shares and the terms of the Issue, including the merits and risks involved. The prospective investor should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. The prospective investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the Book Running Lead Managers are making any representation to any investor, purchaser, offeree or subscriber to the Equity Shares in relation to this Issue regarding the legality of an investment in the Equity Shares by such investor, purchaser, offeree or subscriber under applicable legal, investment or similar laws or regulations. The prospective investors of the Equity Shares should conduct their own due diligence on the Equity Shares and our Bank.

Each investor, purchaser, offeree or subscriber of the Equity Shares is deemed to have acknowledged, represented and agreed that it is an Eligible QIB and it is eligible to invest in India and in our Bank under Indian law, including under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013, read with Rule 14 of the PAS Rules and that it is not prohibited by SEBI or any other statutory, regulatory or judicial authority in India or any other jurisdiction from buying, selling or dealing in the securities including the Equity Shares or otherwise accessing the capital markets in India.

This Preliminary Placement Document contains summaries of certain terms of documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The information on our Bank's website, www.equitasbank.com, any website directly and indirectly linked to the website of our Bank or on the respective websites of the Book Running Lead Managers and of their affiliates, does not constitute nor form part of this Preliminary Placement Document. The prospective investors should not rely on any such information contained in, or available through, any such websites.

NOTICE TO INVESTORS IN CERTAIN OTHER JURISDICTIONS

For information to investors in certain other jurisdictions, see "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432, respectively.

REPRESENTATIONS BY INVESTORS

All references to "you" and "your" in this section are to the prospective investors in the Issue. By Bidding and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Bank and the Book Running Lead Managers, as follows:

1. You are a "Qualified Institutional Buyer" as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to (i) acquire, hold, manage or dispose of any Equity Shares that are Allotted (hereinafter defined) to you in accordance with Chapter VI of the SEBI ICDR Regulations, the Companies Act, 2013 and all other applicable laws; and (ii) comply with all requirements under applicable law in this relation, including reporting obligations, requirements/ making necessary filings, if any, in connection with the Issue;

2. You are eligible to invest in India under applicable law, including the FEMA Rules (as defined hereinafter) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI, RBI or any other regulatory authority, statutory authority or otherwise, from buying, selling or dealing in securities or otherwise accessing capital markets in India;

3. If you are not a resident of India, but are an Eligible QIB, you are a foreign portfolio investor, and you confirm that you are an Eligible FPI as defined in this Preliminary Placement Document and have a valid and existing registration with SEBI under the applicable laws in India, or a multilateral or bilateral development financial institution and can participate in the Issue only under Schedule II of FEMA Rules. You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws. You have not been prohibited by SEBI, RBI or any other regulatory authority, from buying, selling or dealing in securities. Since FVCIs are not permitted to participate in the Issue, you confirm that you are not a FVCI;

4. You are eligible to invest in and hold the Equity Shares of the Bank in accordance with the FDI Policy, read along with the 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 related amendments to the FEMA Rules, wherein if the beneficial owner of the Equity Shares is situated in or is a citizen of a country which shares land border with India, foreign direct investments can only be made through the Government approval route, as prescribed in the FEMA Rules;

5. You will provide the information as required under the Companies Act, 2013 and the PAS Rules for record keeping by our Bank, including your name, complete address, phone number, e-mail address, permanent account number and bank account details and such other details as may be prescribed or otherwise required even after the closure of the Issue;

6. If you are Allotted Equity Shares pursuant to the Issue, you shall not sell the Equity Shares so acquired, for a period of one year from the date of Allotment (hereinafter defined), except on the Stock Exchanges (additional requirements apply if you are within the United States, for more information, see the section "*Selling Restrictions*" and "*Transfer Restrictions*" on page 425 and 432, respectively);

7. You are aware that this Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC under the Companies Act, 2013, the SEBI ICDR Regulations or under any other law in force in India and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than Eligible QIBs. This Preliminary Placement Document has not been reviewed, verified or affirmed by SEBI, the RBI, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by Eligible QIBs. The Placement Document shall be filed with the Stock Exchanges for record purposes only and be displayed on the websites of our Bank and the Stock Exchanges;

8. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions applicable to you and that you have fully observed such laws and you have all necessary capacity and have obtained all necessary consents and authorities, as may be required and complied and shall comply with all necessary formalities to enable you to participate in the Issue and to perform your obligations in relation thereto (including without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Preliminary Placement Document), and will honor such obligations;

9. Neither our Bank, the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares, be a client of the Book Running Lead Managers. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates has any duty or responsibility to you for providing

the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;

10. All statements other than statements of historical fact included in this Preliminary Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Preliminary Placement Document. Neither our Bank, nor the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates assumes any responsibility to update any of the forward-looking statements contained in this Preliminary Placement Document;

11. You are aware that the Equity Shares are being offered only to Eligible QIBs on a private placement basis and are not being offered to the general public, or any other category of investors other than the Eligible QIBs and the Allotment shall be on a discretionary basis at the discretion of our Bank in consultation with the Book Running Lead Managers;

12. You have made, or been deemed to have made, as applicable, the representations, warranties, acknowledgments and undertakings as set out under "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432, respectively;

13. You have been provided a serially numbered copy of the Preliminary Placement Document, and have read it in its entirety, including in particular the "*Risk Factors*" on page 38;

14. In making your investment decision, you have (i) relied on your own examination of our Bank and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Bank, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) consulted your own independent counsels and advisors or otherwise have satisfied yourself concerning, the effects of local laws (including tax laws), (iv) relied solely on the information contained in this Preliminary Placement Document and no other disclosure or representation by our Bank or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

15. Neither the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, has provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against, either of the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

16. You are a sophisticated investor and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any managed accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Bank and/or the Book Running Lead Managers or any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates, for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resell or distribute;

17. If you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and make the representations, warranties, acknowledgements, undertakings and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

18. You are not a 'promoter' of our Bank (as defined under the SEBI ICDR Regulations), and are not a person related to the Promoter, either directly or indirectly and your Bid (hereinafter defined) does not directly or indirectly represent any Promoter or Promoter Group (as defined under the SEBI ICDR Regulations) of our Bank or persons or entities

related thereto;

19. You have no rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board of Directors of our Bank, other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares (a QIB who does not hold any Equity Shares and who has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to our Promoter);

20. You are eligible to Bid for and hold Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding after the Allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

21. To the best of your knowledge and belief, your aggregate holding, together with other Eligible QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIBs, its subsidiary or holding company and any other Eligible QIB ; and

    b. 'Control' shall have the same meaning as is assigned to it under the SEBI Takeover Regulations;

22. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, dated November 19, 2015 and the Reserve Bank of India (Ownership in Private Sector Banks) Direction, 2016 dated May 12, 2016, no person (along with his relatives, associate enterprises or persons acting in concert with) 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. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

    a. after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or

    b. after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you, shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI;

23. You are aware that (i) applications for in-principle approval, in terms of Regulation 28 of the SEBI Listing Regulations, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) final applications will be made for obtaining listing and trading approvals from the Stock Exchanges, and that there can be no assurance that such approvals will be obtained on time or at all. Neither our Bank nor the Book Running Lead Managers nor any of their respective shareholders, directors, officers, employees, counsels, representatives, agents or affiliates shall be responsible for any delay or non-receipt of such final listing and trading approvals or any loss arising therefrom;

24. You shall not undertake any trade in the Equity Shares credited to your beneficiary account with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

25. You are aware that in terms of the requirements of the Companies Act, 2013 upon Allocation, the Bank will be required to disclose names and percentage of post-Issue shareholding of the proposed Allottees in the Placement Document. However, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the Book Running Lead Managers;

26. You agree in terms of Section 42 of the Companies Act, 2013 and Rule 14 of the PAS Rules, that our Bank shall make necessary filings with the RoC as may be required under the Companies Act, 2013;

27. You acknowledge that this Preliminary Placement Document does not, and the Placement Document shall not confer upon or provide you with any right of renunciation of the Equity Shares offered through the Issue in favour of any

person;

28. You are aware that if you, together with any other Eligible QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in this Issue, our Bank shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures being made by our Bank;

29. You are aware and understand that the Book Running Lead Managers have entered into a placement agreement with our Bank, whereby the Book Running Lead Managers have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, undertaken to use their reasonable efforts to seek to procure subscription for the Equity Shares on the terms and conditions set out therein;

30. The contents of this Preliminary Placement Document are exclusively the responsibility of our Bank and that neither the Book Running Lead Managers nor any person acting on its or their behalf or any of the counsels or advisors to the Issue has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting participation in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in the Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Managers or our Bank or any other person and neither the Book Running Lead Managers nor our Bank or any of their respective affiliates, including any view, statement, opinion or representation expressed in any research published or distributed by them, and the Book Running Lead Managers and their respective affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

31. Neither the Book Running Lead Managers nor any of their respective affiliates have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Bank of any of its obligations or any breach of any representations and warranties by our Bank, whether to you or otherwise;

32. You acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

33. You are subscribing to the Equity Shares to be issued pursuant to the Issue in accordance with applicable laws and by participating in this Issue, you are not in violation of any applicable law, including but not limited to the SEBI Insider Trading Regulations, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as amended, and the Companies Act, 2013;

34. Either (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents with regard to our Bank or this Issue; or (ii) if you have participated in or attended any Bank presentations: (a) you understand and acknowledge that the Book Running Lead Managers may not have the knowledge of the statements that our Bank or its agents may have made at such Bank presentations and are therefore unable to determine whether the information provided to you at such meetings or presentations included any material misstatements or omissions, and, accordingly you acknowledge that Book Running Lead Managers have advised you not to rely in any way on any such information that was provided to you at such meetings or presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

35. If you are not a resident of India but a QIB, (i) you are an Eligible FPI (as defined herein) having a valid and existing registration with SEBI under the applicable laws in India; or (ii) a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including FEMA Rules, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory or statutory authority, from buying, selling or dealing in securities or otherwise accessing the capital markets. You confirm that you are not an FVCI;

36. You understand that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to,

the registration requirements of the Securities Act and any applicable state securities laws. For more information, see "*Selling Restrictions*" on page 425;

37. If you are within the United States, you are a U.S. QIB, who is or are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the requirements of a U.S. QIB, for investment purposes only, and not with a view to, or for offer or sale in connection with, the distribution (within the meaning of any United States securities laws) thereof in whole or in part;

38. If you are outside the United States, you are purchasing the Equity Shares in an "offshore transaction" within the meaning of Regulation S;

39. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) or "directed selling efforts" (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2). You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described in *"Selling Restrictions" and "Transfer Restrictions"* on pages 425 and 432, respectively;

40. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares in the Issue. You agree to indemnify and hold our Bank and the Book Running Lead Managers and their respective affiliates and their respective directors, officers, employees and controlling persons 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 the foregoing representations, warranties, acknowledgements, agreements and undertakings made by you in this Preliminary Placement Document. You agree that the indemnity set out in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

41. Our Bank, the Book Running Lead Managers, their respective affiliates, directors, officers, employees and controlling persons and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers on their own behalf and on behalf of our Bank, and are irrevocable;

42. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Chennai, India shall have sole and exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Preliminary Placement Document and the Placement Document;

43. The Bid made by you would not result in triggering a tender offer under the SEBI Takeover Regulations; and

44. You have no right to withdraw your Application Form or revise your Bid downwards after the Issue Closing Date (as defined hereinafter).

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 21 of the SEBI FPI Regulations, FPIs, including the affiliates of the Book Running Lead Managers, who are registered as category I FPIs can issue, subscribe and deal in offshore derivative instruments (as defined under the SEBI FPI Regulations, i.e., as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") and persons who are eligible for registration as category I FPIs can subscribe to or deal in such P-Notes, provided that in the case of an entity that has an investment manager who is from the Financial Action Task Force member country, such investment manager shall not be required to be registered as a Category I FPI. The above-mentioned category I FPIs may receive compensation from the purchasers of such instruments. Such P-Notes can be issued post compliance with the KYC norms and such other conditions as specified by SEBI from time to time. P-Notes have not been, and are not being offered, or sold pursuant to this Preliminary Placement Document. This Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including, without limitation, any information regarding any risk factors relating thereto.

Subject to certain relaxations provided under Regulation 22(4) of the SEBI FPI Regulations, investment by a single FPI including its investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or above of our post-Issue Equity Share capital on a fully diluted basis. The SEBI has, vide a circular dated November 5, 2019, issued the operational guidelines for FPIs, designated depository participants and eligible foreign investors (the "**FPI Operational Guidelines**"), to facilitate implementation of the SEBI FPI Regulations. In terms of such FPI Operational Guidelines, the above mentioned restrictions shall also apply to subscribers of offshore derivative instruments and two or more subscribers of offshore derivative instruments having common ownership, directly or indirectly, of more than 50% or common control shall be considered together as a single subscriber of the offshore derivative instruments. Further, in the event a prospective investor has investments as an FPI and as a subscriber of offshore derivative instruments, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instruments investments held in the underlying company. 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, 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. These investment restrictions shall also apply to subscribers of offshore derivative instruments. Affiliates of the BRLMs which are Eligible FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof. Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligation of, claims on or interests in our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by and are the sole obligations of, third parties that are unrelated to our Bank. Our Bank, and, the BRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and does not constitute any obligations of or claims on the BRLMs.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

Also see "*Selling Restrictions*" and "*Transfer Restrictions*" on page 425 and 432, respectively.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES AND RBI

Disclaimer clause of the Stock Exchanges

As required, a copy of this Preliminary Placement Document has been submitted to each of the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of the contents of this Preliminary Placement Document;

(2) warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Bank, its Promoter, its management or any scheme or project of our Bank,

and it should not for any reason be deemed or construed to mean that this Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

Disclaimer clause of 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Preliminary Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the Eligible QIBs who are the prospective investors in the Equity Shares issued pursuant to the Issue, references to the 'Bank', 'we', 'us', 'our' or the 'Issuer' are to Equitas Small Finance Bank Limited.

In this Preliminary Placement Document, references to 'INR', '₹', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India and to 'USD', 'U.S. Dollars' and 'US$' are to the legal currency of the United States. All references herein to 'India' are to the Republic of India and its territories and possessions and the 'Government' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable. All references herein to the 'US' or the 'U.S.' or the 'United States' are to the United States of America and its territories and possessions.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

The financial year of our Bank commences on April 1 of each calendar year and ends on March 31 of the following calendar year, and, unless otherwise specified or if the context requires otherwise, all references to a particular 'financial year', 'Fiscal Year' or 'FY' are to the twelve month period ended on March 31 of that year and references to a particular 'year' are to the calendar year ending on December 31 of that year.

In this Preliminary Placement Document, we have included the Fiscal 2021 Audited Financial Statements, Fiscal 2020 Audited Financial Statements and Fiscal 2019 Audited Financial Statements, the limited reviewed financial results for the quarter and nine months ended December 31, 2021 (which includes the comparative financial results for the quarter and nine months ended December 31, 2020) (the "**Unaudited Interim Financial Results**") and the limited reviewed interim condensed financial statements for the nine months ended December 31, 2021 (which includes the comparative condensed financial statements for the nine months ended December 31, 2020) (the "**Unaudited Condensed Interim Financial Statements**").

In terms of the RBI guidelines, given that the Bank's asset size is more than the stipulated threshold of ₹15,000 crores as on March 31, 2021, the Bank is required to appoint a minimum of two joint statutory auditors for Fiscal 2022 onwards. The Bank has appointed T R Chadha & Co LLP, Chartered Accountants and Varma & Varma, Chartered Accountants as its joint statutory auditors (collectively, the "**Joint Statutory Auditors**") on August 12, 2021. For details, see "*Our Statutory Auditors*" on page 453.

The financial statements for Fiscal 2019 and Fiscal 2020 have been audited by our previous statutory auditors, S.R. Batliboi & Associates LLP, Chartered Accountants. The financial statements for Fiscal 2021 have been audited by our statutory auditor, T R Chadha & Co LLP, Chartered Accountants. The Unaudited Interim Financial Results and the Unaudited Condensed Interim Financial Statements have been subjected to a limited review by our Joint Statutory Auditors. For further information, see "*Financial Information*" on page 81.

Further, with respect to the unaudited condensed interim financial statements, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of such reliance on their report for such information should be restricted in light of the limited nature of the review procedures applied therein. For further information, see "*Financial Information*" on page 81.

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Financial Information included in this Preliminary Placement Document comprise of our audited financial statements for Fiscals 2019, 2020, 2021 and the Unaudited Condensed Interim Financial Statements and the Unaudited Interim Financial Results prepared by the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the Companies (Accounting Standard) Rules 2006 (as amended) specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time.

As a subsidiary of EHL, a company listed on the Stock Exchanges which prepares its financial statements in accordance with Ind AS with effect from April 1, 2018, limited financial information of the Bank is also prepared in accordance with accounting policies applicable to EHL for the limited purpose of preparation of the financial statements of EHL. Ind AS differs in many respects from Indian GAAP, and our select financial information prepared in accordance with the accounting policies applicable to EHL (for the limited purpose of inclusion in EHL's financial statements) are therefore not comparable to our financial statements prepared under Indian GAAP for such respective periods.

The MCA (defined hereinafter) has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release was issued by MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards ("**IND AS**") converged with International Financial Reporting Standards (IFRS) for banks. Banks in India were required to comply with the IND AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter.

On April 5, 2018, the RBI has announced deferment of implementation date by one year for scheduled commercial banks. Subsequently, on March 22, 2019, RBI has deferred implementation of Ind AS for banks until further notice, pending necessary legislative amendments to the Banking Regulation Act, 1949. The same is yet to be notified. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials. For further information, see "*Risk Factors – Banking companies in India, including us, are currently required to prepare financial statements as per Indian GAAP. However, our Promoter, EHL, currently prepares its financial statements under Ind AS and as a result, we are required to prepare limited financial information in accordance with the accounting policies of EHL for the limited purposes of consolidation by EHL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition. The Ind AS financial information that we may be required to prepare in the future will not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials.*"on page 46.

For Fiscal 2021 our financials are prepared in thousands and have been presented in this Preliminary Placement Document in crore for presentation purposes. One "crore" represents "10,000,000". For Fiscals 2020 and 2019 our financials have been prepared in thousands or in whole numbers where the numbers have been too small to represent in such units. For the nine-month period ended December 31, 2021 and December 31, 2020 our financials have been prepared in lakhs. One million represents 1,000,000, one billion represents 1,000,000,000 and one trillion represents 1,000,000,000,000. Certain figures contained in this Preliminary Placement Document, including financial information, have been subject to rounding adjustments. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. All figures in decimals have been rounded off to the second decimal. In certain instances, (i) the sum or percentage change of such numbers may not conform exactly to the total figure given, and (ii) the sum of the figures in a column or row in certain tables may not conform exactly to the total figure given for that column or row. Unless otherwise specified, all financial numbers in parenthesis represent negative figures.

INDUSTRY AND MARKET DATA

The statistical information, industry and market data, information regarding our position in the market, growth rates and other industry data pertaining to our business included in this Preliminary Placement Document relating to the industry in which we operate has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India, the National Payments Corporation of India and the Indian Banks' Association. Wherever the Bank has relied on figures published by the RBI, unless stated otherwise, it has relied on the RBI's Monetary Policy Report, October 2021, RBI Report on Trend and Progress of Banking in India, the RBI Financial Stability Report Issue No. 23 (July 2021), RBI Data on Sectoral Deployment of Bank Credit, RBI Bulletin on Small Finance Banks: Balancing Financial Inclusion and Viability, the Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks published by the RBI and the bank wise ATM/POS/Card Statistics published by the RBI. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.

This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither we nor the Book Running Lead Managers have independently verified this data and do not make any representation regarding the accuracy or completeness of such data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so we have relied on internally developed estimates. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Book Running Lead Managers can assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Preliminary Placement Document is meaningful depends solely on the reader's familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in "*Risk Factors – Industry information included in this Preliminary Placement Document has been derived from numerous sources. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.*" on page 64. Thus, neither our Bank nor the Book Running Lead Managers can assure you of the correctness, accuracy and completeness of such data. Accordingly, investment decisions should not be based solely on such information.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Preliminary Placement Document that are not statements of historical fact constitute 'forward-looking statements'. The prospective investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'goal', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'seek to', 'should', 'will', 'will continue', 'will pursue', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

The forward-looking statements appear in a number of places throughout this Preliminary Placement Document and include statements regarding the intentions, beliefs or current expectations of our Bank concerning, amongst other things, the expected results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Bank and the industry in which we operate. In addition even if the result of operations, financial conditions, liquidity and dividend policy of our Bank, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Preliminary Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

All statements regarding our expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our Bank's business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Preliminary Placement Document that are not historical facts. These forward-looking statements contained in this Preliminary Placement Document (whether made by our Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Bank to be materially different from any of the forward-looking statements include, among others:

- Uncertainty in relation to the continuing impacts of the COVID-19 pandemic;
- Our and our Promoter's inability to comply with the shareholding dilution requirements in accordance with RBI guidelines;
- Our inability to comply with the stringent regulatory requirements and prudential norms;
- Non-compliance with SFB Licensing Guidelines
- Vulnerability to interest rate risk, and any volatility in interest rates or our inability to manage interest rate;
- Our limited operating history as a SFB;
- Any adverse developments in the sectors in which we operate;
- Our Promoters non-adherence to preparing their accounts in Indian GAAP
- Our inability to access sources of funds in an acceptable and timely manner or any disruption in the access to funds

Additional factors that could cause actual results, performance or achievements of our Bank to differ materially include, but are not limited to, those discussed under the sections titled "*Risk Factors*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 38, 311, 333 and 277, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, any future gains, losses or impact on net income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure the prospective investors that such expectations will prove to be correct. Given these uncertainties, the prospective investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Preliminary Placement Document or the respective dates indicated in this Preliminary Placement Document, and our Bank or the Book Running Lead Managers undertake no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a limited liability company incorporated under the laws of India. All the Directors and Key Managerial Personnel of our Bank named herein are resident citizens of India and a substantial portion of the assets of our Bank and of such persons are located in India. As a result, it may be difficult or may not be possible for the prospective investors outside India to affect service of process upon our Bank or such persons in India, or to enforce against them judgments of courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Civil Procedure Code. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except:

(a) where the judgment has not been pronounced by a court of competent jurisdiction;

(b) where the judgment has not been given on the merits of the case;

(c) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable;

(d) where the proceedings in which the judgment was obtained were opposed to natural justice;

(e) where the judgment has been obtained by fraud; and

(f) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a district court in India. Under Section 14 of the Civil Procedure Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the foreign judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Each of the United Kingdom, Singapore, United Arab Emirates and Hong Kong, amongst others has been declared by the Government to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A foreign judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the foreign judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the foreign judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and it is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per USD). The exchange rates are based on the reference rates released by the RBI and Financial Benchmark India Private Limited ("**FBIL**"), which are available on the website of FBIL. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

(₹ per USD)

	Period end[(1)]	**Average**[(2)]	**High**[(3)]	**Low**[(4)]
Fiscal*				
2021	73.50	74.20	76.81	72.29
2020	75.39	70.88	76.15	68.37
2019	69.17	70.94	74.39	68.30
Month ended*				
January 31, 2022	74.97	74.44	75.17	73.93
December 31, 2021	74.58	75.42	76.25	74.58
November 30, 2021	75.09	74.50	75.09	73.92
October 31, 2021	74.79	74.92	75.46	74.24
September 30, 2021	74.26	73.56	74.26	72.96
August 31, 2021	73.15	74.18	74.43	73.15

(Source: www.rbi.org.in and www.fbil.org.in)

(1) *The price for the period end refers to the price as on the last trading day of the respective fiscal year or monthly periods;*
(2) *Average of the official rate for each working day of the relevant period;*
(3) *Maximum of the official rate for each working day of the relevant period; and*
(4) *Minimum of the official rate for each working day of the relevant period.*

Notes:
* *If the RBI/ FBIL reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day have been disclosed. The RBI/ FBIL reference rates are rounded off to two decimal places.*

DEFINITIONS AND ABBREVIATIONS

This Preliminary Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Preliminary Placement Document is intended for the convenience of the reader/ prospective investor only and is not exhaustive.

Unless otherwise specified, the capitalised terms used in this Preliminary Placement Document shall have the meaning as defined hereunder. Further any references to any agreement, document, statute, rules, guidelines, regulations or policies shall include amendments made thereto, from time to time.

The words and expressions used in this Preliminary Placement Document but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, 2013 the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in the sections titled "Taxation", "Industry Overview", "Financial Information" and "Legal Proceedings" on pages 440, 311, 81 and 446, respectively, shall have the meaning given to such terms in such sections.

Bank Related Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Equitas Small Finance Bank Limited, a company incorporated under the Companies Act, 1956 and a small finance bank registered with the RBI, having its Registered Office and Corporate Office at 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India
Amalgamation Scheme	Scheme of amalgamation of EMFL and EHFL with our Bank and their respective shareholders, approved by the High Court of Judicature at Madras on June 6, 2016 pursuant to which EMFL and EHFL were amalgamated with and into our Bank with effect from the working day immediately preceding the date of commencement of business as an SFB by our Bank
"Articles" or "Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	The audit committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the SEBI Listing Regulations, guidelines issued by the RBI from time to time, and as described in "*Board of Directors and Senior Management*" on page 391
Audited Financial Statements	Fiscal 2021 Audited Financial Statements, Fiscal 2020 Audited Financial Statements and Fiscal 2019 Audited Financial Statements
"Auditors" or "Statutory Auditors" or "Joint Statutory Auditors"	T R Chadha & Co LLP, Chartered Accountants and Varma and Varma, Chartered Accountants, current joint statutory auditors of our Bank
"Board of Directors" or "Board" or "our Board"	The board of directors of our Bank or any duly constituted committee thereof
Corporate Social Responsibility Committee	The corporate social responsibility committee of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Board of Directors and Senior Management*" on page 391
Directors	The directors on the Board of our Bank
EHFL	Equitas Housing Finance Limited
EMFL	Equitas Micro Finance Limited
Equity Shares	Equity shares of our Bank of face value of ₹10 each
ESFB ESOP Plan 2019	ESFB Employees Stock Option Scheme, 2019
Financial Information	Collectively, the Audited Financial Statements, Unaudited Condensed Interim Financial Statements and the Unaudited Interim Financial Results
Fiscal 2021 Audited Financial Statements	Audited financial statements for FY2020-21 of our Bank comprising the balance sheet as at March 31, 2021, the statement of profit and loss and the statement of cash flow for the year ended March 31, 2021 read along with the notes thereto, including a summary of significant accounting policies and other explanatory information prepared in accordance with Indian GAAP
Fiscal 2020 Audited Financial Statements	Audited financial statements for FY 2019-20 of our Bank comprising the balance sheet as at March 31, 2020, the statement of profit and loss and the statement of cash flow for the year ended March 31, 2020 read along with the notes thereto, including a summary of significant accounting policies and other explanatory information prepared in accordance with Indian GAAP
Fiscal 2019 Audited Financial Statements	Audited financial statements for FY 2018-19 of our Bank comprising the balance sheet as at March 31, 2019, the statement of profit and loss and the statement of cash flow for the year ended March 31, 2019 read along with the notes thereto, including a summary of significant accounting policies and other explanatory information prepared in accordance with Indian GAAP
Independent Director	Independent directors on the Board, as disclosed in "*Board of Directors and Senior Management*" on page 391
Key Managerial Personnel	Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as disclosed in "*Board of Directors and Senior Management*" on page 391
"Memorandum" or "Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended

Term	Description
Merger Committee	Merger committee of our Bank as disclosed in "*Board of Directors and Senior Management*" on page 391
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the SEBI Listing Regulations and guidelines issued by the RBI from time to time and as described in "*Board of Directors and Senior Management*" on page 391
"Promoter" or "EHL"	Our Promoter, namely, Equitas Holdings Limited
Promoter Group	Entities constituting the promoter group of our Bank in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations
Proposed Scheme of Amalgamation	The proposed scheme of amalgamation under Sections 230 and 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 between our Bank and our Promoter, and their respective shareholders and creditors, pursuant to which the undertaking of our Promoter is proposed to be transferred to and vested in our Bank, as a going concern, subject to receipt of the relevant regulatory and statutory approvals and in accordance with applicable law and the conditions prescribed by the SEBI and RBI
RBI Final Approval	RBI letter dated June 30, 2016 bearing no. DBR.NBD.(SFB Equitas) No. 16467/16.13.216/2015-16, pursuant to which RBI granted license no. MUM: 119 to our Promoter for our Bank to carry on the SFB business in terms of Section 22 of the Banking Regulation Act
RBI In-Principle Approval	RBI letter dated October 7, 2015, bearing no. DBR.PSBD.NBC (SFB-Equitas). No. 4915/16.13.216/2015-16 pursuant to which our Promoter was granted an in-principle approval, to establish an SFB under Section 22 of the Banking Regulation Act
"Registrar of Companies" or "RoC"	Registrar of Companies, Tamil Nadu at Chennai
Registered Office and Corporate Office	Registered and corporate office of our Bank located at 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India
Risk Management Committee	The risk management committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations and as described in "*Board of Directors and Senior Management* " on page 391
Shareholders	Shareholders of our Bank
Stakeholders' Relationship Committee	The stakeholders' relationship committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the SEBI Listing Regulations and as described in "*Board of Directors and Senior Management*" on page 391
Unaudited Condensed Interim Financial Statements	Our unaudited condensed interim financial statements comprising of the unaudited condensed interim balance sheet as at December 31, 2021, the unaudited condensed interim statement of profit and loss and the unaudited condensed interim cash flow statement for the nine months period ended December 31, 2021 including selected explanatory notes of our Bank prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, (AS 25) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with Companies (Indian Accounting Standards) Rules, 2015, as amended, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time and other recognized accounting principles generally accepted in India
Unaudited Interim Financial Results	Our unaudited interim financial results for the nine months ended December 31, 2021 and December 31, 2020 of our Bank prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, (AS 25) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time and other recognized accounting principles generally accepted in India
"we" or "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Issue Related Terms

Term	Description
"Allocated" or "Allocation"	Allocation of Equity Shares, in consultation with the Book Running Lead Managers, following the determination of the Issue Price to Eligible QIBs on the basis of Application Forms submitted by them, in compliance with Chapter VI of the SEBI ICDR Regulations
"Allotment" or "Allotted"	Allotment and issue of Equity Shares pursuant to the Issue
Allottees	Eligible QIBs to whom Equity Shares of our Bank are issued pursuant to the Issue
Application Form	Form (including any revisions thereof) which will be submitted by the Eligible QIBs for registering a Bid in the Issue
Application Amount	With respect to a Bidder shall mean the aggregate amount paid by such Bidder at the time of submitting a Bid in the Issue, including any revisions thereof
Bid(s)	Indication of an Eligible QIB's interest including all revisions and modifications of interest, as provided in the Application Form, to subscribe for the Equity Shares pursuant to the Issue. The term "Bidding" shall be construed accordingly
Bidder(s)	Any prospective investor, being an Eligible QIB, who makes a Bid pursuant to the terms of this Preliminary Placement Document and the Application Form
"Book Running Lead Managers" or	IIFL Securities Limited and SBI Capital Markets Limited

Term	Description
"BRLMs"	
"CAN" or "Confirmation of Allocation Note"	Note, advice or intimation confirming the Allocation of Equity Shares to Successful Bidders confirming Allocation of Equity Shares to such Successful Bidders after determination of the Issue Price
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e., on or about [●], 2022
Designated Date	The date on which the Equity Shares issued pursuant to the Issue, are listed on the Stock Exchanges pursuant to receipt of the final listing and trading approvals for the Equity Shares from the Stock Exchanges or the date on which Form PAS-3 is filed by our Bank with the RoC, whichever is later
Eligible FPIs	FPIs that are eligible to participate in this Issue in terms of applicable laws, other than individuals, corporate bodies and family offices
Eligible QIBs	QIBs, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations that are eligible to participate in the Issue and which are not excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations. However, FVCIs are not permitted to participate in the Issue. In addition, QIBs, outside the United States in "offshore transactions" in reliance on Regulation S under the U.S. Securities Act, and within the United States persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act
Escrow Account	Special non-interest bearing, no-lien, current bank account without any cheque or overdraft facilities, opened with the Escrow Bank, subject to the terms of the Escrow Agreement
Escrow Bank	Equitas Small Finance Bank Limited
Escrow Agreement	Agreement dated February 14, 2022, entered into by and amongst our Bank, the Escrow Bank and the Book Running Lead Managers for collection of the Application Amount and remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	Floor price of ₹ 56.40 for each Equity Share, calculated in accordance with Chapter VI of the SEBI ICDR Regulations. Our Bank may offer a discount on the Floor Price in accordance with the approval of the shareholders accorded on November 28, 2021, through postal ballot, the results of which were declared on November 29, 2021 and in terms of Regulation 176(1) of the SEBI ICDR Regulations
Issue	Offer and issuance of the Equity Shares to Eligible QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations and the applicable provisions of the Companies Act, 2013 and the rules made thereunder
Issue Closing Date	[●], 2022, the date after which our Bank (or Book Running Lead Managers on behalf of our Bank) shall cease acceptance of Application Forms and the Application Amount
Issue Opening Date	February 14, 2022 the date on which our Bank (or the Book Running Lead Managers on behalf of our Bank) shall commence acceptance of the Application Forms and the Application Amount
Issue Period	Period between the Issue Opening Date and the Issue Closing Date, inclusive of both days during which Eligible QIBs can submit their Bids along with the Application Amount
Issue Price	A price per Equity Share of ₹ [●]
Issue Size	Aggregate size of the Issue, up to ₹ [●] crore
Mutual Fund	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Placement Agreement	Placement agreement dated February 14, 2022 entered into by and among our Bank and the Book Running Lead Managers
Placement Document	Placement document to be issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
Preliminary Placement Document	This preliminary placement document along with the Application Form, dated February 14, 2022 issued in accordance with Chapter VI of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013 and the rules made thereunder
Refund Amount	The aggregate amount to be returned to the Bidders who have not been Allocated Equity Shares for all or part of the Application Amount submitted by such Bidder pursuant to the Issue
Refund Intimation	The intimation from the Bank to relevant Bidders confirming refund of the Refund Amount to their respective bank accounts
Relevant Date	February 14, 2022, which is the date of the meeting in which the Merger Committee decided to open the Issue
Successful Bidders	The Bidders who have Bid at or above the Issue Price, duly paid the Application Amount and who will be Allocated Equity Shares in the Issue
Stock Exchanges	BSE and NSE
"QIB" or "Qualified Institutional Buyer"	Qualified institutional buyer, as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VI of the SEBI ICDR Regulations and applicable provisions of the Companies Act, 2013 read with the applicable rules of the PAS Rules
Working Day	Any day other than second and fourth Saturday of the relevant month or a Sunday or a public holiday or a day on which scheduled commercial banks are authorised or obligated by law to remain closed in Mumbai, India

Business and Industry Related Terms

Term	Description
ABOEP	Annual Banking Outlet Expansion Plan
ALM	Asset Liability Management
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
Banking Outlet	Asset financing branches and deposit accepting branches
Banking Regulation Act	Banking Regulation Act, 1949, as amended
Bulk term deposits	Deposits with an outstanding amount of ₹ 2 crore and above.
CAGR	Compounded Annual Growth Rate (as a %): (End Year Value/ Base Year Value) ^ (1/No. of years between Base year and End year) –1 [^ denotes 'raised to']
CAR	Capital Adequacy Ratio
CASA	Current Account Savings Account, total of demand deposits and savings bank deposits. CASA is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of CASA, see "*Selected Statistical Information*" on page 362.
CASA ratio	CASA ratio is the ratio of total of demand deposits and savings bank deposits to total deposits. CASA ratio is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of CASA ratio, see "*Selected Statistical Information*" on page 362.
CBLO	Collateralized Borrowing and Lending Obligations
Cost of Funds	Cost of funds is interest expense divided by average interest-bearing liabilities calculated on the basis of quarterly balances.
Cost to income ratio	Cost to Income ratio is calculated as a ratio of operating expenses divided by net operating income (net operating income is sum of net interest income and other income). Cost to Income ratio is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Cost to Income ratio, see "*Selected Statistical Information*" on page 362.
CRAR	Capital-to-risk weighted asset ratio
CET 1	Common Equity Tier 1
Credit Cost Ratio	Credit cost ratio is credit cost divided by average balance of advances. Credit cost ratio is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Credit Cost Ratio, see "*Selected Statistical Information*" on page 362.
CRR	Cash Reserve Ratio
Gross Advances (including IBPC issued)	Total loan book outstanding of our Bank including portfolio under IBPC issued
Gross NPA	Gross Non-Performing Assets
IBPC	Inter-Bank Participation Certificate
IMPS	Immediate Payment Service
JLG	Joint Liability Group
LAP	Loan Against Property
MCLR	Marginal Cost of Funds based Lending Rate
MSE	Micro and Small Enterprises
NAV	Net asset value, calculated by dividing Net Worth by number of equity shares outstanding as on the respective date
NBFC – MFI	Non-banking financial company – microfinance institutions
Net Interest Income	Net Interest Income is difference of interest earned and interest expended. Net Interest Income is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Net Interest Income, see "*Selected Statistical Information*" on page 362.
Net Interest Margin	Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average. Net Interest Margin is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Net Interest Margin, see "*Selected Statistical Information*" on page 362.
Net NPA	Net Non-Performing Assets
Net Worth	Sum of capital and reserve excluding capital reserve. Net Worth is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Net Worth, see "*Selected Statistical Information*" on page 362.
NPA	Non-Performing Assets
PFRDA	Pension Fund Regulatory and Development Authority
POS	Point of Sale
PSL	Priority Sector Lending

Term	Description
Retail term deposit	Deposits with an outstanding amount of below ₹ 2 crore
Return on Net Worth	Ratio of restated profit after tax, attributable to equity shareholders to Net Worth for the year/ period. Return on Net Worth is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Return on Net Worth, see "*Selected Statistical Information*" on page 362.
Return on Total Average Assets	Ratio of the Net profit for the year/ period to the Total Average Assets
SFB Licensing Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector issued by the RBI on November 27, 2014 read with the Clarifications to Queries on Guidelines for Licensing of Small Finance Banks and Payments Banks in the Private Sector dated January 1, 2015, issued by the RBI, and such other applicable rules, guidelines, instructions and regulations governing SFBs in India
SFB Operating Guidelines	Operating Guidelines for Small Finance Banks dated October 6, 2016 issued by the RBI
SIDBI	Small Industries Development Bank of India
Spread	Spread is difference between Yield on Advances and Cost of Funds. Spread is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Spread, see "*Selected Statistical Information*" on page 362.
TASC	Trust, association, society and club
Total Average Assets	Sum of quarterly Average of Interest Earning Assets and Non-Interest Earning Assets
Total Average Interest Earning Assets	Sum of quarterly average of Advance, Investments and Others (which include Balances with RBI in other accounts, Balances with Banks in other deposit accounts, money at call and short notice)
Total Average Non-Interest Earning Assets	Sum of quarterly average of Fixed Assets and Other Assets
Total Debt	Sum of Deposits and Borrowings.
Total Equity	Sum of Capital & Reserves and Surplus
Unbanked Rural Centre (URC)	As defined under RBI's Statement on Developmental and Regulatory Policies released on April 6, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions
Yield	Yield is interest earned divided by average interest-earning assets
Yield on Advances	Yield on Advances is interest on advances divided by average balance of advance. Yield on Advances is a non-GAAP measure (see "*Presentation of Financial and Other Information*" on page 10.) For a reconciliation of Yield on Advances, see "*Selected Statistical Information*" on page 362.

Conventional and General Terms/ Abbreviations

Term	Description
"INR" or "Rupees" or "₹" or "Indian Rupees" or "Rs."	Indian Rupees
AGM	Annual general meeting
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
Australian Corporations Act	The Australian Corporations Act 2001
BSE	BSE Limited
CDSL	Central Depository Services (India) Limited
CFO	Chief financial officer
CIN	Corporate identity number
Civil Procedure Code	The Code of Civil Procedure, 1908, as amended
Companies Act, 1956	The erstwhile Companies Act, 1956, as amended and the rules made thereunder
Companies Act, 2013	The Companies Act, 2013, as amended and the rules made thereunder
Criminal Procedure Code	Code of Criminal Procedure, 1973
CSR	Corporate social responsibility
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary general meeting
EPS	Earnings per share
FBIL	Financial Benchmarks India Private Limited
FDI	Foreign direct investment

Term	Description
FDI Policy	Consolidated FDI policy issued by the Department for Promotion of Industry and Internal Trade Ministry of Commerce and Industry, Government of India, with effect from October 15, 2020
FEMA	The Foreign Exchange Management Act, 1999, as amended and the regulations issued thereunder
FEMA Rules	The Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended
"Financial Year" or "Fiscal Year(s)" or "Fiscal"	Period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the PAS Rules
FIR	First information report
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 and registered with SEBI thereunder
GDP	Gross domestic product
Government	Government of India, unless otherwise specified
GST	Goods and services tax
HUF	Hindu undivided family
ICAI	The Institute of Chartered Accountants of India
IPC	Indian Penal Code, 1860
Ind AS	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015, as amended
Indian GAAP/ IGAAP	Generally Accepted Accounting Principles in India, being the provisions of Section 29 of the Banking Regulation Act 1949, accounting principles generally accepted in India including the accounting standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars, guidelines and directions issued by Reserve Bank of India from time to time
Income Tax Act	The Income Tax Act, 1961, as amended
MCA	The Ministry of Corporate Affairs, Government of India
MD & CEO	Managing director and chief executive officer
NRI	Non-resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent account number
PAS Rules	The Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended
PAT	Profit After Tax
RBI	The Reserve Bank of India
Regulation S	Regulation S under the Securities Act
Relevant Member State	Each member state of the European Economic Area which has implemented the Prospectus Directive
Rule 144A	Rule 144A under the Securities Act
SCR (SECC) Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended
SEBI Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended
SEC	United States Securities and Exchange Commission
Securities Act	The United States Securities Act of 1933, as amended
SFA	The Securities and Futures Act Chapter 289 of Singapore
SFB	Small Finance Bank within the meaning of the SFB Licensing Guidelines
SI-NBFC	Systemically important non-banking financial companies
SLP	Special leave petition
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
U.K.	United Kingdom
UOI	Union of India
"U.S.$" or "U.S. dollar" or "USD"	United States Dollar, the legal currency of the United States of America

Term	Description
“USA” or “U.S.” or “United States”	The United States of America
U.S. QIB	Qualified institutional buyer (as defined in Rule 144A under the Securities Act)
VCF	Venture capital fund

SUMMARY OF BUSINESS

We are a small finance bank ("**SFB**") that transitioned from a diversified non-banking finance company ("**NBFC**"). We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, with our group beginning operations in 2007 as an NBFC providing microfinance loans through EMFL. We have been providing housing finance since 2011 through EHFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

Our focus customer segments include individuals with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We offer a range of financial products and services that address the specific requirements of these customer segments by taking into account their income profile, nature of business and type of security available. Our asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising LAPs, housing loans, and agriculture loans to micro-entrepreneurs, microfinance to JLGs predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs typically engaged in logistics, MSE loans to proprietorships, and NBFC financing. On the liability side, our target customers comprise mass and mass-affluent individuals to whom we offer current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, 3-in-1 Account, ASBA facility and issuance of FASTags.

Our Gross Advances (including IBPC issued) have grown from ₹11,704.29 crores as of March 31, 2019 to ₹15,366.95 crores as of March 31, 2020, and to ₹17,924.55 crores as of March 31, 2021 and were ₹19,687.30 crores as of December 31, 2021. Of our Gross Advances (including IBPC issued), secured advances constituted 70.72% as of March 31, 2019, and increased to 75.39% as of March 31, 2020 and further increased to 81.37% as of March 31, 2021 and was 80.83% as of December 31, 2021.

As of December 31, 2021, our CASA ratio and retail deposits to overall total deposits ratio was 50.80% and 79.56%, respectively. Further, our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and subordinated debt have both been rated CRISIL A+/ Stable. We believe our widespread and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.13%, 7.97%, 7.43% and 6.91% (annualized)/ 5.18% (unannualized) as of March 31, 2019, 2020 and 2021 and as of December 31, 2021, respectively.

As of December 31, 2021, our distribution channels comprised 860 Banking Outlets and 336 ATMs across 17 states and union territories in India.

We also distribute products through digital channels, and leverage technology to identify opportunities to better serve our target customer segment. In order to increase our digital footprint, we have set-up a separate digital banking unit and going forward we will focus on partnering with neo banks, collaboration with fintech programs, building digital assets, and will also focus on internal digitization projects for process efficiency and enhancements.

The table below sets forth certain performance metrics of our Bank for the periods and as of the dates indicated:

Metric	As of and for the year ended March 31,			As of and for the nine months ended December 31,
	2019	2020	2021	2021
	(₹crores, except percentages)			
Total Disbursements	8,578.31	9,911.07	7,463.50	7,269.89
Retail Deposits	1,636.25	3,811.29	5,868.84	7,000.06
CASA(1)	2,274.26	2,208.22	5,613.83	9,084.83
CASA Ratio(2)	25.25%	20.47%	34.25%	50.80%
Net profit for the period / year	210.56	243.63	384.22	161.22
Net Interest Income(3)	1,151.73	1,495.30	1,797.96	1,485.68
Net Interest Margin(4)	8.55%	9.12%	8.45%	8.39% [6.29%]*
Cost to Income Ratio(5)	70.30%	66.38%	59.99%	68.65%
Debt Equity Ratio	5.76	5.80	6.05	5.77
CRAR	22.44%	23.61%	24.18%	21.91%
Common Equity Tier 1 Capital Ratio	20.92%	22.44%	23.23%	20.66%
Net worth(6)	2,254.32	2,744.15	3,396.34	3,582.68
GNPA Ratio(7)	2.53%	2.72%	3.59%	4.39%

Metric	As of and for the year ended March 31,			As of and for the nine months ended December 31,
	2019	2020	2021	2021
	(₹crores, except percentages)			
Net NPA to net Advance (%)	1.44%	1.67%	1.58%	2.51%
Provision coverage ratio[(8)]	43.38%	45.22%	58.59%	46.81%
Return on Assets[(9)]	1.45%	1.39%	1.70%	0.85% [0.64%]*
Net Profit as a Percentage of Average Shareholders' Equity	9.85%	9.84%	12.70%	6.20% [4.65%]*

*****annualized, and figures in square brackets represent unannualized figures*

1. *Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits.*
2. *CASA ratio is the ratio of CASA to total deposits.*
3. *Net Interest Income is difference of interest earned and interest expended.*
4. *Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average.*
5. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total operating is net of net interest income and non-interest income).*
6. *Net Worth represent sum of capital and reserve excluding capital reserve.*
7. *GNPA Ratio is calculated by dividing Gross NPA by Gross Advances (including IBPC issued).*
8. *Provision held as a percentage of Gross Advances.*
9. *Return on Assets is calculated as a ratio of net profit divided by the total average assets of the relevant period. .*

We sponsor social initiatives in specific regions and communities. We believe these initiatives, while carried out for the benefit of the communities, tend to foster customer loyalty and improve our visibility in these regions, thereby increasing the likelihood that customers will approach us for their general banking and financial needs. We will continue to build our brand and develop a wide range of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. To achieve this, we intend to increase the use of technology in our operations, by monetizing our back-end banking capabilities and applying data analytics to gather a deeper understanding of the segments we serve. We believe this will supplement our ongoing efforts to reduce costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking.

Strengths

Customer centric organization with a deep understanding of the unserved and underserved customer segments

We are an SFB offering a range of banking services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, beginning from our operations in 2007 as an NBFC providing microfinance loans through EMFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

We have gained a deep understanding of the market over the years that enables us to meet the financing requirements of potential customers. We believe customers prefer a single source for multiple financial services, and have accordingly customized a range of credit and non-credit products and services to address a variety of financing requirements, including through specialized products such as small-ticket recurring deposits to promote savings within these customer segments, and distribution of insurance policies such as 'hospital daily cash benefit', a type of insurance product to cover emergency medical expenses of our customers. We also develop products to match the growth cycle of our target customer base. For instance, our microfinance customers tend to require micro-LAP loans, and as their enterprises mature, will be able to obtain MSE loans/ working capital loans. Our focus on serving the unserved and underserved segments also enables us to comply with RBI's requirements for SFBs including meeting "priority sector" lending requirements. We undertake research on various segments within these markets to understand their borrowing profile in the absence of formal documentation. For instance, based on our experience in serving the underserved segments we are able to assess the income profile and potential repayment ability of households.

We similarly have a range of savings and investment options for our customers. For instance, our savings options include recurring deposits that can conveniently be encashed to cater to the preferred mode of our customers. Our engagement with our target customer segments and understanding of related socio-economic dynamics allows us to establish effective credit and operational procedures, identify potential market demand, and leverage our existing operating network to introduce new products, increase our customer base, and grow our product portfolio. In particular, our credit analysis and valuation methodology requires market knowledge and practical experience developed over a period of time, which we believe is difficult to replicate.

Comprehensive range of financing solutions across customer segment

We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business.

Our asset products include provision of small business loans comprising LAPs, housing loans, agriculture loans, microfinance to JLGs, used, new commercial vehicle loans and used passenger car loans, gold loans, MSE loans, and NBFC financing. The table below sets forth our Gross Advances (including IBPC issued) by product as of March 31, 2019, 2020 and 2021 and as of December 31, 2021:

	As of March 31,						As of December 31, 2021	
	2019		2020		2021			
	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total
Small Business Loans (including housing finance)	4,577.13	39.11%	6,279.44	40.86%	7,971.62	44.47%	8,918.91	45.30%
Small Business Loans	3,672.80	31.38%	4,994.91	32.50%	6,228.31	34.75%	6,823.66	34.66%
Housing Finance	376.59	3.22%	604.19	3.93%	958.63	5.35%	1,310.36	6.66%
Agriculture Loans	527.74	4.51%	680.34	4.43%	784.68	4.38%	784.89	3.99%
Micro Finance	3,069.60	26.23%	3,616.16	23.53%	3,235.73	18.05%	3,694.61	18.77%
Vehicle Finance	2,951.20	25.20%	3,759.98	24.47%	4,523.80	25.24%	4,845.61	24.61%
Used Commercial Vehicles#	2,259.55	19.31%	2,625.11	17.08%	2,964.30	16.54%	3,126.58	15.88%
New Commercial Vehicles	691.65	5.90%	1,134.87	7.39%	1,559.50	8.70%	1,719.03	8.73%
MSE Finance (Working Capital)	180.86	1.55%	669.41	4.36%	1,179.02	6.58%	1,193.68	6.06%
NBFC Financing	455.96	3.90%	818.12	5.32%	789.22	4.40%	817.38	4.15%
Others*	469.54	4.00%	223.84	1.46%	225.16	1.26%	217.11	1.10%
Total Gross Advances (including IBPC issued)	11,704.29	100.00%	15,366.95	100.00%	17,924.55	100.00%	19,687.30	100.00%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*
#Note: Used Commercial Vehicles includes used passenger vehicle loans.

We assess the track record of our existing customers to advance higher credit to meet their specific financial requirements, thereby further customizing few of our products. For instance, our used commercial vehicle loan customers can avail top-up loans based on their repayment track record to finance repair work or purchase replacement parts.

This approach has also resulted in the growth of our gross secured loan product portfolio, which has grown at a CAGR of 32.75% from ₹8,277.35 crore as of March 31, 2019 to ₹14,585.87 crore as of March 31, 2021, and was ₹15,912.54 crore as of December 31, 2021. We provide funding to sectors identified by the government as 'priority sectors' with specific focus on products to the MSE sector. Our priority sector portfolio consists of agriculture, MSE, housing, vehicle finance and micro credit. We believe that owing to our diversified asset base, we are relatively insulated from counter cyclical impacts across economic cycles. We also believe that each of our product lines is well positioned to grow, creating a foundation of stability, sustainability and scalability for our operations.

Strong retail liability portfolio with a strategic distribution network

Our total deposits have grown at a CAGR of 34.91% from ₹9,006.74 crore as of March 31, 2019 to ₹16,391.97 crore as of March 31, 2021, and was ₹ 17,883.64 crores as of December 31, 2021. We offer a variety of demand deposits and savings bank account options including deposits and other services through which our customers can realize their savings goals. These deposits are primarily sourced from mass and mass-affluent customer segments, which has enabled low cost of funding opportunities and has been a source of strength for our liability portfolio. Our retail deposit has grown at a CAGR of 89.39% from ₹1,636.25 crore as of March 31, 2019 to ₹5,868.84 crore as of March 31, 2021 and was ₹7,000.06 crore as of December 31, 2021. The ratio of our retail deposits to total term deposits in Fiscal 2019, 2020 and 2021 and the nine months ended December 31, 2021 was 24.30%, 44.42%, 54.45% and 79.56%, respectively. We believe that retail deposits have significant advantages including greater customer retention and cross-selling opportunities. Demand deposits, savings account and term deposits represented 2.97%, 47.83%, and 49.20% of our total deposits, respectively, as of December 31, 2021. Our CASA has grown at a CAGR of 57.11% from ₹2,274.26 crore as of March 31, 2019 to ₹5,613.83 crore as of March 31, 2021, and was ₹ 9,084.83 crore as of December 31, 2021. Our CASA ratio was 25.25%, 20.47%, 34.25% and 50.80%, as of March 31, 2019, 2020, 2021 and December 31, 2021. We believe our diversified and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.13%, 7.97%, 7.43% and 6.91% (annualized)/ 5.18% (unannualized) as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively.

Our liability customers predominantly belong to mass and mass-affluent segments. In order to complement the profile of these customers, certain of our Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs and cash deposit machines. As of December 31, 2021, our deposit base was spread across 17 states and union territories in India, through a network of 860 Banking Outlets and 336 ATMs. We believe our strong brand equity associated with our name "Equitas", which we believe translates to fair and transparent, has partially aided the growth of our liability franchise, coupled with our social initiatives and marketing efforts that have improved visibility of our brand. Our distribution network and range of payment and transaction channels, including our network of ATMs and cash recyclers, and digital banking channels enables our mass and mass-affluent customers to use their demand deposits and savings accounts with us as their primary transaction accounts.

Customized credit assessment procedures for effective credit risk management

We apply different credit assessment procedures based on the products we offer. For instance, sanctioning small business loans involves telephonic checks with the potential customer, followed by in-person meetings by the senior loan officer to understand the business, cash flows and other parameters based on which a proposal is prepared. The senior loan officer's proposal is scrutinized and in certain circumstances, reassessed to check for discrepancies, if any. For vehicle loans, we also undertake inspections of the vehicle through an independent expert, to verify registration information, condition of the vehicle and market value. We additionally apply a proprietary discounted cash flow model, which is adjusted based on the income profile of the customer and type of product. For further information on our differentiated credit assessment approach, see " – *Description of our Business*" on page 344.

We also have a risk management framework to identify, measure, monitor and manage credit, market and operational risks including IT security risk. The framework is aimed at protecting our Bank's financial strength and reputation, and ensures that our risk management operations are independent of our business operations, through various policies, procedures and allocation of responsibilities. The framework is monitored by our Board through its Risk Management Committee, and at the management level by the Asset Liability Committee, Review Committee for Identification of Wilful Defaulters, Special Committee for Monitoring High Value Frauds, Credit Risk Management Committee, Operational Risk Management Committee, and the Information and Cyber Security Risk Management Committee, and Executive Risk Management Committee, which are comprised and supported by members of our senior management team.

Our risk management and credit evaluation processes, together with our ability to evaluate risk, have enabled us to contain our level of NPAs, restructured standard asset and special mention accounts category 2 levels. As of December 31, 2021, our Gross NPAs were ₹863.82 crore, or 4.39% of our Gross Advances (including IBPC issued), and Net NPAs were ₹459.42 crore, or 2.51% of our net Advances. Information on our product-wise Gross NPAs as of December 31, 2021 is set forth in the table below:

	As of December 31, 2021	
	(₹crore)	**Gross NPA as a Percentage of Gross Advances (including IBPC issued)**
Small Business Loans (including housing finance)	313.19	3.51%
Small Business Loans	247.99	3.63%
Housing Finance	31.66	2.42%
Agriculture Loans	33.55	4.27%
Micro Finance	223.68	6.05%
Vehicle Finance	206.25	4.26%
Used Commercial Vehicles#	170.91	5.47%
New Commercial Vehicles	35.34	2.06%
MSE Finance (Working Capital)	60.99	5.11%

	As of December 31, 2021	
	(₹crore)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
NBFC Financing	4.78	0.58%
Others*	54.92	25.29%
Gross NPA	863.82	4.39%

#*Note: Used Commercial Vehicles includes used passenger vehicle loans.*
**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and subordinated debt have both been rated CRISIL A+/ Stable.

Technology as an enabler to drive operating procedures

We leverage technology to identify opportunities, and deliver products and services to our target customer segment. We have created a paperless onboarding process for originating microfinance loans, opening savings bank accounts and fixed deposits. We have introduced 'Pragati Card' a QR code (Quick Response Code) based payment enquiry solution for our microfinance customers for disbursements made subsequent to October 2020 when we first introduced the Pragati card. This empowers the customers to scan and view payment and loan account related information *via* a smart phone instantly without the need to contact branch staff/ call center. 'Pragati Card' has replaced the erstwhile process of collection stickers and is currently seen by customers as a digital passbook that gives real time payment information. It reduces operational cost of printing stickers for the Bank and increases the productivity of the RM since it saves the sticker receipt pasting time which is now utilized in cross selling other banking products offered by us.

We have made significant investments in building technology platforms and in Fiscal 2020, 2021 and in the nine months ended December 31, 2021, we invested ₹41.53 crore, ₹21.45 crore and ₹8.50 crore, respectively, on technology initiatives. To this end, we have introduced facial recognition features for transaction authentication in our mobile banking application. The facial recognition feature eliminates the use of passwords and other accessibility hindrances that are typically challenging for the customers we cater to, while ensuring security of data and supervised use of the application.

Our internet and mobile banking platforms offer an integrated digital wealth management platform with various investment options and added features to track these investments. We offer ASBA facility through internet banking, mobile banking and UPI for our customers. ASBA is a mandatory process required by SEBI for applying to public issues. We also typically install cash recyclers at our Banking Outlets through which customers can withdraw and deposit cash at any time.

Our backend operations including core banking system, customer relationship management systems, anti-money laundering monitoring systems, and loan monitoring systems are also automated and supported by robotic process automation. We have also deployed API integration software to increase operating efficiencies between our various applications. As a result, we have been able to collaborate with fintech companies to enable them to provide their services by monetizing our digital assets and back-end operations.

Professional management, experienced leadership and trained employee base

Our senior management team has significant experience in the financial services industry and has been instrumental in developing and implementing our business strategy and commitment to fair and transparent business practices. Our senior management team has a diversified track record in the financial services industry. Our MD and CEO, Vasudevan Pathangi Narasimhan has over two decades of experience in the financial services sector in various capacities, including as head of consumer banking, and vice president and head of vehicle finance in different financial services entities. He has also held the position of chairman of the managing committee of the South India Hire Purchase Association for Fiscal 2006.

Our Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry. Our Board level committees, viz., Audit Committee, the Risk Management Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Policy Formulation Committee, Business Committee, Outsourcing Committee, IT Strategy Committee, Credit Committee, Customer Service Committee, Special Committee for Monitoring High Value Frauds, and at present, a Committee of Independent Directors , work in tandem. Our Board also comprises experienced Non-Executive Independent Directors who constitute a majority of our Board.

Strategies

Leveraging on our existing network for deepening penetration and driving operational efficiency

We have over the years made significant investments in expanding our network of Banking Outlets and associated support structures, including network of ATMs, technology infrastructure, and employee training activities. These resources have enabled us to gain visibility in certain key regions, establish a trained employee base, and expand our customer base for asset side and liability side products. We now intend to leverage these functions to further grow our banking operations. In order to achieve this, we intend to further cross-sell our liability products such as recurring deposits to our asset side customers primarily comprising microfinance customers. For instance, we offer simplified processes for existing asset side customers to open recurring deposits. We will continue to explore similar incentives to capitalize on such cross-selling opportunities. We also propose to deploy our trained employee base comprising credit, legal and collection teams to support and improve distribution of our recently launched asset products including new commercial vehicle finance loans and working capital loans.

We will primarily focus on improving productivity across all our channels. We seek to improve monthly deposit generation and customer acquisition at our Banking Outlets that we have established with features such as instant account opening, customer service resources, mobile and banking applications with enhanced features and other value added services to attract mass and mass-affluent customers. We also intend to increase distribution of third party products by offering and marketing them across all our channels, including Banking Outlets and digital channels. Our aim is to reduce the Cost to Income ratio which was 59.99% and 68.65% as of March 31, 2021 and December 31, 2021, respectively, by leveraging our existing infrastructure of Banking Outlets and large customer base to cross-sell our range of products. We believe that by deepening penetration in our existing markets, we will be able to cross-sell existing products and launch new products by using limited resources and in relatively short periods, as compared to newer markets.

Strengthen liability franchise and focus on increasing our retail base to further improve cost of funds

We intend to strengthen our liability franchise with a focus on growing our retail deposit and CASA deposit to provide us with a stable and low-cost source of funding. We aim to achieve this by attracting greater retail deposits from our customer segments, and particularly the mass and mass-affluent customer segments. For instance, we have launched differentiated CASA products for various types of customers, such as the ‘Wings Account’ for mass-affluent depositors and ‘Elite Programme’ for higher income households. As of December 31, 2021, our deposits of ₹17,883.64 crore represented 86.52% of our overall funding profile. Our retail deposits represented 24.30%, 44.42%, 54.45% and 79.56% of our total term deposits as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively. Our CASA ratio was 25.25%, 20.47%, 34.25% and 50.80% as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively. As a result, our cost of funds were 7.97% and 7.43% in Fiscal 2020 and 2021, respectively, and was 6.91% (annualized)/ 5.18% (unannualized) in the nine months ended December 31, 2021.

We intend to further expand our retail deposit base by carrying out marketing and brand building activities, undertaking measured expansion of our Banking Outlets and by offering digital savings and deposit products through internet and mobile banking. For instance, we introduced an online account called ‘Selfie Digital Savings Account’, which enables potential customers to open a bank account online. Similar such technology solutions for other deposit products will enable us to acquire new customers and also provide our existing customers with a convenient banking experience to meet the needs of their particular demographics. We believe this shift will enable us to access diversified and low cost funds. We have identified the mass and mass-affluent customer segments as our primary sources of deposits, and have developed a range of saving accounts, current accounts, and recurring deposits along with services such as wealth management for facilitating mutual fund investments. We propose to establish specialized teams for our liability products, such as for current accounts and savings accounts, to specifically focus on different customer profiles within our target segments. We believe this together with our personalized customer services will help us increase wallet share from existing customers and gain further recognition in this space.

We also propose to meet a majority of our funding requirements through CASA deposits and recurring and fixed deposits by building a sticky deposit base and attracting new customers whose primary avenues of savings and capital building currently include the unorganized sector and other high-risk savings schemes. We believe that our existing Banking Outlets, as they mature, will continue to be a source of additional new deposits and lead to a diverse funding base.

Leverage data for analytics to drive operational efficiency

We intend to continue to invest in technology as a means of improving our customers’ banking experience and offer them a range of products tailored to their financial needs. We intend to develop such tailored products with the help of data analytics. The data we have collected over the years and continue to collect relating to cash flows, credit and demographic behaviors of our customer segments can be applied to derive a granular understanding of the banking trends of such customer segments. As a large portion of our customers are first-time borrowers, relying solely on credit bureaus for credit decisions is inadequate, and we are mandated by our internal policies to additionally apply our extensive knowledge of the segment. We therefore intend to increase our focus on applying the data we have gathered over the years by creating customized analytical decision models that leverage machine learning to support underwriting and collection procedures.

We propose to capitalize on the opportunity presented, in terms of aggregating data to derive business intelligence including banking trends in various communities, and leverage this to monitor business performance at a unit level with limited manual intervention. We intend to develop digital dashboards and other tools to efficiently track loans and monitor customer history and potential opportunities. We believe these ongoing efforts will enable quick decision making, further refine our credit policies, and improve overall operational efficiency across our various functions.

Continue to focus on digital products and technology to grow operations

We intend to leverage our front-end technology platforms to further improve customer acquisition and transaction management. We propose to implement initiatives to make it easier for customers to manage their accounts, while facilitating significant cross-selling opportunities for a wider range of products on our digital platform, thereby building on our existing relationship with our customers. For instance, we intend to leverage our technological capabilities to access greater number of mass and mass-affluent customers for retail deposits through our mobile banking application. Video banking services were launched in mobile/internet banking. Instead of visiting a branch, customers can place a request on the application, and connect to a 'Video banking' staff, who will cross-check the required documents over a video call and process the request. DIY services were enabled in mobile/internet banking app which eliminated the need to visit the branch to perform activities such as update one's PAN, take a DD, block or unblock an account, obtain balance confirmation certificate or term deposit interest certificates.

We have introduced virtual relationship managers for our MSE finance and certain segments of our savings account holders that will be supported by chatbots and instant messaging applications, for more efficient and personalized customer service. We also offer virtual relationship manager services to our liability customers. Virtual relationship managers ("**VRM**") are based out of key locations and equipped to address customer needs remotely over call. VRM channel is a two way channel and acts as a virtual bank for the customer. VRM does out-bound calling through recorded lines and executes service requests, handle queries and offers financial solutions to customers. Customers can now buy products like FD, RD, HI, LI, MF and 3-in-1 in a wholly paperless manner over a phone call. Non-resident customers are also serviced through VRM basis time zone segregation. This will cater to the global client's comfort and convenience. This facility helps customers bank from the comfort of their home with a human touch.

We intend to consistently develop and update various digital offerings in order to establish ourselves as a modern technology enabled bank. In order to achieve this, we may collaborate with fintech companies including by way of white labelling platforms, and SaaS models of engagement. We believe this would also lead to a more targeted and cost-effective approach towards onboarding newer customers. We continue to focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels.

Continue to diversify product offerings and leverage cross-selling opportunities

Our primary focus is to diversify our product offerings while growing our secured loan portfolio, comprising vehicle finance, agriculture loans, gold-loans, micro-loans against property, working capital loans, and affordable housing loans. We intend to continue to develop and offer a comprehensive range of products anchored around the unserved and underserved customer segments, that will help us attract new customers and deepen our relationship with our existing customer base. In order to achieve this, we conduct qualitative and quantitative research to understand the changing requirements and expectations of our customers which is key to our product and service development. We will continue to focus on the low and moderate income segment in unserved and underserved areas for increasing our credit portfolio. Our group loan customers are gradually meeting eligibility requirements for individual loan products, based on their group loan repayment track records. We intend to capitalize on this development by diversifying our individual loan products, while focusing on growing our secured portfolio.

In particular, we propose to cross-sell our individual loans to MSE customers by targeting proprietors. We have over the years gained access to MSE proprietors which has enabled us to scale our business through the disbursement of working capital loans followed by overdraft facilities. As the sole banker to these customers, we propose to leverage such access by offering them liability products including current accounts, vendor accounts, cash management services, family accounts and generally deepening our engagement with this customer base. We also propose to focus on wholesale agriculture loans, that will be designed to fund capital expenditure as well as working capital requirements in the food and agriculture based industries. As a result, we aim to increase the proportion of secured to unsecured products, to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. On the liabilities side, we will continue to build our retail liability franchise by offering retail deposits that we believe will further reduce our cost of funding and enable us to introduce more cost effective products for our target segment.

In addition to expanding our product portfolio, we intend to strengthen our alternate delivery channels and increase their adoption by encouraging customers to move from less cash to a cashless environment. We intend to achieve this by focusing on our existing internet banking system and mobile banking platform. We aim to use a combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers. By expanding our range of products and services and by using multiple delivery channels, we endeavor to meet a range of financial needs of our customers which we believe will result in stronger relationships with them.

Increasingly focus on non-interest income sources

An important strategic focus for us is to diversify our fee and non-fund based revenues. We intend to achieve this by further cross-selling existing fee income products like distribution of mutual funds and insurance products, and introducing newer products and services. For instance, we engage with car dealers for issuance of 'FASTag', a self-service application for toll booths. We intend to build on this income source and engage with more number of car dealers across India for issuance of similar products. We intend to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and transfers. For microfinance customers, we aim to market fee and non-fund based products such as health insurance, life insurance and general insurance, and also introduce micro-insurance products. For our MSE and corporate customers, we intend to offer cash management services.

In addition to focusing on our existing commission-based products, we intend to capitalize on our technology infrastructure to introduce new products and services by collaborating with fintech companies. Through API-led banking, we propose to monetize our back-end banking capabilities including our core banking system, performance management system, knowledge database, and regulatory experience, by engaging fintech companies to front new initiatives, on a fee-based model. For instance, we propose to introduce certain prepaid cards for self-employed customers, where the wallet and core banking system will be managed by us, and the functional features of the card will be developed and maintained by the fintech companies.

We also propose to focus on bancassurance channels to distribute various types of insurance products to existing customers, including to families of JLG customers, thereby promoting greater financial inclusion. As of December 31, 2021, we had five bancassurance relationships including with insurance companies offering general insurance, life insurance and health insurance products. We intend to capitalize on these relationships to diversify and distribute our products by leveraging on our existing network of Banking Outlets to promote newer products to multiple customers. We will also seek opportunities to undertake government banking business such as enrollment of Aadhaar, collection and disbursement of gratuity and provident fund, tax collection. On the liability side, we will continue to engage with our mass and mass-affluent customers and promote our wealth management services such as mutual fund investments and PMS products, and strengthen distribution of such products to our existing customer base. We also seek to engage actively with our customer base to drive debit card and online spending behavior through active promotions, in order to drive growth of our transaction fee income.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Preliminary Placement Document, including the sections titled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on pages 38, 75, 423, 411 and 438, respectively.

Issuer	Equitas Small Finance Bank Limited
Face Value	₹ 10 per Equity Share
Issue Price	₹ [●] per Equity Share (including a premium of ₹ [●] per Equity Share)
Floor Price	₹ 56.40 per Equity Share, calculated in accordance with Regulation 176 under Chapter VI of the SEBI ICDR Regulations. In terms of the SEBI ICDR Regulations, the Issue Price cannot be lower than the Floor Price. However, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the approval of the shareholders of our Bank dated November 28, 2021 accorded through postal ballot, the results of which were declared on November 29, 2021 and in terms of Regulation 176(1) of the SEBI ICDR Regulations.
Issue Size	Issue of up to [●] Equity Shares, aggregating up to approximately ₹ [●] crore, at a premium of ₹ [●] each. A minimum of 10% of the Issue Size i.e. up to [●] Equity Shares, shall be available for Allocation to Mutual Funds only and the balance [●] Equity Shares will be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other QIBs.
Date of Board resolution	October 18, 2021
Date of shareholders' resolution	November 28, 2021, through a postal ballot, the results of which were declared on November 29, 2021
Eligible Investors	QIBs as defined in Regulation 2(1)(ss) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 179 of the SEBI ICDR Regulations, to whom this Preliminary Placement Document and the Application Form is circulated and who are eligible to bid and participate in the Issue. FVCIs are not permitted to participate in the Issue. The list of QIBs to whom this Preliminary Placement Document and Application Form is delivered shall be determined by our Bank in consultation with the Book Running Lead Managers at its discretion. For further details, see "*Issue Procedure – Qualified Institutional Buyers*" on page 415.
Dividend	See "*Description of the Equity Shares*" and "*Dividends*" on pages 438 and 80, respectively.
Indian taxation	See "*Taxation*" on page 440.
Equity Shares issued and outstanding immediately prior to the Issue	1,14,87,60,276 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	[●] Equity Shares
Issue Procedure	The Issue is being made only to Eligible QIBs in reliance on Section 42 of the Companies Act, 2013, read with rules made thereunder and Chapter VI of the SEBI ICDR Regulations. For further details, see "*Issue Procedure*" beginning on page 411.
Listing and trading	Our Bank has obtained in-principle approvals dated February 14, 2022 in terms of Regulation 28(1)(a) of the SEBI Listing Regulations from the Stock Exchanges, for listing of the Equity Shares issued pursuant to the Issue. Our Bank will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares after the Allotment and after the credit of the Equity Shares to the beneficiary account of the Depository Participant, respectively. The trading of the Equity Shares would be in dematerialized form and only in the cash segment of each of the Stock Exchanges.
Lock-in	For details in relation to lock-up, see "*Placement – Lock-in*" on pages 423 to 424 for a description of restrictions on our Bank in relation to the Equity Shares.
Transferability restrictions	The Equity Shares to be issued pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. For details in relation to other transfer restrictions, please see "*Transfer Restrictions*" on page 432.
Use of proceeds	The gross proceeds from the Issue will be approximately ₹ [●] crore. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ [●] crore. See "*Use of Proceeds*" on page 75 for additional information regarding the use of net proceeds from the Issue.
Risk factors	See "*Risk Factors*" on page 38 for a discussion of risks you should consider before investing in the Equity Shares.
Closing Date	The Allotment of the Equity Shares pursuant to the Issue is expected to be made on or about [●], 2022.

Ranking	The Equity Shares to be issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* with the existing Equity Shares of our Bank, including in respect of voting rights and dividends. The holders of Equity Shares (as on the record date) will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Equity shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. For further details, see "*Dividends*" and "*Description of the Equity Shares*" on pages 80 and 438, respectively.	
Security codes for the Equity Shares	ISIN	INE063P01018
	BSE Code BSE Symbol	543243 EQUITASBNK
	NSE Symbol	EQUITASBNK

SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information derived from our Audited Financial Statements and Unaudited Condensed Interim Financial Statements, prepared in accordance with the applicable accounting standards, Companies Act, 2013 and the requirements of SEBI Listing Regulations, as applicable, and presented in "Financial Information" on page 81. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information", on pages 277 and 81, respectively, for further details.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in crore)

Particulars	Nine month period ended December 31, 2021	As at March 31,		
		2021	2020	2019
CAPITAL AND LIABILITIES				
Capital	1,147.89	1,139.28	1,053.40	1,005.94
Reserves and Surplus	2,434.79	2,257.06	1,690.75	1,248.38
Deposits	17,883.64	16,391.97	10,788.41	9,006.74
Borrowings	2,785.30	4,165.32	5,134.87	3,973.03
Other Liabilities and Provisions	1,009.72	761.59	628.12	528.61
TOTAL	**25,261.34**	**24,715.22**	**19,295.55**	**15,762.70**
ASSETS				
Cash and Balances with Reserve Bank of India	765.81	514.81	380.86	402.70
Balances with Banks and Money At Call and Short Notice	372.36	2,863.90	2,155.98	857.91
Investments	4,922.62	3,705.17	2,342.51	2,344.45
Advances	18,314.91	16,847.95	13,728.24	11,595.00
Fixed Assets	185.57	185.05	212.77	237.34
Other Assets	700.07	598.34	475.19	325.30
TOTAL	**25,261.34**	**24,715.22**	**19,295.55**	**15,762.70**
Contingent Liabilities	17.29	12.51	26.98	32.72

SUMMARY STATEMENT OF PROFIT AND LOSS

(₹ in crore)

Particulars	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2019
INCOME					
Interest earned	2,563.44	2,376.08	3,194.41	2,645.44	2,111.93
Other income	389.81	239.66	418.05	282.35	282.90
TOTAL	2,953.25	2,615.74	3,612.46	2,927.79	2,394.83
EXPENDITURE					
Interest expended	1,077.76	1,026.69	1,396.45	1,150.14	960.20
Operating expenses	1,287.45	952.31	1,329.43	1,180.08	1,008.49
Provisions and contingencies	426.82	365.39	502.36	353.94	215.58
TOTAL	2,792.03	2,344.39	3,228.24	2,684.16	2,184.27
PROFIT					
Net Profit for the period / year	161.22	271.35	384.22	243.63	210.56
TOTAL	161.22	271.35	384.22	243.63	210.56
APPROPRIATIONS					
Transfer to					
(a) Statutory reserves	-	-	96.06	60.91	52.64
(b) Special reserve account	-	-	7.42	4.83	2.64
(c) Investment Fluctuation Reserve	-	-	1.98	2.76	8.43
(d) Capital Reserve	-	-	23.66	-	-
(e) Balance carried over to Balance Sheet	161.22	271.35	255.10	175.13	146.86
TOTAL	161.22	271.35	384.22	243.63	210.57
Earnings per Equity Share (Face value of ₹10 per share)					
Basic (₹)	0.94*	1.41*	3.53	2.39	2.09
Diluted (₹)	0.93*	1.39*	3.49	2.39	2.09

**Not annualised*

SUMMARY STATEMENT OF CASH FLOWS

(in ₹ crore, unless otherwise specified)

Particulars	For the nine month period ended December 31, 2021	For the nine month period ended December 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash Flow from Operating Activities					
Net Profit before taxation	217.38	358.41	511.27	350.94	323.74
Adjustments for:					
Depreciation and amortization on fixed assets	57.82	57.02	76.43	96.45	91.78
Depreciation on investments	2.77	-	-	-	0
Amortization on Held to Maturity securities	16.20	7.12	11.4	6.00	5.16
Provision for standard assets	173.19	14.36	37.03	15.13	9.89
General Provision under COVID -19 Regulatory package	-	(42.62)	(99.63)	99.63	-
Bad debts written off	168.76	39.96	244.73	71.50	60.77
Provision for Non performing assets	27.78	87.04	187.91	60.42	28.26
Other Provision and Contingencies	0.92	179.55	5.24	(0.04)	3.49
[Profit/Loss on sale of fixed assets	0.27	(0.02)	(0.04)	0.26	0.11
Interest expenses on borrowings	242.11	362.52	459.69	436.17	459.19
Interest expenses on bank balances not considered as cash and cash equivalents	(1.89)	(0.20)	(0.44)	(0.55)	(2.03)
ESOP Expenses	0.66	-	-	-	-
Dividend Income	(0.40)	-	-	-	-
Operating Profit before Working Capital changes	**905.57**	**1,063.14**	**1,433.59**	**1,135.91**	**980.36**
Adjustments for:					
(Increase)/Decrease in investments	(1,236.42)	(1,430.13)	(1,374.06)	(4.06)	1507.23
(Increase)/Decrease in advances	(1,663.26)	(3,196.13)	(3,552.34)	(2,284.16)	(3,977.35)
Increase/(Decrease) in deposits	1,491.67	5,073.68	5,603.57	1,781.67	3,402.76
(Increase)/Decrease in other assets	(33.42)	(60.66)	(96.39)	(123.06)	(42.68)
Increase/(Decrease) in other liabilities and provisions	92.10	161.61	183.47	67.38	73.09
Cash generated from operations	**(443.76)**	**1,611.52**	**2,197.84**	**573.68**	**1,943.41**
Direct taxes paid	(131.04)	(124.58)	(153.90)	(134.07)	(144.10)
Net cash (used in) / generated from operating activities (A)	**(574.80)**	**1,486.94**	**2,043.94**	**439.61**	**1,799.31**
Cash Flow from Investing Activities					
Purchase of fixed assets	(59.87)	(32.67)	(49.98)	(74.37)	(51.64)
Proceeds from sale of fixed assets	1.27	0.90	1.31	2.22	3.29
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	4.50	5.36	(0.06)	36.98
Interest received from bank balances not considered as cash and cash equivalents	1.88	0.14	0.51	0.48	4.74
Net cash (used in) / generated from Investing Activities (B)	**(56.72)**	**(27.13)**	**(42.80)**	**(71.73)**	**(6.63)**
Cash Flow from Financing Activities					
Increase/(decrease) in borrowings (net)	(1,380.02)	131.57	(969.55)	1,161.85	(1,204.18)
Proceeds from issue of share capital	25.12	280.00	282.78	250.01	0
Share issue Expenses		(14.74)	(14.82)	(3.82)	
Interest paid on borrowings	(254.12)	(339.59)	(452.33)	(499.76)	(502.07)
Net cash generated from / (used in) Financing Activities (C)	**(1,609.02)**	**57.24**	**(1,153.91)**	**908.28**	**(1,706.25)**
Net (decrease) / increase in cash and cash equivalents (A)+(B)+(C)	**(2,240.54)**	**1,517.05**	**847.23**	**1,276.16**	**86.43**
Cash and Cash equivalents at beginning of the period / year	3,378.71	2,531.48	2531.48	1255.32	1168.89

Particulars	For the nine month period ended December 31, 2021	For the nine month period ended December 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
Add: Pursuant to scheme of amalgamation	-	-	-		-
Cash and Cash equivalents at end of the period / year	1,138.17	4,048.53	3,378.71	2,531.48	1,255.32

Reservations, qualifications, matters of emphasis or adverse remarks in the last five Fiscals immediately preceding the year of issue of this Preliminary Placement Document and their impact on the financial statements and financial position of our Bank and the corrective steps taken and proposed to be taken by our Bank for each of the said reservations or qualifications, matters of emphasis or adverse remarks.

Except as mentioned below, there are no reservations, qualifications, matters of emphasis or adverse remarks of our auditors in their respective reports on our audited financial statements for the last five fiscal years preceding the date of this Preliminary Placement Document:

The auditor's limited review report on the Unaudited Condensed Interim Financial Statements for the nine-months ended December 31, 2021 along with the statement of profit and loss and cash flow for December 31, 2020 of our Bank and the auditor's report on the financial statements as of and for the year ended March 31, 2021 and 2020, included matters of emphasis regarding the economic and social disruption the Bank is facing as a result of the COVID-19 pandemic, and its possible consequential implications, if any, on the Bank's operations and financial metrics.

The auditor's report on the financial statements as of and for the year ended March 31, 2020, included matters of emphasis regarding our management's plan relating to compliance by the Bank, with relevant licensing guidelines of the RBI and related regulatory processes and requirements.

Also see "*Risk Factors – We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted*." on page 44.

RELATED PARTY TRANSACTIONS

For details of the related party transactions during the Financial Years ended March 31, 2021, March 31, 2020 and March 31, 2019, as per the requirements under Accounting Standard 18 – Related Parties, please see sections entitled "*Financial Information – Audited Financial Statements for the year ended March 31, 2021 – Schedule 18*", "*Financial Information – Audited Financial Statements for the year ended March 31, 2020 – Schedule 18*", "*Financial Information – Audited Financial Statements for the year ended March 31, 2019 – Schedule 18*", on pages 126, 180 and 242, respectively.

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information disclosed in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only risks relevant to us or the Equity Shares or the industry in which we currently operate. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business prospects, results of operations, financial condition and cash flows. In order to obtain a complete understanding about us, prospective investors should read this section in conjunction with the sections "Our Business", "Selected Statistical Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Financial Information" and "Financial Information" on pages 333, 362, 277, 33 and 81, respectively, as well as the other financial and statistical information included in this Preliminary Placement Document. If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in this Issue.

This Preliminary Placement Document also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Preliminary Placement Document. Please see "Forward-Looking Statements" on page 13.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context requires otherwise, the financial information included herein is based on our Audited Financial Statements and the Unaudited Condensed Interim Financial Statements included in this Preliminary Placement Document. The financial information for the nine-month periods ended December 31, 2021 and 2020 are not comparable with our results for the full fiscal years and our financial information for the nine-month period ended December 31, 2021 is not necessarily indicative of what our financial information for Fiscal 2022 will be. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 81 and 277, respectively.

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

RISKS RELATING TO OUR BUSINESS

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

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

The Government of India initiated a nation-wide lockdown initially from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Government in India, as applicable to banks that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. India also experienced a severe second wave of COVID-19 between March 2021 and June 2021. Our results of operations for the nine months ended December 31, 2021 were impacted due to the COVID-19 pandemic and the resultant impact on account of the lockdowns announced by the Government, As most of our customers turned conservative and skipped their EMI payments to keep cash with them, significant portion of our non-delinquent portfolio as of March 2021 started to slip and unlike in the first wave, there was no regulatory package issued by the RBI. As a result, our Bank offered the restructuring of loans as a tool to the customers to tide over the crisis. Gross advances restructured due to COVID-19 2.0 was ₹1,484.11 crores. Further, since the onset of COVID-19, few of our employees have been tested positive for the virus resulting in temporary closure of certain Banking Outlets to carry out sanitation and fumigation works. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

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

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

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

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

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

- The rapid shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. For example, governmental lockdowns, restrictions or new regulations could significantly impact the ability of our employees and service providers to work productively. The restrictions placed by the Government have been changing based on the dynamic situation or what restrictions will be in place in those environments. The extent and/ or duration of ongoing workforce restrictions and limitations could impact our ability to successfully introduce and grow our new products and services, comply with various reporting requirements to the regulators in a timely manner, among others. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

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

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

The RBI guidelines also required us to make general provisions in respect of accounts in default but standard, of not less than 10% of the total outstanding of such accounts as of March 1, 2020, where the moratorium has been granted. This provisioning was to be phased over two quarters, with not less than 5% in each of the quarters ended March 31, 2020 and June 30, 2020. In Fiscal 2020, 2021 and in the nine months ended December 31, 2021, we made COVID-19 related provisions amounting to ₹ 99.63 crores, ₹ 71.00 crores, and nil, respectively. This accumulated provision of ₹ 170.63 crores was fully utilised in March 2021 as per the extant guidelines of RBI. These and any other measures taken by the RBI and other authorities that regulate our operations may impact our operations. For instance, the Supreme Court pursuant to an interim order passed on various petitions filed by borrowers, has extended the moratorium period introduced by the RBI until appropriate decisions have been taken. The matter has been disposed of in April 2021, pursuant to which it has been ordered to waive the interest on moratorium.

Further, pursuant to the RBI notification titled *'Resolution Framework for COVID-19-related Stress*' dated August 6, 2020, we may extend viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. Further, in terms the RBI circular titled '*Micro, Small and Medium Enterprises sector – Restructuring of Advances*', dated August 6, 2020, our MSE loans may be restructured without a downgrade in the asset classification. Pursuant to the RBI notification titled 'Resolution Framework for COVID-19-related Stress' dated August 6, 2020 ("**Resolution Framework 1.0**"), we have extended viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. In addition, in terms the RBI circular titled 'Micro, Small and Medium Enterprises sector – Restructuring of Advances', dated August 6, 2020, some of our MSE loans were restructured without a downgrade in the asset classification. We have restructured ₹ 434.33 crores of advances under this resolution frame work. The RBI further announced the Resolution of COVID-19 related to individual and small business ("**Resolution Framework 2.0**") on May 5, 2021. RBI has also extended the restructuring of advance to MSME borrowers under Resolution Framework 2.0 for MSMEs. As per these guidelines, the request for restructuring of the borrowers account were accepted till September 30, 2021. Such restructuring of advances are to be implemented within 90 days from the date of invocation. Our Bank has implemented the restructuring of advances in line with these guidelines and restructured ₹ 1,484.11 crores as on December 31, 2021. Resolution Framework 2.0 also permitted further restructuring of advances implemented under Resolution Framework 1.0 for individual and small business loans, subject to certain conditions. Our Bank has restructured ₹ 140.41 crores of advances which were already restructured under Resolution Framework 1.0.

In the event such measures are extended, or RBI issues further concessions to borrowers, it may adversely impact our business and operations and financial performance. Any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

Any resulting long-term financial impact cannot be reasonably estimated at this time. The extent to which the COVID-19 pandemic impacts our business and results will depend on future developments, which are highly uncertain and cannot be predicted, such as new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others. As a result of these uncertainties, the impact may vary significantly from that estimated by our management from time to time, and any action to contain or mitigate such impact, whether government-mandated or opted by us may not have the anticipated effect or may fail to achieve its intended purpose altogether. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. Additionally, if any of our employees are identified as a possible source of spreading COVID-19, or any other similar epidemic, we may be required to quarantine employees that are suspected of being infected, as well as others that have come into contact with those employees which could have an adverse effect on our business operations.

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

2. ***Our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Preliminary Placement Document, except for the Issue and intimating the Stock Exchange of the intention to enter into the Proposed Scheme of Amalgamation, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.***

Our Promoter will hold [●]% of the Equity Share capital of our Bank upon the completion of the Issue. In order to comply with the RBI Final Approval and the SFB Licensing Guidelines ("**Licensing Conditions**"), our Promoter was required to reduce its shareholding in our Bank to 40% on or prior to September 4, 2021 ("**RBI Dilution Requirement**"). Thereafter, its shareholding needs to reduce to 30% and 26% on or prior to September 4, 2026 and September 4, 2028, respectively. As of the date of this Preliminary Placement Document, our Promoter is not in compliance with the RBI Dilution Requirement.

Except for this Issue and as described below, as of the date of this Preliminary Placement Document, our Promoter has not approved any specific method to achieve such compliance.

Our Bank proposes to enter into a scheme of amalgamation ("**Proposed Scheme of Amalgamation**") for the amalgamation of our Promoter, EHL into our Bank, along with their respective shareholders, in accordance with sections 230 to 232 of the Companies Act, 2013 pursuant to which the undertaking of EHL is proposed to be transferred to and vested in our Bank, as a going concern.

Our Board and the board of directors of EHL at their respective meetings both dated July 26, 2021 have accorded their approval for the Proposed Scheme of Amalgamation. The Proposed Scheme of Amalgamation is being undertaken to meet the requirement laid down in the RBI Final Approval issued to our Bank and the SFB Licensing Guidelines which requires our Promoter i.e. EHL to reduce its shareholding in our Bank to 40% within a period of five years from the date commencement of business of our Bank, which period expired on September 4, 2021. EHL sought an exemption under Regulation 300 of the SEBI

ICDR Regulations to relax the three year minimum promoter lock-in requirements under Regulation 16(1)(a) of the SEBI ICDR Regulations, to the extent required to implement the Proposed Scheme of Amalgamation soon after receiving final NCLT approval. Our Bank also sought prior permission from the SEBI pursuant to circulars dated November 30, 2015 and February 22, 2018 to allow our Bank to meet the minimum public shareholding requirements through the Proposed Scheme of Amalgamation.

Subsequently, SEBI, pursuant to its letter dated October 8, 2021 acceded to relax the three year minimum promoter lock-in requirements under Regulation 16(1) of the SEBI ICDR Regulations sought by EHL, to facilitate the Proposed Scheme of Amalgamation. The Exemption is subject to the approvals of the Stock Exchanges and the period of exemption is from the final approval of the Proposed Scheme of Amalgamation by the NCLT up to October 28, 2023. Our Bank is undertaking the Issue with an objective to achieve the minimum public shareholding requirement by reducing the shareholding of EHL in the Bank from 81.30% of the total paid-up share capital, as on the date of this Preliminary Placement Document, to 75% of the total paid-up share capital of the Bank or lower, and thereafter apply to SEBI for approval of the Proposed Scheme of Amalgamation. In the past, our Promoter and our Bank have approached regulatory authorities to seek clarity and/ or exemptions from the RBI Dilution Requirement. For example, our Bank requested the RBI to exempt this requirement if there is a potential merger of our Promoter with our Bank. However, pursuant to a letter dated June 6, 2019, the RBI stated that any proposal for the merger of our Promoter with our Bank would only be examined after expiry of the lock-in period on September 4, 2021. The RBI has since confirmed that our Bank can apply for the merger within three months before the expiry of the five-year period vide its letter dated July 9, 2021. This was also communicated to the relevant Stock Exchanges. This letter also stated that any no-objection to such merger would be without prejudice to the powers of the RBI to initiate action, if any, for violation of the licensing guidelines or terms and conditions of the license. We had also informed RBI that we would submit the Scheme after completion of the Issue to bring our Promoter’s stake down to 75.00% of the total paid-up share capital of the Bank.

For further information on our holding structure, see “*Organizational Structure*” on page 389.

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

To achieve compliance with the RBI Dilution Requirement, if our Promoter is required to sell its Equity Shares or our Bank has to further issue fresh Equity Shares, or our Promoter and our Bank consider other options, such actions, or the perception that such actions may occur, may materially and adversely affect our business and operations and the trading price of our Equity Shares.

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

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

- we are required to be controlled by Indian residents in accordance with FEMA, and at least 26.00% of our paid up capital is required to be held by Indian residents in accordance with FEMA at all times from the date of commencement of our operations;
- our Promoter is required to be owned and controlled by Indian residents from the date of making the application for the RBI Final Approval, i.e. April 27, 2016 and at all times thereafter;
- a strategic non-promoter investor should not hold more than 20% or more of the share capital of our Promoter at any time from the date of commencement of our business operations;
- we are required to maintain a minimum paid-up Equity Share capital and a minimum net worth of ₹100 crores at all times from the date of making the application for the RBI Final Approval;
- any change of our shareholding by way of fresh issue or transfer of shares to the extent of 5% or more of our paid-up share capital requires prior RBI approval;
- at least 25% of our total banking outlets have to be located in unbanked rural areas at all times from the date of commencement as an SFB;
- any change in the shareholding by way of fresh issue or transfer of Equity Shares, from the date of RBI In-Principle Approval, to the extent of 5% or more in the Promoter requires prior RBI approval;
- the maximum loan size and investment limit exposure to a single and group obligor is to be restricted to 10% and 15% of our capital funds, respectively;
- at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹0.25 crores;
- we are required to extend 75% of our ANBC to sectors eligible for PSL;
- we are prohibited from exposure in terms of loans and advances to our Directors, companies in which our Directors are interested, our Promoter, major shareholders (holding 10% or more of our paid-up Equity Share capital), and

entities in which our Promoter, major shareholders have significant influence or control (as defined under applicable accounting standards); and

- we are required to maintain a minimum capital adequacy ratio ("**CAR**") of 15% of the credit risk weighted assets ("**CRWAs**") on a continuous basis subject to any higher percentage as may be prescribed by the RBI from time to time, with Tier I capital maintained at least 7.5% of the CRWAs and Tier II capital maintained at not more than 100% of the Tier I capital.

Further, our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or before September 4, 2021, and thereafter is required to reduce its shareholding in our Bank to 30% and 26% of our paid-up Equity Share capital within a period of 10 years and 12 years, respectively, from the date of commencement of our business operations, i.e., September 5, 2016. For details, see "*Our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Preliminary Placement Document, except for the Issue and intimating the Stock Exchange of the intention to enter into the Proposed Scheme of Amalgamation, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.*" on page 40.

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

We are also regulated under the Banking Regulation Act and have to comply with circulars and directives issued by the RBI that apply to scheduled commercial banks. For instance, pursuant to Section 12(1)(i) of the Banking Regulation Act, the subscribed share capital of a banking company is required to be not less than one-half of its authorised share capital, and the paid-up share capital is required to be not less than one-half of the subscribed share capital. Further, pursuant to Section 49C and Section 12(1)(i) of the Banking Regulation Act, a banking company is not permitted to alter its memorandum of association unless the RBI provides a no objection to such alteration. On January 31, 2019, our Bank increased its authorised share capital from ₹1,155 crores to ₹2,500 crores and amended the Memorandum of Association, pursuant to a Shareholders' resolution dated January 31, 2019 without complying with the provisions of Section 49C of the Banking Regulation Act. Subsequently, the RBI intimated our Bank raising serious concerns on non-adherence of the provisions of Sections 12(1)(i) of the Banking Regulation Act. We have subsequently complied with the RBI intimation by reducing our authorised share capital from ₹2,500 crores to ₹1,700 crores. The RBI has pursuant to its letter dated November 18, 2019 took on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank. For further information, see "*Legal Proceedings*" on page 446.

We are also required to comply with prudential norms specified in respect of market discipline, classification, valuation and operation of our investment portfolio, income recognition, asset classification and provisioning pertaining to advances (including restructuring of credit facilities), RBI directives on permissible loans and advances, maintenance of regulatory ratios (such as CRR, SLR, and LCR), authorization of Banking Outlets, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, periodic disclosure requirements (including in presentation of financial information and financial statements), and cyber security compliance. In the past, we have had one instance in which CRR was erroneously computed, resulting in a shortfall in the maintenance of CRR during July 2019 to October 2019. Further, the Banking Regulation Act limits the flexibility of shareholders and management of an SFB in many ways, including by way of specifying certain matters that require RBI approval. In addition, we are subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. For further information, see " *-Non-compliance with RBI inspection/ observations or other regulatory requirements may have a material adverse effect on our business, financial condition or results of operation. Any adverse observations from such regulators could have a material adverse effect on our business, financial condition, results of operation and cash flows"* on page 51.

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

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

Calendar Year	Particulars	Corrective Actions
2018	The committee of executive directors of the RBI by an order dated March 1, 2018 levied a penalty of ₹0.10 crores on our Bank for distributing mutual fund units, pension products, insurance products and other such financial products/services on non-risk sharing basis without taking prior approval of the RBI, as required under the SFB Licensing Guidelines.	Our Bank deposited the penalty of ₹0.10 crores, which has been acknowledged as received by the RBI, and has subsequently obtained the approval of the RBI for distribution of such products.
2019	On January 31, 2019, our Bank increased its authorised share capital from ₹1,155 crores to ₹2,500 crores and amended the MoA, pursuant to a Shareholders' resolution dated January 31, 2019 without complying with the provisions of Section 49C of the Banking Regulation Act. The RBI intimated our Bank raising serious concerns on non-adherence of the provisions of Sections 12(1)(i) of the Banking Regulation Act.	Our Bank complied with the RBI intimation by reducing our authorised share capital from ₹2,500 crores to ₹1,700 crores. The RBI has pursuant to its letter dated November 18, 2019 taken on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank. Our Bank has subsequently filed the requisite e-forms with the MCA and the reduction of the authorised share capital of our Bank is completed.
2019	Under the provisions of the SFB Licensing Guidelines and the RBI Final Approval, our Equity Shares were required to be mandatorily listed on or prior to September 4, 2019. Due to our inability to meet the aforementioned timeline, the RBI, pursuant to its letter dated September 6, 2019, took the following regulatory actions against us: (i) we are not permitted to open new branches till further advice; and (ii) the remuneration of our MD and CEO stands frozen at the existing level, till further advice. The RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further stated that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI. Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares. The Bank also requested the	Our Bank listed its equity shares on the Stock Exchanges on November 2, 2020.

Calendar Year	Particulars	Corrective Actions
	RBI to remove the two penalties (i.e., (i) restriction on opening new branches till further advice; and (ii) freezing of remuneration of our MD and CEO till further advice) levied pursuant to the RBI letter dated September 6, 2019. The RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. However, the RBI did not accede to the request for waiver of penalties imposed by way of the RBI letter dated September 6, 2019. Subsequently upon listing of shares of the Bank on November 2, 2020, RBI lifted the aforesaid restrictions vide its letter dated November 9, 2020.	

For details, see "*Legal Proceedings*" on page 446.

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

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

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

Under paragraph 6 of the SFB Licensing Guidelines and paragraph 5 of the RBI Final Approval, our Equity Shares were required to be mandatorily listed on the stock exchanges within three years from the date of reaching a net worth of ₹500 crores, (which in our case was three years from the date of commencement of operations as an SFB), i.e., on or prior to September 4, 2019, as the combined net worth of the Erstwhile NBFC, EMFL and EHFL pursuant to the Amalgamation Scheme was in excess of ₹500 crores As a result of our inability to meet the aforementioned timeline, the RBI had, pursuant to its letter dated September 6, 2019, taken the following regulatory actions against us: (i) we were not permitted to open new branches till further advice; and (ii) the remuneration of our MD and CEO stood frozen at the then existing level, till further advice. Subsequently, the RBI had, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further states that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI. Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares. The Bank also requested the RBI to remove the two penalties (i.e., (i) restriction on opening new branches till further advice; and (ii) freezing of remuneration of our MD and CEO till further advice) levied pursuant to the RBI letter dated September 6, 2019. Subsequently, the RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. However, the RBI did not accede to the request for waiver of penalties imposed by way of the RBI letter dated September 6, 2019. RBI has lifted the restrictions on branch opening and the remuneration of our MD and CEO pursuant to its letter dated November 9, 2020 after listing of our Equity Shares. There is also no longer any requirement for the Bank to seek specific RBI approval for opening of new branches as the same can be undertaken with the Board approval. For further information, see "*Legal Proceedings*" on page 446. In addition, we were required to comply with the requirement of dilution of promoter shareholding to 40.00% by September 4, 2021. The timeline has now crossed. We have written to RBI confirming that we will be complying through the Proposed Scheme of Amalgamation. For details see, "*Our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Preliminary Placement Document, except for the Issue and intimating the Stock Exchange of the intention to enter into the Proposed Scheme of Amalgamation, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required.*" on page 40. As of the date of this Preliminary Placement Document, no regulatory action has been taken by RBI. In the event we fail to comply with the provisions of the SFB Licensing Guidelines, the RBI may place further restrictions or take further action. Any such actions by the RBI could adversely impact our business, financial condition, results of operation and cash flows.

Further, in terms of the Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks dated October 20, 2020 and November 20, 2020, the internal working group of the RBI ("**IWG**"), had placed *inter alia* the following recommendations stating that (i) cap on the promoters' shareholding in a bank in the long run (15 years) may be raised from the current level of 15% to 26% of the paid-up voting equity share capital of such bank ("**Capping Recommendation**"); (ii) no change shall be required with respect to the initial lockin requirement of 40% of the paid up voting and equity share capital held by a promoter for the first five years ("**Lockin Recommendation**").

Pursuant to the circular issued by the RBI dated November 26, 2021 ("**November 26 Circular**"), the RBI had stated that out of the 33 recommendations issued by the IWG, 21 of the recommendations of the IWG were accepted (some with certain modifications). The remaining nine recommendations are under consideration by the RBI. Subsequently, the recommendations which were accepted by the RBI in terms of the November 26 Circular *inter alia* included the following: (i) Lockin Recommendation; (ii) no cap in any promoters' shareholding for the first five years; (iii) Capping Recommendation. Further, the Capping Recommendation is required to be uniform for all types of promoters and shall not mean that promoters, who have already diluted their shareholding to less than 26%, will not be permitted to raise it to 26% of the paid-up voting equity share capital of the bank. Such promoter is so desired, may choose to bring down holding to even below 26%, any time after the lock-in period of five years. The above recommendations have not come into force as on the date of this Preliminary Placement Document.

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

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest rate risk depends on the nature and extent of gaps in rate sensitive assets and rate sensitive liabilities. Any change or volatility in interest rates would affect our interest expense on our interest-bearing liabilities and interest income from interest-bearing assets including investments, and therefore affect our Net Interest Income and Net Interest Margins. Any increase in our cost of funds may lead to a reduction in our Net Interest Margins, or require us to increase interest rates on loans disbursed to customers in the future to maintain our Net Interest Margins. In addition, a portion of the loans we advance is linked to external benchmark rates and the yield on such loans may vary depending on market factors. In the event the interest rates at which we advance these loans declines due to a decrease in external benchmark rates and there is no corresponding decrease in the interest rates payable by us, we may experience reduced Net Interest Margins. In Fiscal 2019, 2020, and 2021 and in the nine months ended December 31, 2021, interest expended represented 43.96%, 42.85%, 43.26% and 39.39%, respectively, of our total expenditure. In Fiscal 2019, 2020, and 2021 and in the nine months ended December 31, 2021, our Net Interest Margins were 8.55%, 9.12%, 8.45% and 8.39% (annualized)/ [6.29]% (unannualized), respectively. For further information, see "*Selected Statistical Information"* on page 362.

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

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

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

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

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

We are primarily engaged in providing small business loans, microfinance, and vehicle finance to unserved and underserved customer segments. As of December 31, 2021, small business loans, microfinance, and vehicle finance, represented 45.31%, 18.77%, and 24.61%, respectively, of our Gross Advances (including IBPC issued) as of such date.

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

Further, the unserved and underserved customers that we target are also particularly susceptible to event-based risks, such as, demonetization and natural calamities like cyclone Nivar that affected parts of Tamil Nadu in 2020 which hampered borrowers' repayment ability. See " – *A significant portion of our advances are towards customers located in the State of Tamil Nadu and any adverse changes in the conditions affecting the region can adversely impact our business, financial condition, results of operations and cash flows*" on page 48. The occurrence of any of these events and other factors could lead to an increase in impairment losses and adversely affect our business, results of operations and cash flows.

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

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which is also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter, and also required such entities to be in preparedness to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. Pursuant to an email dated August 12, 2021, the RBI has modified the requirement to submit proforma financials under Ind AS on a half yearly basis. In compliance with such regulatory requirements, we have submitted proforma Ind AS financial statements as mandated by the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

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

Ind AS differs in many respects from Indian GAAP, and our limited financial information prepared in accordance with the accounting policies applicable to EHL (for the limited purpose of inclusion in EHL's consolidated financial statements) is therefore not comparable to our financial statements prepared under Indian GAAP for such respective periods. The key areas of difference between Indian GAAP and Ind AS as it applies to our Bank (in accordance with accounting policies applicable to EHL) include recognition/ derecognition of financial instruments, classification and measurement of financial instruments, fair valuation of financial instruments, impairment by applying expected credit loss, accounting of fee income by effective interest rate, fair value of ESOP calculation, and accounting for leases. In addition, given the relatively recent introduction of Ind AS in India, and in particular since under applicable regulations, Ind AS is still not applicable to scheduled commercial banks, there is limited established practice available for drawing informed judgments regarding the implementation and application of Ind AS to the financial statements of scheduled commercial banks, and consequently our Bank. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare in accordance with the accounting policies of EHL for the limited purpose of consolidation of EHL's financials. Investors should rely solely on the Financial Information included in this Preliminary Placement Document, for an assessment of our current financial position. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements"* on page 283.

The Financial Information included in this Preliminary Placement Document comprise our Audited Financial Statements for Fiscal 2019, 2020 and 2021, the Unaudited Condensed Interim Financial Statements for the nine months ended December 31, 2020 and 2021 and the Unaudited Interim Financial Results for the nine months ended December 31, 2020 and 2021. To the extent that financial information relating to our Bank can be indirectly derived from the consolidated financial statements of EHL prepared in accordance with accounting policies under Ind AS, or from financial information of EHL included in this Preliminary Placement Document, investors are cautioned against placing reliance on any such financial information relating to our Bank for making any investment decision. Such information is not a part of this Preliminary Placement Document and our Bank, the BRLMs or any other person connected with the Issue do not take responsibility for such information. Any investment decision must be taken only on the basis of the Financial Information included in this Preliminary Placement Document.

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

Prior to operating as an SFB, we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements and securitization/ assignment of receivables. However, upon transitioning into an SFB, our primary sources of funding have been deposits and refinancing. As of March 31, 2021 and December 31, 2021, majority of our funding consists of retail deposits accounting for 54.45% and 79.56%, respectively, of our total term deposits, with a CASA ratio of 34.25% and 50.80%, respectively. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhancing our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits and refinancing on suitable interest rates and terms, and in a timely manner. Our ability to raise such funds on competitive terms in the future will depend on various factors including our credit ratings, macroeconomic factors, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/ or lenders' perception of demand for debt and equity securities of SFBs, and our current and future results of operations, financial condition and cash flows. Our cost of borrowings are partly determined by the credit ratings we have obtained from various agencies in the past, and there can be no assurance that we will continue to be granted strong credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

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

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

There are outstanding legal proceedings against our Bank in relation to the business and operations of each entity. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate tribunals. We cannot assure you that these proceedings will be decided in our favour, or that no further liability will arise out of these proceedings. Further, such proceedings could divert our management's time and attention and consume financial resources in their defence or prosecution.

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

For further information, see "*Legal Proceedings*" on page 446.

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

Our non-convertible debentures are listed on the debt segment of BSE. We are required to comply with various applicable rules and regulations including the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and the SEBI Listing Regulations in terms of our listed non-convertible debentures. In the event of non-compliance with such rules and regulations, we may be subject to certain penal actions, inter alia, including restrictions on further issuance of securities and freezing of transfer of securities. Our inability to comply with or any delay in compliance with such rules and regulations may have an adverse effect on our business, results of operations, financial condition and cash flows.

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

A large number of our Banking Outlets are located in the State of Tamil Nadu. Consequently, a majority of our advances are towards customers in Tamil Nadu. As of March 31, 2021 and December 31, 2021, advances towards customers in Tamil Nadu represented 54.01% and 55.04%, respectively, of our Gross Advances (including IBPC issued) as of such dates. For further information in relation to our geographical presence, see "*Our Business*" and "*Selected Statistical Information*" on pages 333 and 362, respectively.

In the event of a regional slowdown in the economic activity in Tamil Nadu, or any other developments including change in regulatory framework, political unrest, disruption or sustained economic downturn or natural calamities in the region affecting the ability of our borrowers to repay our loans, or that make our products in the region less beneficial, we may experience an adverse impact on our financial condition, results of operations and cash flows, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economy of the state. For instance, during the occurrence of cyclone

Nivar in Tamil Nadu in 2020, we experienced defaults on repayments and reduced collection efficiencies for microfinance loans. In addition, the market for our products in Tamil Nadu may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other states of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in the region.

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

We are dependent on a limited number of customers for a substantial portion of our deposits. Deposits from our 20 largest depositors (excluding certificates of deposit issued) represented 21.89% and 13.38% of our total deposits as of March 31, 2021 and December 31, 2021, respectively. Further, deposits from our 10 largest depositors, primarily comprising wholesale depositors, represented 14.47% and 9.23% of our total deposits as of March 31, 2021 and December 31, 2021, respectively. Reduction or loss of such deposits expose us to an increasing funding risk, which could in turn adversely affect our financial performance and results of operations. A reduction in the services we perform for such customers or the loss of such major customers could result in a significant reduction of our deposits portfolio. Factors that may result in a loss of a customer include our service performance, reduction in budgets due to macroeconomic factors or otherwise and shift in policies and political or economic factors. There is significant competition for the services we provide and we are typically not an exclusive service provider to our large customers. These factors may not be under our control or predicted with any degree of certainty. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition, results of operations and cash flows. Our customers may reduce or remove their deposits from our Bank, with or without cause or notice, at any time. If any of our customers reduce or remove their deposit accounts from our Bank, our deposits portfolio, funding sources, financial condition, results of operations, and cash flows could be materially and adversely affected.

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

We disburse certain loans that are secured by assets and follow certain procedures to evaluate the credit profiles of our customers. However, the value of the collateral obtained by us may fluctuate or decline due to factors beyond our control, including deterioration in regional economic conditions or of asset values or as a result of adverse changes in the credit quality of our borrowers and counterparties or delays in foreclosure proceedings or defects or deficiencies in the perfection of collateral. In the event of a decline in any of these, some of our loans may exceed the value of their underlying collateral. Our secured advances have grown from ₹ 8,277.35 crores as of March 31, 2019, to ₹ 11,584.97 crores as of March 31, 2020, to ₹ 14,585.87 crores as of March 31, 2021, and were ₹ 15,912.54 crores as of December 31, 2021. Our secured advances represented 70.72%, 75.39%, 81.37% and 80.83% of our Gross Advances (including IBPC issued) as of March 31, 2019, 2020 and 2021 and as of December 31, 2021, respectively.

While we factor in a reduction in value to an extent, it may not be sufficient if the value of the collateral reduces substantially. This is particularly applicable in situations where the advances are secured by highly depreciating fixed assets such as vehicles, and particularly used commercial vehicles. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant loan, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. For instance, we have in the past incurred losses on repossession and sale of such collaterals, due to the depreciating nature of used commercial vehicles and other external factors including government policies imposing restrictions on use of commercial vehicles. See " – *Changes in environmental, tax or other laws may lead to a decline in the sale of vehicles or value of vehicles as a collateral, which could adversely affect our business, results of operations and prospects*" on page 60.

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

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

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

Our microfinance loans and unsecured business loans portfolio are at higher credit risk than secured loan portfolios because they may not be supported by realizable collateral that could help ensure an adequate source of repayment for the loan. Our microfinance loans are offered to individuals and families to assist in micro-entrepreneurial enterprises and to invest in income-generating activities. Such customers are part of the unorganized sector and may not have traditional credit history such as credit scores. While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can been no assurance that such loans will not become non-performing. Our customers may default on their obligations as a result of various factors including bankruptcy, lack of liquidity and/ or failure of the business or commercial venture in relation to which such borrowings were sanctioned. As of March 31, 2021, such unsecured loans represented 18.63% of our Gross Advances (including IBPC issued), while as of December 31, 2021, unsecured loans represented 19.17% of our Gross Advances (including IBPC issued). We may be unable to collect our outstanding advances in part or at all in the event of non-payment by a borrower.

Further, for our microfinance business, we rely primarily on non-traditional guarantee mechanisms including the peer-guarantee loan model, wherein borrowers form a 'joint liability group' ("**JLG**") and provide guarantees for loans obtained by each member of such group without such members having to provide collateral or security on an individual basis. There can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of a JLG in the event of default by any one of them. These arrangements are likely to fail if there is no meaningful personal relationship among members of such group; if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans; or as a result of adverse external factors such as natural calamities or forced migration. Any increase in delinquency in our loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings. For further information on the JLG model, see "*Our Business*" on page 333.

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

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

The primary security for housing loans and other micro-loans disbursed by us under our small business loans segment is the underlying property. As of December 31, 2021, exposure to loans against property represented 45.31% of our Gross Advances (including IBPC issued). The value of this security is largely dependent on housing and property market conditions prevalent at that time, and may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. Failure to recover the expected value of collateral could expose us to significant losses and, in turn, result in a material adverse effect on our business, results of operations, financial condition and cash flows.

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

We are required to obtain various statutory and regulatory permits and approvals to operate our business which requires us to comply with certain terms and conditions to continue our banking operations. These include approvals from the RBI for various aspects of our banking operations (including for services such as NEFT, RTGS and foreign exchange dealing), approvals for providing internet and mobile banking services and licenses from other regulatory authorities, such as the IRDAI and PFRDA, for distribution of third-party insurance products and pension services. Failure to obtain these permits and approvals may result in imposition of fines and penalties by the relevant regulator. For instance, the RBI has previously imposed a penalty of ₹0.10 crores on us for distributing mutual funds, insurance products and commencing referral of PMS products, in the absence of prior approval from the RBI. We have subsequently obtained the approval of the RBI for distribution of such products. The RBI In-Principle Approval and RBI Final Approval also require us to comply with certain terms and conditions including compliance with the SFB Licensing Guidelines, certain provisions of which we are yet to comply with. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. There have been such instances of non-compliance in the past, for which the RBI has imposed penalties, issued directions, show cause notices and/ or taken other actions, see " – *We are subject to stringent regulatory requirements and prudential norms and our inability to comply with such laws, regulations and norms may have an adverse effect on our business, results of operations,* *financial condition and cash flows*" and "*Legal Proceedings*" on pages 41 and 446, respectively. This may result in the interruption of all or some of our operations and may have a material adverse effect on our business, financial condition, results and cash flow. Further, we may need to apply for new licenses and approvals, including for conversion of our Bank into a universal bank subject to compliance with applicable regulations, and renew our existing ones, which expire from time to time. In the event that we are unable to obtain, renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

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

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

As of March 31, 2021 and December 31, 2021, our Gross NPAs were ₹ 642.78 crores and ₹ 863.82 crores, respectively, representing 3.59% and 4.39%, respectively, of our Gross Advances (including IBPC issued), while our Net NPAs were ₹ 266.17 crores and ₹ 459.42 crores, respectively, representing 1.58% and 2.51%, respectively, of our net Advances as of such dates. Our NPAs may increase in the future, due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, central and state government decisions (including agricultural loan waivers that may affect our agricultural portfolio in the short term) and changes in regulations. Further, our credit monitoring and risk management policies and procedures may not be properly designed, compliant with applicable directives, or effective or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are effective and properly implemented, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have a material adverse effect on our financial condition, results of operations and cash flows.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. In addition to the relevant regulatory minimum provisioning, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of a suitable level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risk may result in our provisions not being adequate to cover expected losses on NPAs. Our provision coverage ratio was 58.59% and 46.81% in Fiscal 2021 and in the nine months ended December 31, 2021, respectively, and there can be no assurance that our provision coverage ratio will continue to increase or that it will not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security, or down-grading of the account, or if recoveries with respect to such NPAs do not materialize in time or at all. Any increase in provisions may adversely impact our financial performance. Further, there can be no assurance that the transition to Ind AS will not further increase our provisioning requirements in the future. Accordingly, any significant increase in our NPAs may have a material adverse effect on our financial condition, results of operations and cash flows, and as a result, our return ratios may not be consistent with our previous performance. Also see " – *The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance*" on page 38**.**

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

We are subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to various operational risks and regulatory non-compliances. The non-compliances previously highlighted include inter alia transfer of borrower accounts from another bank without taking a credit opinion, incorrect calculation of liquidity coverage ratio, no additional safeguards for non-investment grade exposures, opening of savings account in the name of another bank, non-disclosure of direct assignment transactions in notes to financial statements of the Bank, and failing to report frauds to the RBI within three weeks of detection. In addition, during the inspection conducted in January 2021, for Fiscal 2020, pursuant to Section 35 of the Banking Regulation Act, RBI has made certain observations regarding our business and operations including, amongst others, (i) non-automation of PSL classification and reporting, and manual disbursement of PSL, leading to excessive disbursements; (ii) absence of segregation in the duties performed by employees of the Bank in the vehicle loan system; (iii) not providing copy of the loan agreement to the borrowers along with the enclosures; (iv) inconsistencies in CBS system; (v) gaps in oversight of board level and management level committees and audit mechanism; (vii) non implementation of central access management systems in Bank's treasury applications; (viii) absence of unified automated MIS integrating all critical systems; (ix) deficiencies in IT systems and controls (non-integration of CBS systems (x) incorrect ratings of certain accounts for computation of risk weighted assets; and (xi) non compliance with RBI master circular on Credit Facilities to Scheduled Casts and Scheduled Tribes dated July 1, 2019.

During the annual supervision for Fiscal 2017, the RBI observed that the Bank had sold PSL certificates aggregating to ₹ 3,650 crores from the date of commencement of business on September 5, 2016 to the date of computation of ANBC based on the audited balance sheet as at March 31, 2017, resulting in the reduction of ANBC as on March 31, 2017 by approximately 65%, and a consequent proportionate reduction in PSL targets for Fiscal 2018. Subsequently, the RBI permitted our Bank to purchase PSL certificates aggregating up to a maximum of ₹ 5,475 crores to meet the quarterly PSL target under the SFB Operating Guidelines as a one-time measure, and directed our Bank to maintain strict compliance with the guidelines/ regulations issued by RBI and as applicable to SFBs in both letter and spirit. We cannot assure you that we will be able to comply with the PSL requirements for Fiscal 2021 and future periods.

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

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

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

We have introduced new products and services, such as loans for used and new commercial vehicles or used passenger vehicles, and different types of savings accounts for mass and mass-affluent customer segments. For further information, see "*Our Business – Description of our Business – Product Portfolio*" on page 344. We have incurred substantial costs to expand our range of products and services and we cannot assure you that such products and services will be successful, whether due to factors within or outside of our control, such as general economic conditions, a failure to understand customer demand and market requirements or management focus on these new products. We have limited experience in offering such products. Further, these operations may be accompanied by operating and marketing challenges that may be different from those we currently encounter. In addition, if we fail to successfully offer our new products and services in an increasingly competitive market, we may not be able to capture the growth opportunities associated with them or recover the development and marketing costs, and our future results of operations and growth strategies could be adversely affected. Further, we may require approval from regulatory authorities before we commence offering certain services. If we fail to obtain such approvals, or to develop and launch such products and services successfully, we may lose a part or all of the costs incurred in the development of such offerings, or discontinue these offerings, which could in turn adversely affect our business and results of operations.

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

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

While we seek to increasingly transform our operations to a cashless model, a significant portion of our business, particularly with respect to collections, continues to be cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, assault and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers, borrowers and employees. During Fiscal 2019, 22 cases of fraud involving ₹ 2.43 crores, during Fiscal 2020, 47 cases of fraud involving ₹ 2.19 crores, during Fiscal 2021, 65 cases of fraud involving ₹ 14.35 crores, and during the nine months ended December 31, 2021, 42 cases of fraud involving ₹ 1.25 crores, were reported to the RBI. Our Bank was exposed to major instances of fraud in the past above ₹ 1 crores. For example, on account of furnishing by borrowers of fabricated documents, including replicated title deeds for creation of mortgage, charge and obtaining of loans in the LAP segment, our Bank was exposed to one instance of fraud involving 11 different borrowers, aggregating to ₹1.92 crores during Fiscal 2017, and one instance of fraud involving 12 different borrowers, aggregating to ₹1.59 crores during Fiscal 2018, in the LAP segment. Such acts could also bind us to transactions that exceed authorized limits or present unacceptable risks or hide unauthorized or unlawful activities from us. In particular, in the past, we have faced several instances of employee negligence, manipulation, misrepresentation, corruption and fraud, such as embezzlement of cash, cheating and forgery including through phishing/ skimming of ATM/ debit cards, clandestine selling-off of hypothecated/ mortgaged security, fraudulent encashment of checks. The frauds detected were mainly due to embezzlement of cash and fabricated title deeds. Two material frauds identified against our Bank has been one incident of physical cash shortage of ₹1.35 crore at one of our branches and another where a bank account was fraudulently opened in an individuals name without their consent, with our Bank, involving a fraud of ₹10.12 crore. For further information, see "*Legal Proceedings*" on page 446.

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

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

Our information technology systems enable us to manage various back-end operations supported by a core banking system, customer relationship management system, collection management system and document management system. See "*Our Business – Information Technology*" on page 359. Our business is therefore dependent on timely upgradation of our information technology systems and any disruption, breach or failure in our technology infrastructure may have significant consequences on our business operations, including:

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

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

Further, we have also entered into agreements with several IT vendors to set up IT infrastructure. If our IT vendors are unable to fulfil their contractual obligations or if we encounter any failure in the timely implementation, performance or integration of such systems, we may experience interruptions in our operations, loss of customers, damaged reputation and weakening of our competitive position. Also see " – *Any non-compliance with law or unsatisfactory service by the third-party service providers engaged by us for certain services could have an adverse impact on our business and results of operations*" on page 63. In addition, our success will depend, in part, on our ability to respond to new technological advances and emerging banking and other financial services industry standards and practices in a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards. In addition, the Supreme Court, in its judgment of September 2018, held that private entities will be barred from using Aadhaar numbers for e-KYC authentication purposes. Pursuant to an amendment to the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, which was effected after the Supreme Court judgment, entities will be able to carry out e-KYC subject to meeting certain specific conditions, including compliance with such standards of privacy and security as may be prescribed. Further, entities are allowed to carry out e-KYC only if they are permitted to offer authentication services under any other law, or if such authentication is for certain specified purposes, as the central government may prescribe. These developments are expected to severely impact banking and fintech companies, requiring them to rely on alternate means for authentication which may not be as streamlined or cost efficient. We have also recently formally designated a chief information security officer pursuant to RBI directives.

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

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

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

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

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

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

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

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business, and dilute or harm our reputation and brand recognition. We have also obtained trademark registrations for "*Equitas Small Finance Bank*" (under class 36). The logo, equitas Small Finance Bank, is registered in our name with the trademark registry under class 36, which is valid up to October 3, 2026. We have also registered our corporate logo equitas Equitas Small Finance Bank in our name with the trademark registry under class 36, which is valid up to November 18, 2029. For further information, see "*Our Business – Intellectual Property"* on page 359. The registrations provided to our trademarks are for a limited duration of 10 years, and are required to be renewed from time to time. There can be no assurance that we will be able to successfully renew our registrations in a timely manner or at all. We may apply for the registration of other wordmarks or trademarks in the future and there can be no assurance that such applications will be granted. We may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection until such time that registration is granted. We may also be harmed by the actions of or negative press relating to entities which have similar names.

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

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

As of December 31, 2021, all our Banking Outlets are located on leased premises. Further, our Registered Office and Corporate Office is also located on leased premises. In addition, we intend to strategically open additional Banking Outlets on leased premises in the future. Consequently, any inability on our part to identify suitable premises for our Banking Outlets, or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.

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

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

We may face asset and liability mismatches, which represents situations when the financial terms of an institution's assets and liabilities do not match. We cannot assure you that we will be able to maintain a positive asset-liability gap. We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. For further information, see "*Selected Statistical Information – Asset Liability Management*" on page 373. Any mismatch in our assets and liabilities may lead to a liquidity risk and have a material adverse effect on our operations and profitability.

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

As of December 31, 2021, we operated 860 Banking Outlets spread across 17 States and union territories in India. We intend to strategically grow our network of Banking Outlets in new markets in India in order to attract new customers. Any new Banking Outlets that we establish may not be profitable immediately upon their opening or may take time to break even, and failure to do so within a reasonable period may adversely affect our profitability. We will need to enhance and improve our financial, accounting, information technology, administrative and operational infrastructure and internal capabilities in order to manage the future growth of our business. We cannot assure you that we will succeed in doing so, as it is subject to many factors beyond our control. In addition, we are likely to compete with other banks and financial institutions, and local unorganized or semi-organized private financiers, who are more familiar with local business practices and customs, and have stronger relationships with the target customers. Factors such as competition and customer requirements in these new markets may differ from those in our existing markets.

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

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

Certain non-GAAP financial measures and certain other statistical information, such as Yield, Spread and Net Interest Margin, relating to our operations and financial performance have been included in this section and elsewhere in this Preliminary Placement Document. For further information, see "*Selected Statistical Information*" on page 362. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies.

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

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

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

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

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

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

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

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. These covenants vary depending on the requirements of the financial institution extending such loan and the conditions negotiated under each financing agreement. Some of the corporate actions that require prior consents from certain lenders include, amongst others, changes to the capital structure of the Bank, reduction in the authorised share capital of the Bank and changes in the MoA and AoA of the Bank. Further, under certain financing agreements, we are required to maintain specific credit ratings, certain financial ratios and ensure compliance with regulatory requirements such as maintenance of capital adequacy ratios, creation of reserve fund as required under Section 17 of the Banking Regulation Act. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. Some of our lenders are also entitled to appoint directors on the Board of our Bank.

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

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

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

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

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See "*Our Business – Competition*" on page 360.

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

As of March 31, 2021 and December 31, 2021, our CASA ratio was at 34.25% and 50.80%, respectively. We may not be able to grow our CASA deposits and CASA ratio owing to the increased competition from other banks and lending institutions. In order to attract retail customers and increase our CASA deposits, we intend to introduce new products and promote our products through marketing campaigns. The interest rates that we must pay to attract customer deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. However, there is no assurance that we will be successful in growing our CASA base. If we fail to grow our CASA ratio, our financial condition and cash flows may be materially and adversely affected.

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

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

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

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

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

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

We have expanded our operations from undertaking banking activities to providing certain fee and commission-based services. Revenue from commission, exchange and brokerage was ₹ 18.60 crores, ₹ 21.04 crores, ₹ 25.19 crores and ₹ 23.20 crores in Fiscal 2019, 2020 and 2021 and in the nine months ended December 31, 2021, respectively and represented 0.78%, 0.72%, 0.70% and 0.79%, respectively, of our total income, in the same periods. Our fee and commission based activities include distribution of third party insurance, mutual fund products and issuance of FASTags. Further, as part of our growth strategy, we intend to focus on increasing our non-interest income by focusing on bancassurance, micro-insurance, fee and processing charges from loan and advances, and distribution of mutual fund products. New initiatives, products and services entail a number of risks and challenges, including risks relating to execution, the failure to identify new segments, the inability to attract customers and the inability to make competitive offerings. If we are unable to successfully diversify our products and services while managing the related risks and challenges, returns on such products and services may be less than anticipated, which may materially and adversely affect our business, financial condition, results of operations and cash flows.

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

We have obtained insurance to cover certain risks associated with our business. These include combined fire and burglary policy, all risk policy for laptop, cyber risk policy, banker indemnity policy, commercial general liability insurance, and directors' and officers' liability policy. The total gross fixed assets and total assets of the Bank as of December 31, 2021 amounted to ₹ 635.69 crores and ₹ 25,261.34 crores, respectively, out of which ₹ 421.00 crores worth of fixed assets were covered by the Bank's insurance cover. Consequently, the Bank's insurance cover for fixed assets as a percentage of its total gross fixed assets and as a percentage of its total assets as of December 31, 2021 was 66.23% and 1.67% respectively. We cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition.

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

The success of our business operations is dependent in part on our ability to retain our senior management team and key managerial personnel. We believe that the inputs and experience of our senior management, in particular, and other key personnel are valuable for the development of our business and operations and the strategic directions taken by our Bank. For further information on our key managerial personnel, see "*Board of Directors and Senior Management*" on page 391. Our ability to sustain our growth depends upon our ability to attract and retain key personnel, developing managerial experience to address emerging business and operating challenges and ensuring a high standard of customer service. We cannot assure you that these individuals or any other member of our senior management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all. We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Bank. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations, financial condition and cash flows. Additionally, the RBI reserves the right under the Banking Regulation

Act to remove managerial persons from office and/ or supersede the Board in order to protect interests of depositors of our Bank.

Hiring and retaining personnel qualified and experienced in credit-appraisal and asset valuation, is difficult. We may also face attrition of our existing workforce as a result of increased competition or other factors relating to our businesses. For instance, the attrition rate with respect to our Key Managerial Personnel in Fiscal 2019, 2020 and 2021 and in the nine months ended December 31, 2021, was 6.06%, 18.75%, 18.75% and 12.90%, respectively, calculated for each period by dividing the number of resignations during such period by the average of number of Key Managerial Personnel as of the first day and last day of such period. For further information on changes in the Bank's Key Managerial Personnel, see "*Board of Directors and Senior Management*" on page 391.

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

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

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

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

We are engaged in used and new commercial vehicle financing across various states in India, and as of December 31, 2021, advances to this segment represented 24.61% of our Gross Advances (including IBPC issued) as of such date. Any regulation passed by either the central Government or any of the state Governments, or any orders of judiciary to ban the sale of a particular segment of vehicles or impose additional taxes on any particular segment of vehicles, could lead to a decline in the sales of such vehicles and also in the value of such vehicles held as collateral. For example, the Supreme Court of India imposed a ban on the sale of vehicles not complying with Bharat Emission Standards IV. Such regulatory amendments or orders of the judiciary may lead to a decline in our disbursements and adversely affect our business, results of operations and prospects.

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

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

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

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

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. As our operations are highly decentralized and involve deploying loan officers in various regions, we are particularly vulnerable to risks of loan officers being influenced by various factors, including personal gain. See " – *Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position*" on page 52. Further, given the high volume of transactions that we handle on a day to day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence on automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

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

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. In Fiscal 2021, 65 cases of fraud involving ₹ 14.35 crores, and during the nine months ended December 31, 2021, 42 cases of fraud involving ₹ 1.25 crores, were reported to the RBI. For further information, see "*Legal Proceedings*" on page 446.

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

As of December 31, 2021, we had the following contingent liabilities as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, which have not been provided for:

Particulars	**As of December 31, 2021 (₹ crores)**
Claims against the Bank not acknowledged as debts	
(a) Service tax	2.70
(b) Provident Fund*	-
(c) Income Tax	-
(d) Others	2.48
Guarantees given on behalf of constituents in India	11.12
Total	**16.30**

Note:
** There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. We have made a provision on a retrospective basis from the date of inception of the Bank. Accordingly, during the year ended March 31, 2019, based on internal computation, we have provided ₹5.50 crores towards provident fund and interest thereon at simple rate of interest in terms of the provisions of section 7Q of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. We will update this provision, on receiving further clarity on the subject.*

For further information on our contingent liabilities as per AS 29 – Provisions, Contingent Liabilities and Contingent Assets, specified under Section 133 of Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, see "*Financial*

Information" on page 81. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

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

As of December 31, 2021, we had 17,509 employees. Although we have not experienced any material labour unrest until the date of this Preliminary Placement Document, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. Any labour unrest directed against us could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. These actions are impossible for us to predict or control and could adversely affect our business, results of operations, financial condition and cash flows. Further, recently, the Supreme Court changed the method of calculating the contribution towards provident fund of an employee which is expected to result in greater provident fund deductions and lower take home salary for employees as well as an increase in employer's share of contributions towards provident fund to the employees' account. This change in method of computation may expose us to greater scrutiny, inspections and potential penalties for non-payment of contributions on allowances. While we believe that the relationship with our employees has generally been good, there can be no assurance that we will continue to have such a relationship in the future, and that there will not be significant strikes or disputes with employees that could affect our operations in future.

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

We have not paid any dividends on our Equity Shares since commencing our banking operations. The Board pursuant to a resolution dated May 4, 2017 recommended a dividend payment up to 35% of the net profits of the Bank for Fiscal 2017 (translating to a dividend of ₹0.36 per Equity Share). However, the resolution was withdrawn with the unanimous consent of the Shareholders, in the absence of RBI approval on or prior to the date of the AGM, i.e., June 23, 2017. The amount of our future dividend payments, if any, will be at the discretion of the Board and guidelines as may be prescribed by the RBI from time to time (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005) and will depend upon our dividend distribution policy, our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements. There can be no assurance that we will be able to pay dividends in the future. There can be no assurance that we will be able to pay dividends in the future. For further information on our dividend policy, see "*Dividends*" on page 80.

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

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

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

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

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

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

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

Certain of our Key Managerial Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Certain Key Managerial Personnel may be deemed to be interested to the extent of their shareholding in our Bank. We cannot assure you that our Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further information, see "*Board of Directors and Senior Management*" on page 391.

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

We have entered into various transactions with related parties, including provision of staff loans, reimbursement of expenses and remuneration to key managerial personnel.

Further, the percentage of the aggregate value of such related party transactions (income and expenses) to our total income in Fiscal 2019, 2020, 2021 and in the nine months ended December 31, 2021 was 1.05%, 1.08%, 1.00% and 0.67%, respectively. Further, the percentage of the aggregate value of such related party transactions (assets and liabilities) to our total assets in Fiscal 2019, 2020, and 2021 and in the nine months ended December 31, 2021, was 6.77%, 1.99%, 7.39% and 3.12%, respectively.

We cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. It is likely that we may enter into related party transactions in the future. Although going forward, all related party transactions that we may enter into, will be subject to board or shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition, cash flows and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties. Such related party transactions may potentially involve conflicts of interest. For further information, see "*Related Party Transactions"* on page 37.

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

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

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

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

53. We will continue to be controlled by our Promoter immediately after the completion of the Issue.

As of the date of this Preliminary Placement Document, our Promoter holds 81.30% of the issued, subscribed and paid-up Equity Share capital of our Bank. Upon completion of the Issue, our Promoter will hold [●]% of our Equity Share capital, and public shareholders will hold [●]% of our Equity Share capital. As per applicable law, our Promoter's voting rights in the Bank will be capped to 26% of the total voting rights of the Bank (i.e., the maximum voting rights permitted to be exercised by any shareholder in a banking company) and the public shareholders will in the aggregate be entitled to exercise [●]% of the voting rights in Bank subject to applicable law. For further information, see "*Capital Structure*" on page 77. Our Promoter will therefore, be able to control the outcome of matters submitted to our Board or Shareholders for approval. After the Issue, our Promoter will continue to exercise significant control or influence over our business and major policy decisions. Accordingly, the interests of our Promoter in capacity of Shareholders of our Bank may conflict with your interests and the interest of other shareholders of our Bank.

Further, our Bank proposes to enter into a scheme of amalgamation ("**Proposed Scheme of Amalgamation**") for the proposed acquisition and amalgamation of our Promoter, EHL into our Bank along with their respective shareholders, in accordance with sections 230 to 232 of the Companies Act, 2013. Pursuant to the resolution dated July 26, 2021 our Bank intimated the Stock Exchanges of the intention to entering into the Scheme of Amalgamation. Subsequently, SEBI vide its letter dated October 8, 2021 ("**Exemption**") relaxed the three-year minimum promoter lock-in requirements under Regulation 16(1) of the SEBI ICDR, to facilitate the Proposed Scheme of Amalgamation. This Exemption is subject to the approvals of the Stock Exchanges and the period of exemption is from the final approval of the Proposed Scheme of Amalgamation by the NCLT upto October 28, 2023. Our Bank proposes to file the Proposed Scheme of Amalgamation with the NCLT upon completion of the Issue and subject to the approval of the Stock Exchanges and the RBI.

54. ***Industry information included in this Preliminary Placement Document has been derived from numerous sources. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.***

Statistical and industry data used throughout this Preliminary Placement Document has been obtained from various government and industry publications. While we believe that the information contained has been obtained from sources that are reliable, the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result, data from other market sources may not be comparable. The extent to which the market and industry data presented in this Preliminary Placement Document is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Preliminary Placement Document. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

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

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

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

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

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

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

External Risk Factors

57. Political instability or changes in the Government or in the government of the states where we operate or significant changes in the liberalization polices or the conditions of the Indian economy could adversely affect our business.

The regulatory and policy environment in which we operate is evolving and subject to change. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Further, our business is also affected by regulations and conditions in the various states in India where we operate. Our businesses, and the market price and liquidity of our securities, may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in or affecting India. In recent years, India has been following a course of economic liberalization and our business could be significantly influenced by economic policies followed by the Government.

The Government of India has implemented two major reforms in Indian tax laws, namely the goods and services tax ("GST") and provisions relating to General Anti-Avoidance Rules ("**GAAR**"). Given the recent implementation of these laws, there can be no assurances as to the manner in which this tax regime will be implemented, which could create uncertainty. Any of the above events may result in an adverse effect on our business, financial condition, results of operations and/or prospects. Tax authorities in India may also introduce additional or new regulations applicable to our business, which could adversely affect our business and profitability.

However, we cannot assure you that such policies will continue in the future. Corruption in government departments, scandals and protests against certain economic reforms, which have occurred in the past, could slow the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting companies in the road infrastructure sector, foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalization and deregulation policies, in particular those relating to the businesses in which we operate, could disrupt business and economic conditions in India generally and our business, prospects, financial condition and results of operations.

58. Force majeure events, terrorist attacks or war or conflicts involving India, China, the United States or other countries could adversely affect the financial markets and adversely affect our business, prospects, financial condition and results of operations.

Any major hostilities involving India, China, the United States or other countries or other acts of violence including civil unrest or terrorist attacks, or events that are beyond our control, could have an adverse effect on the operations of services provided in India. Acts of violence may adversely affect global equity markets as well as the Indian economy and stock markets where our Equity Shares will trade. Such acts will negatively affect business sentiment as well as trade between countries, which could adversely affect our business, prospects, financial condition and results of operations. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business, prospects, financial condition and results of operations. Military activity or terrorist attacks could adversely affect the Indian economy by disrupting communications and making travel more difficult. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have an adverse effect on the market for securities of Indian companies, including the Equity Shares, and on the market for our services.

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

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

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

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

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

The regulatory and policy environment in which we operate is evolving and is subject to change. The Government may implement new laws or other regulations and policies that could affect the banking sector, which could lead to new compliance requirements, including requiring us to obtain approvals and licenses from the Government and other regulatory bodies, or impose onerous requirements. New compliance requirements could increase our costs or otherwise adversely affect our business, financial condition and results of operations. Further, the manner in which new requirements will be enforced or interpreted can lead to uncertainty in our operations and could adversely affect our operations. In addition, changes in accounting standards applicable to us may adversely impact our profitability or balance sheet. Any changes to such laws or accounting standards may adversely affect our business, financial condition, results of operations, cash flows and prospects.

For instance, the Taxation Laws (Amendment) Act, 2019, a tax legislation issued by India's Ministry of Finance effective as of September 20, 2019, prescribes certain changes to the income tax rate applicable to companies in India. According to this legislation, companies can henceforth voluntarily opt in favour of a concessional tax regime (subject to no other special benefits/exemptions being claimed), which reduces the rate of income tax payable to 22% subject to compliance with conditions prescribed, from the erstwhile 25% or 30% depending upon the total turnover or gross receipt in the relevant period. Any such future amendments may affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability. Moreover, while we are and will continue to adhere to the GST rules and regulations, there can be no assurance that our relevant counterparties will do so.

Further, the Government of India has announced the union budget for the Fiscal 2022, pursuant to which the Finance Bill, 2021 ("**Finance Bill**") has introduced various amendments. The Finance Bill has received assent from the President of India on March 28, 2021, and has been enacted as the Finance Act, 2021 ("**Finance Act**"). We have not fully determined the impact of these recent and proposed laws and regulations on our business. We cannot predict whether any amendments made pursuant to the Finance Act would have an adverse effect on our business, financial condition and results of operations. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals. The Finance Act has also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of securities through stock exchanges will be on the buyer, while in other cases of transfer of consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures, on a delivery basis is specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount.

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. While the rules for implementation under these codes have not been notified, we are yet to determine the impact of all or some such laws on our business and operations which may restrict our ability to grow our business in the future. 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. The Social Security Code has introduced the concept of workers outside traditional employer-employee work-arrangements (including online and digital platforms), such as 'gig workers' and 'platform workers' and provides for the mandatory registration of such workers in order to enable these workers to avail benefits of, among others, life and disability cover, health and maternity benefits and old age protection, under schemes framed under the Social Security Code from time to time. The Social Security Code also provides that such schemes may, inter alia, be partly funded by contributions from online platforms. Further, the Wages Code limits the amounts that may be excluded from being accounted toward employment benefits (such as gratuity and maternity benefits) to a maximum of 50% of the wages payable to employees. The implementation of such laws have the ability to increase our employee and labour costs, thereby adversely impacting our results of operations, cash flows, business and financial performance.

We have not fully determined the impact of these recent and proposed laws and regulations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, 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 impact the viability of our current business or restrict our ability to grow our business in the future. Any increase in the compliance requirements as result of a change in law, regulation or policy, may require us to divert additional resources, including management time and costs towards such increased compliance requirements. Additionally, our management may be required to divert substantial time and effort towards meeting such enhanced compliance requirements and may be unable to devote adequate time and efforts towards our business, which may have an adverse effect on our future business, prospects, financial condition and results of operations. Further, if we are affected, directly or indirectly, by the application or interpretation of any provision of such laws and regulations or any related proceedings, or are required to bear any costs in order to comply with such provisions or to defend such proceedings, our business and financial performance may be adversely affected.

There can be no guarantee that we will be able to comply with any increased or more stringent regulatory requirements, in part or at all. Failure to comply with such further regulatory requirements could lead to regulatory actions, including penalties, which may have an adverse effect on our future business, prospects, financial condition, cash flows and results of operations.

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

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

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

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

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

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

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

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

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

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

66. Indian economy has had sustained periods of high inflation. If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate in order to pass costs on to our customers and our profits might decline.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are an SFB incorporated under the laws of India. Our Bank's assets are located in India and all of our Bank's Directors and Key Managerial Personnel are residents of India. The enforcement of civil liabilities by overseas investors in the Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that the Bank is incorporated under the laws of the Republic of India and all of its executive officers and directors reside in India. As a result, it may be difficult to enforce the service of process upon the Bank and any of these persons outside of India or to enforce outside of India, judgments obtained against the Bank and these persons in courts outside of India. For further details, see "*Enforcement of Civil Liabilities*" on page 14.

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

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

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

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

Risks Relating to the Equity Shares

74. ***Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade. Further, the prospective investors will not be able to immediately sell their Equity Shares on the Stock Exchange, which could expose them to market risk.***

Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade. Investors can start trading the Equity Shares Allotted to them only after they have been credited to an investor's demat account, are listed and permitted to be traded. Since our Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same.

75. ***Any future issuance of the Equity Shares or sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.***

A future issuance of Equity Shares by us, including pursuant to ESFB ESOP Plan 2019 or the Proposed Scheme of Amalgamation, may dilute your shareholding in our Bank. Moreover, any significant disposal of Equity Shares by any of our significant shareholders, or the perception that such sales will occur, may affect the trading price of our Equity Shares. As a publicly traded company, there is no restriction on our shareholders to dispose of a part or the entirety of their shareholding in our Bank, which could lead to a negative sentiment in the market regarding us that could in turn impact the value of the Equity Shares, and could impact our ability to raise capital through an offering of our securities. There can be no assurance that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge, or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Further, we cannot assure you that the Bank will not issue Equity Shares at a price lower than the Issue Price at a later date.

76. ***Foreign investors are subject to foreign investment restrictions under Indian law that limit our Bank's ability to attract foreign investors, which may adversely affect the market price of the Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of shares of our Bank between non-residents and residents and issuances of shares to non-residents by our Bank are freely permitted (subject to certain exceptions), subject to compliance with certain applicable pricing and reporting requirements. If such issuances or transfers of shares are not in compliance with such requirements or fall under any of the specified exceptions, then prior approval of the RBI will be required.

Additionally, the Government of India may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Government of India experiences extreme difficulty in stabilising the balance of payments, or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Government of India's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms, or at all.

77. ***Investors may be subject to Indian taxes arising out of capital gains or stamp duty.***

Under current Indian tax laws, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company is 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 realized on the sale of listed equity shares 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 realized 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 the sale of shares of an Indian company.

Further, the Finance Act, 2020 ("**Finance Act 2020**"), passed by the Parliament of India, stipulates the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 has 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 2020 at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have come into effect from July 1, 2020. Under the Finance Act 2020, any dividends paid by an Indian company will be subject to tax in the hands of the shareholders at applicable rates. Such taxes will be withheld by the Indian company paying dividends. The Government of India announced the union budget for Fiscal 2022, following which the Finance Bill, 2021 ("**Finance Bill**") was introduced in the Lok Sabha on February 1, 2021. Subsequently, the Finance Bill received assent of the President of India on March 28, 2021 and became the Finance Act, 2021 ("**Finance Act 2021**"). There is no certainty on the impact of Finance Act 2021 on tax laws or other regulations, which may adversely effect the Bank's business, financial condition, results of operations or on the industry in which we operate. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

78. *Investors may be restricted in their ability to exercise pre-emptive rights under Indian law and may be adversely affected by future dilution of their ownership position.*

Under the Companies Act, 2013, any company incorporated in India must offer its holders of 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 shares 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 us 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 we make such a filing. We 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, your proportional interests in us would be reduced.

79. *Bidders to the Issue are not allowed to withdraw or revise their Bids downwards after the Issue Closing Date.*

In terms of the SEBI ICDR Regulations, Bidders in the Issue are not allowed to withdraw or revise their Bids downwards after the Issue Closing Date. The Allotment of Equity Shares in this Issue and the credit of such Equity Shares to the Bidder's demat account with the depository participant could take approximately seven days and up to ten days from the Issue Closing Date. However, there is no assurance that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation or financial condition, or other events affecting the Bidder's decision to invest in the Equity Shares, would not arise between the Issue Closing Date and the date of Allotment of Equity Shares in the Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of the Equity Shares. The Bidders shall not have the right to withdraw or revise their Bids downwards in the event of any such occurrence. The Bank may complete the Allotment of the Equity Shares even if such events may limit the Bidders' ability to sell the Equity Shares after the Issue or cause the trading price of the Equity Shares to decline.

80. *Your ability to acquire and sell Equity Shares is restricted by the distribution and transfer restrictions set forth in this Preliminary Placement Document and the Preliminary Placement Document.*

No actions have been taken to permit a public offering of the Equity Shares in any jurisdiction, including India. As such, the Equity Shares have not and will not be registered under the U.S. Securities Act, any state securities laws or the laws of any other jurisdiction. Furthermore, the Equity Shares are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions, which are set forth in this Preliminary Placement Document under the heading "*Selling Restrictions*" on page 425. We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with the restrictions set forth herein.

81. *An investor will not be able to sell any of the Equity Shares other than on a recognized Indian stock exchange for a period of 12 months from the date of this Issue.*

Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the Allotment of the Equity Shares in this Issue, Eligible QIBs subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. We cannot be certain that these restrictions will not have an impact on the price of the Equity Shares. Further, Allotments made to certain categories of Eligible QIBs in the Issue are subject to the rules and regulations that are applicable to them. This may affect the liquidity of the Equity Shares purchased by such investors and it is uncertain whether these restrictions will adversely impact the market price of the Equity Shares purchased by investors.

82. *The price of the Equity Shares may be volatile and the Issue Price may not be indicative of the market price of the Equity Shares after the Issue.*

The Issue Price may not be indicative of the market price for the Equity Shares after the Issue. The market price of the Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to this Issue.

The trading price of the Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the automobile industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of the Equity Shares.

MARKET PRICE INFORMATION

As on the date of this Preliminary Placement Document, 1,14,87,60,276 Equity Shares are issued, subscribed and fully paid up. The Equity Shares have been listed and are available for trading on BSE and NSE.

On February 11, 2022, the closing price of the Equity Shares on BSE and NSE was ₹56.30 and ₹56.45 per Equity Share, respectively. Since the Equity Shares are available for trading on BSE and NSE, the market price and other information for each of BSE and NSE has been given separately.

A. The following tables set out the reported high, low and average of the closing prices of our Equity Shares on the NSE and the BSE and number of Equity Shares traded on the days on which such high and low prices were recorded for Fiscal 2021:

NSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity Shares traded on date of low (₹ in crore)	Average price for the year (₹)	Total Volume of Equity Shares traded in the fiscal	Total Turnover of Equity Shares traded in the fiscal (₹ in crore)
Fiscal 2021*	63.50	March 5, 2021	1,66,56,263	108.11	32.65	November 9, 2020	43,23,953	14.25	42.97	24,67,52,486	1,040.22

**Our Bank was listed on the Stock Exchanges on November 2, 2020.*
(Source: www.nseindia.com)

1. High, low and average prices are based on the daily closing prices.
2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

BSE

Fiscal	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity Shares traded on date of low (₹ in crore)	Average price for the year (₹)	Total Volume of Equity Shares traded in the fiscal	Total Turnover of Equity Shares traded in the fiscal (₹ in crore)
Fiscal 2021*	63.50	March 5, 2021	13,37,135	8.66	32.65	November 9, 2020	7,48,724	2.47	42.97	3,31,70,089	135.85

** Our Bank was listed on the Stock Exchanges on November 2, 2020*
(Source: www.bseindia.com)

1. High, low and average prices are based on the daily closing prices.
2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

B. The following tables set out the reported high and low closing prices of our Equity Shares recorded on the NSE and the BSE and the number of Equity Shares traded on the days on which such high and low prices were recorded and the volume of Equity Shares traded in each of the last six months preceding this Preliminary Placement Document:

NSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity Shares traded on date of low (₹ in crore)	Average price for the month (₹)	Equity Shares traded in the month	
										Volume	Turnover (₹ in crore)
January, 2022	59.50	January 3, 2022	4,31,603	2.58	53.15	January 24, 2022	6,93,795	3.71	57.00	1,35,01,796	77.43
December, 2021	62.65	December 13, 2021	4,91,829	3.10	58.85	December 28, 2021	4,43,795	2.63	60.75	86,80,624	52.81
November 2021	65.80	November 25, 2021	23,06,843	15.27	60.30	November 30, 2021	31,55,250	19.20	63.71	2,45,08,222	155.98
October 2021	68.65	October 11, 2021	42,00,500	28.42	61.60	October 1, 2021	3,61,732	2.23	65.61	3,12,70,744	208.14
September 2021	62.75	September 29, 2021	7,70,977	4.80	58.75	September 8, 2021	8,71,373	5.11	60.50	2,58,56,879	157.04
August 2021	62.85	August 16, 2021	14,25,881	8.89	57.15	August 11, 2021	8,12,467	4.63	59.77	2,12,90,044	128.49

(Source: www.nseindia.com)

1. High, low and average prices are based on the daily closing prices.
2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

BSE

Month	High (₹)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity Shares traded on date of high (₹ in crore)	Low (₹)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity Shares traded on date of low (₹ in crore)	Average price for the month (₹)	Equity Shares traded in the month	
										Volume	Turnover (₹ in crore)
January, 2022	59.55	January 3, 2022	6,1351	0.37	53.15	January 24, 2022	6,2479	0.33	57.09	17,74,480	10.19
December, 2021	62.65	December 13, 2021	66,073	0.42	58.75	December 28, 2021	34,856	0.21	60.75	9,78,088	5.95
November 2021	65.75	November 25, 2021	2,71,202	1.80	59.55	November 30, 2021	1,13,963	0.70	63.61	17,23,855	10.98
October 2021	68.60	October 11, 2021	3,23,150	2.18	61.65	October 1, 2021	20,620	0.13	65.62	31,09,313	20.59
September 2021	62.70	September 29, 2021	1,86,028	1.16	58.85	September 8, 2021	97,513	0.57	60.47	92,66,120	56.05
August 2021	62.80	August 16, 2021	40,40,778	25.40	57.25	August 11, 2021	2,24,267	1.27	59.78	67,48,862	41.58

(Source: www.bseindia.com)

1. High, low and average prices are based on the daily closing prices.
2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.
3. In case of two days with the same high or low price, the date with the higher volume has been chosen.

C. The following table sets forth the market price on the Stock Exchanges on October 19, 2021 the first working day following the approval of our Board for the Issue:

BSE						NSE					
Open (₹)	High (₹)	Low (₹)	Close (₹)	Number of Equity Shares traded	Volume (₹ in crore)	Open (₹)	High (₹)	Low (₹)	Close (₹)	Number of Equity Shares traded	Volume (₹ in crore)
67.50	67.80	64.40	65.20	3,58,962	2.38	67.75	67.75	64.25	65.20	11,33,013	7.50

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The total gross proceeds from the Issue shall be approximately ₹ [●] crore.

The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, are expected to be approximately ₹ [●] crore (the "**Net Proceeds**").

Purpose of the Issue

Our Bank intends to use the Net Proceeds for augmenting our Bank's Tier I capital base to meet our Bank's future capital requirements as may be deemed appropriate by our Board in its discretion. Subject to compliance with applicable laws and regulations, our Bank intends to achieve the minimum public shareholding requirement under the SCRR through this Issue.

In accordance with applicable laws, we undertake to not utilize proceeds from the Issue unless Allotment is made and the corresponding return of Allotment is filed with the RoC, and the final listing and trading approvals are received from each of the Stock Exchanges, whichever is later.

Other confirmation

As permissible under applicable laws, our management will have flexibility in deploying the Net Proceeds received by our Bank from the Issue.

Neither our Promoter nor the Directors are making any contribution either as part of the Issue or separately in furtherance of the objects of the Issue.

Since, the Net Proceeds of the Issue are proposed to be utilised towards the purposes set forth above, and not for implementing any specific project, the following disclosure requirement under the SEBI Regulations are not applicable: (i) break-up of cost of the project, (ii) means of financing such project, and (iii) proposed deployment status of the proceeds at each stage of the project.

The Issue is being undertaken for the purpose of achieving the minimum public shareholding requirements prescribed under the SCRR in accordance with applicable laws. For details see "*Organizational Structure*" on page 389 and "*Risk Factors – Our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Preliminary Placement Document, except for the Issue and intimating the Stock Exchange of the intention to enter into the Proposed Scheme of Amalgamation, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required*." on page 40.

CAPITALISATION STATEMENT

The following table sets forth our capitalisation statement as at December 31, 2021 derived from the Unaudited Condensed Interim Financial Statements and as adjusted to give effect to the receipt of the gross proceeds of the Issue. This table should be read in conjunction with the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Information*" on pages 277 and 81, respectively:

(in ₹ crore)

Particulars	Pre-Issue as at December 31, 2021	As adjusted for the proposed Issue*
Borrowings		
Borrowings in India (A)	-	[●]
- Reserve Bank of India	-	[●]
- Other banks	30	[●]
- Other institutions and agencies	2,755.30	[●]
- Tier II Capital (Non-convertible debentures)	0	[●]
- Bonds and Debentures (excluding subordinated debt)	-	[●]
Borrowings outside India (B)	-	[●]
Total Borrowings (C=A+B)	2,785.30	[●]
Capital and Reserves and Surplus		
Capital	1,147.89	[●]
Total Capital (D)	1,147.89	[●]
Reserves and surplus		
- Statutory reserve	333.72	[●]
- Capital reserve	36.94	[●]
- Share premium account	944.94	[●]
- Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961	18.16	[●]
- Revenue and Other reserves	25.44	[●]
- Investment Reserve	2.30	[●]
- Investment Fluctuation Reserve	13.18	[●]
- Share Based Reserve	0.66	[●]
- Balance in Surplus in Profit and Loss account	1,059.46	[●]
Total (E)	2,434.79	[●]
Total Capital & Reserves and Surplus (F=D+E)	3,582.68	[●]
Total Borrowings/ Total Capital & Reserves and Surplus(G = C/F)	0.78	[●]

* *To be updated upon finalisation of the Issue Price.*

CAPITAL STRUCTURE

The share capital of our Bank as on the date of this Preliminary Placement Document is set forth below:

(In ₹ crore, except share data)

	Particulars	Aggregate value at face value (except for securities premium account)
A	**AUTHORIZED SHARE CAPITAL**	
	1,70,00,00,000 Equity Shares of ₹10 each	1,700.00
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**	
	1,14,87,60,276 Equity Shares of ₹ 10 each	1,148.76
C	**PRESENT ISSUE IN TERMS OF THIS PRELIMINARY PLACEMENT DOCUMENT**	
	Up to [●] Equity Shares of ₹10 each aggregating up to ₹ [●] crore(1)(2)	[●]
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**	
	[●] Equity Shares of ₹10 each (2)	[●]
E	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue(3)	946.68
	After the Issue(2)	[●]

(1) *The Issue has been authorised by our Board pursuant to a resolution dated October 18, 2021 and by our shareholders on November 28, 2021 by way of a postal ballot, the results of which were declared on November 29, 2021.*

(2) *To be determined upon finalisation of the Issue Price.*

(3) *As on the date of the Preliminary Placement Document.*

Equity Share Capital History of our Bank

The history of the equity share capital of our Bank is set forth below:

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares
June 25, 1993	20	100	100	Cash	Initial subscription to MoA	20
November 26, 1993	7,290	100	100	Cash	Preferential Allotment	7,310
December 8, 1993	52	100	100	Cash	Preferential Allotment	7,362
January 15, 1994	2,638	100	100	Cash	Preferential Allotment	10,000
August 8, 1994	5,150	100	100	Cash	Preferential Allotment	15,150
August 19, 1995	9,850	100	100	Cash	Preferential Allotment	25,000
February 3, 1996	5,000	100	100	Cash	Preferential Allotment	30,000
August 31, 1996	6,000	100	100	Cash	Preferential Allotment	36,000
February 7, 1997	500	100	100	Cash	Preferential Allotment	36,500
March 25, 1998	5,000	100	100	Cash	Preferential Allotment	41,500
October 10, 1998	86	100	100	Cash	Preferential Allotment	41,586
March 28, 2001	3,414	100	100	Cash	Preferential Allotment	45,000
March 31, 2007	10,000	100	100	Cash	Rights issue of equity shares	55,000
March 31, 2011	5,00,000	100	100	Cash	Allotment	5,55,000
June 20, 2011	Subdivision of the face value of Equity Shares from ₹100 each to ₹10 each					55,50,000
June 29, 2011	1,50,00,000	10	10	Cash	Allotment	2,05,50,000
October 4, 2011	2,00,00,000	10	10	Cash	Allotment	4,05,50,000
January 27, 2012	1,00,00,000	10	10	Cash	Allotment	5,05,50,000
March 12, 2012	1,00,00,000	10	10	Cash	Allotment	6,05,50,000
October 16, 2012	9,09,10,000	10	11	Cash	Allotment	15,14,60,000
December 27, 2013	8,92,40,000	10	14	Cash	Allotment	24,07,00,000

Date of allotment#	Number of Equity Shares allotted	Face value per Equity Share (₹)	Offer price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares
November 21, 2014	18,23,00,000	10	16.45	Cash	Allotment of Equity Shares on rights basis	42,30,00,000
April 21, 2016	11,92,05,300	10	24.16	Cash	Rights issue of Equity Shares	54,22,05,300
January 31, 2017	46,37,38,063	10	N.A.	Other than cash	Allotment of Equity Shares pursuant to the Amalgamation Scheme	1,00,59,43,363
December 11, 2019	4,74,58,239	10	52.68	Cash	Private placement	1,05,34,01,602
October 28, 2020	8,48,48,484	10	33	Cash	Allotment pursuant to the initial public offering	1,13,82,50,086
February 10, 2021	3,27,184	10	27	Cash	Allotment under the ESFB ESOP Plan 2019	1,13,85,77,270
Allotments in the one year immediately preceding this Preliminary Placement Document						
February 25, 2021	4,80,187	10	27	Cash	Allotment under the ESFB ESOP Plan 2019	1,13,90,57,457
March 20, 2021	2,12,439 8,354	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,13,92,69,896
April 27, 2021	7,24,703 38,750	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,00,41,703
May 26, 2021	22,03,779 22,429	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,22,67,911
June 19, 2021	1,60,243 20,349	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,24,48,503
July 28, 2021	4,31,352 22,027	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,29,01,882
August 22, 2021	15,94,831 85,244	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,45,81,957
September 28, 2021	5,69,397 39,815	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,51,91,169
October 15, 2021	6,63,576 1,57,462	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,60,12,207
November 29, 2021	6,27,273 4,87,491	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,71,26,971
December 23, 2021	5,39,194 2,23,124	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,78,89,289
January 29, 2022	3,61,085 1,08,554	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,83,58,928
February 9, 2022	2,69,614 1,31,734	10	27 38	Cash	Allotment under the ESFB ESOP Plan 2019	1,14,87,60,276

#Records of form filings with the RoC in relation to the allotments made by our Bank from the date of incorporation till March 30, 2007 are not traceable. For details see "Risk Factors – The Erstwhile NBFC (now, the Bank) was incorporated in 1993 and we are unable to trace some of its historical records. We cannot assure you that no legal proceedings or regulatory actions will be initiated against our Bank in the future in relation to the missing filings and corporate records, which may impact our financial condition and reputation." on page 54..

No change in control in our Bank will occur consequent to the Issue.

Except as stated in *"—Equity Share Capital History of our Bank*" above, our Bank has not made any allotment of Equity Shares in the one year immediately preceding the date of filing of this Preliminary Placement Document.

Employee stock option scheme

As on the date of this Preliminary Placement Document, our Bank has a subsisting employees' stock option scheme, the ESFB Employees Stock Option Scheme, 2019 ("**ESFB ESOP Plan 2019**"). Our Bank, pursuant to the resolutions passed by the Board and the Shareholders of the Bank on January 31, 2019, adopted the ESFB ESOP Plan 2019. Our Bank has amended the ESFB ESOP Plan 2019 pursuant to the resolutions of the Board and Shareholders of our Bank dated November 7, 2019 and November 22, 2019, respectively. Pursuant to a resolution of the shareholders passed on February 8, 2021, by way of a postal ballot ratified ESFB Employee Stock Option, 2019. The ESFB ESOP Plan 2019 has been subsequently amended for compliance with the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Bank may grant an aggregate number of up to 11,00,00,000 employee stock options under the ESFB ESOP Plan 2019. Upon exercise and payment of the exercise price, the option holder will be entitled to be allotted one Equity Share per employee stock option.

Accordingly, the number of Equity Shares that may be issued under the ESFB ESOP Plan 2019 shall not exceed 11,00,00,000 Equity Shares.

The details of the stock options outstanding under the ESFB ESOP Plan 2019 as of the date of the Preliminary Placement Document are as follows:

Details	Number of Stock Options
Options granted	5,92,65,390
Options vested	2,45,45,964
Options exercised	1,05,10,190
Options lapsed/forfeited	98,74,173
Options cancelled	-
Total options outstanding	6,06,08,783

Proposed Allottees in the Issue

In compliance with the requirements of Chapter VI of the SEBI ICDR Regulations, Allotment shall be made by our Bank, in consultation with the Book Running Lead Managers, to Eligible QIBs only, on a discretionary basis. For further details, see "*Proposed Allottees*" on page 456.

Pre-Issue and post-Issue shareholding pattern

The pre-Issue and post-Issue shareholding pattern of our Bank is set forth below.

S. No.	Category	Pre-Issue^		Post-Issue*	
		No. of Equity Shares held	% of shareholding	No. of Equity Shares held	% of shareholding
1.	**Promoter's holding**				
1.	Indian				
	Individual	-	-	[●]	[●]
	Bodies corporate	93,39,43,363	81.30	[●]	[●]
	Sub-total	93,39,43,363	81.30	[●]	[●]
2.	Foreign	-	-	[●]	[●]
	Sub-total (A)	93,39,43,363	81.30	[●]	[●]
2.	**Non – Promoter's holding**				
1.	Institutional Investors	15,45,93,248	13.46	[●]	[●]
2.	Non-Institutional Investors	-	-	[●]	[●]
	Private corporate bodies	14,17,377	0.12	[●]	[●]
	Directors and relatives	-	-	[●]	[●]
	Indian public	5,70,39,699	4.97	[●]	[●]
	Others including Non-resident Indians (NRIs)	17,66,589	0.15	[●]	[●]
	Sub-total (B)	21,48,16,913	18.70	[●]	[●]
	Grand Total (A+B)	1,14,87,60,276	100.00	[●]	[●]

^ *Based on beneficiary position data of our Bank as on February 11, 2022.*

* ***Note:*** *The details of the post-Issue shareholding pattern have been intentionally left blank and will be filled in before filing of the Placement Document with the Stock Exchanges.*

Other confirmations

Except as disclosed in "- *Equity Share Capital History of our Bank*" on page 77, our Bank has not allotted securities on a preferential basis or on a private placement basis or by way of rights issue in the last one year preceding the date of this Preliminary Placement Document.

Our Bank has not made any allotments for consideration other than cash, in the last one year preceding the date of this Preliminary Placement Document.

DIVIDENDS

The declaration and payment of dividends will be recommended by the Board and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder (including RBI circular DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005) ("**RBI Dividend Circular**"), the Articles of Association and other applicable law, including the Companies Act, 2013. Our Board has approved and adopted a formal dividend distribution policy on November 22, 2019 in terms of Regulation 43A of the SEBI Listing Regulations. For further information, see "*Description of the Equity Shares*" on page 438.

The quantum of dividend to be distributed, if any, will depend on a number of factors, including but not limited to internal parameters such as (i) distributable profits; (ii) need to conserve adequate resources for future business and operational growth and capital requirements; (iii) maintaining stable dividend pay-out over the years; (iv) quantum of cash to be preserved for exigencies and contingencies; and (v) avenues for better utilisation and external parameters such as (i) regulatory framework defined by RBI/SEBI/Companies Act, 2013; (ii) general economic scenario, both domestic and global; and (iii) practices adopted by industry and peer group companies and any other applicable criteria from the legal or regulatory framework applicable to our Bank. Dividend, if declared, will be paid annually within 30 days of the AGM declaring such dividend. The Board may, at its discretion (i) pay interim dividend based on estimated profits for the Fiscal; (ii) pay special dividends on any special occasion; or (iii) increase or decrease pay-out ratio, subject to the parameters specified hereinabove.

Our Bank has not declared any dividends on Equity Shares for Fiscal 2019 and Fiscal 2020.

RBI, pursuant to a circular DOR.BP.BC.No.64/21.02.067/2019-20 dated April 17, 2020 read with circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020, has directed that banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020 in order to conserve capital to retain their capacity to support the economy and absorb losses in an environment of heightened uncertainty caused by COVID-19. Accordingly, our Bank has not declared any dividend for Fiscal 2020. Further, vide a circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021, RBI partially modified the instructions contained in the RBI Dividend Circular, allowing the banks to pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in the RBI Dividend Circular.

Our Bank has not declared any dividends on Equity Shares for the Fiscal 2021 or the nine month period ended December 31, 2021. Further, our Bank has not declared any dividend from January 1, 2022 till the date of this Preliminary Placement Document.

FINANCIAL INFORMATION

EQUITAS SMALL FINANCE BANK LIMITED

CIN: L65191TN1993PLC025280

[Subsidiary of Equitas Holdings Limited]

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

Website: www.equitasbank.com

1. Statement of Unaudited Financial Results for the quarter and Nine months ended December 31, 2021

(₹ in Lakh)

	Particulars	Quarter ended			Nine months ended		Year ended
		31-Dec-21	30-Sep-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Mar-21
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Interest Earned (a)+(b)+(c)	90,089.42	84,357.66	85,722.75	2,56,343.99	2,37,607.96	3,19,441.32
	(a) Interest / discount on advances / bills	81,918.30	76,650.81	77,284.89	2,32,784.48	2,16,445.20	2,90,082.90
	(b) Income on investments	6,364.29	5,963.85	6,023.83	18,005.76	16,079.17	21,938.47
	(c) Interest on balances with Reserve Bank of India and other inter bank funds	1,806.83	1,743.00	2,414.03	5,553.75	5,083.59	7,419.95
2	Other Income	13,411.50	15,211.76	15,452.61	38,981.08	23,965.88	41,805.47
3	**Total Income (1)+(2)**	**1,03,500.92**	**99,569.42**	**1,01,175.36**	**2,95,325.07**	**2,61,573.84**	**3,61,246.79**
4	Interest Expended	36,008.02	35,974.95	37,336.61	1,07,776.09	1,02,668.89	1,39,645.29
5	Operating Expenses (i)+(ii)	45,021.81	43,701.07	35,513.12	1,28,744.88	95,230.54	1,32,942.86
	(i) Employees Cost	24,043.35	22,754.09	20,493.64	68,962.83	58,721.17	79,144.96
	(ii) Other Operating Expenses	20,978.46	20,946.98	15,019.48	59,782.05	36,509.37	53,797.90
6	**Total Expenditure (4)+(5) (excluding provisions & contingencies)**	**81,029.83**	**79,676.02**	**72,849.73**	**2,36,520.97**	**1,97,899.43**	**2,72,588.15**
7	Operating Profit before Provisions & Contingencies (3)-(6)	22,471.09	19,893.40	28,325.63	58,804.10	63,674.41	88,658.64
8	Provisions (other than tax) and Contingencies	7,840.45	14,211.02	13,430.20	37,066.32	27,833.73	37,531.96
9	Exceptional Items	-	-	-	-	-	-
10	**Profit from Ordinary Activities before tax (7)-(8)-(9)**	**14,630.64**	**5,682.38**	**14,895.43**	**21,737.78**	**35,840.68**	**51,126.68**
11	Tax Expense	3,820.14	1,563.18	3,825.92	5,615.49	8,705.23	12,704.36
12	**Net Profit from Ordinary Activities after tax (10)-(11)**	**10,810.50**	**4,119.20**	**11,069.51**	**16,122.29**	**27,135.45**	**38,422.32**
13	Extraordinary Items (net of Tax Expense)	-	-	-	-	-	-
14	**Net Profit for the Period / Year (12)-(13)**	**10,810.50**	**4,119.20**	**11,069.51**	**16,122.29**	**27,135.45**	**38,422.32**
15	Paid-up Equity Share Capital (Face Value of ₹ 10/- each)	1,14,788.93	1,14,519.12	1,13,825.01	1,14,788.93	1,13,825.01	1,13,927.83
16	Reserves excluding Revaluation Reserves						2,25,706.28
17	**Analytical Ratios and other disclosures:**						
	(i) Percentage of Shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
	(ii) Capital Adequacy Ratio (%)- Basel-II (Refer note 7)	21.91%	22.21%	21.58%	21.91%	21.58%	24.18%
	(iii) Earnings Per Share (EPS) - (Face Value of ₹ 10/- each) - Basic EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.94	0.36	0.99	1.41	2.53	3.53
	- Diluted EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.93	0.36	0.99	1.39	2.51	3.49
	(iv) NPA Ratio						
	(a) Gross NPAs	86,381.78	88,082.54	38,759.95	86,381.78	38,759.95	64,278.42
	(b) Net NPAs	45,942.46	43,964.00	11,185.58	45,942.46	11,185.58	26,617.46
	(c) % of Gross NPA to Gross Advances	4.61%	4.82%	2.27%	4.61%	2.27%	3.73%
	(d) % of Net NPA to Net Advances	2.51%	2.46%	0.67%	2.51%	0.67%	1.58%
	(v) Return on Assets (average)- not annualised	0.41%	0.16%	0.44%	0.62%	1.21%	1.65%
	(vi) Net worth (excluding Revaluation Reserve & Intangibles)	3,32,515.55	3,19,455.73	3,04,685.82	3,32,515.55	3,04,685.82	3,17,578.12
	(vii) Outstanding redeemable preference shares	-	-	-	-	-	-
	(viii) Capital redemption reserve	-	-	-	-	-	-
	(ix) Debt-equity ratio $	0.46	0.56	0.85	0.46	0.85	0.74
	(x) Total debts to total assets @	11.03%	12.16%	20.76%	11.03%	20.76%	16.86%
	$ Debt represents borrowings with residual maturity of more than one year.						
	@ Total debts represents total borrowings of the Bank.						

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

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

(₹ in Lakh)

Sl No	Particulars	Quarter ended			Nine months ended		Year ended
		31-Dec-21	30-Sep-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Mar-21
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Segment revenue**						
a)	Treasury	10,075.97	9,522.51	14,748.51	28,745.86	26,911.39	39,811.89
b)	Retail Banking	89,512.19	85,782.85	82,036.42	2,55,169.22	2,22,524.86	3,05,303.23
c)	Wholesale Banking	2,242.32	2,512.64	2,484.54	7,291.45	7,706.02	9,954.49
d)	Other Banking operations	1,670.44	1,751.42	1,905.89	4,118.54	4,431.57	6,177.18
e)	Unallocated	-	-	-	-	-	-
	Less: Inter segment revenue	-	-	-	-	-	-
	Income from operations	**1,03,500.92**	**99,569.42**	**1,01,175.36**	**2,95,325.07**	**2,61,573.84**	**3,61,246.79**
2	**Segment results**						
a)	Treasury	5,702.25	4,726.63	11,938.04	15,004.98	17,538.84	27,361.26
b)	Retail Banking	8,621.88	934.87	2,279.79	6,621.75	16,145.77	20,936.25
c)	Wholesale Banking	201.41	568.39	207.71	792.16	1,206.40	1,568.18
d)	Other Banking operations	1,457.53	1,316.99	1,108.51	3,432.26	2,279.13	3,281.96
e)	Unallocated	(1,352.43)	(1,864.50)	(638.62)	(4,113.37)	(1,329.46)	(2,020.97)
	Total Profit before Tax	**14,630.64**	**5,682.38**	**14,895.43**	**21,737.78**	**35,840.68**	**51,126.68**
3	**Segment assets**						
a)	Treasury	5,42,629.92	3,99,242.42	4,12,263.83	5,42,629.92	4,12,263.83	4,21,997.41
b)	Retail Banking	18,51,949.34	20,30,436.61	19,86,713.54	18,51,949.34	19,86,713.54	19,20,389.26
c)	Wholesale Banking	1,09,378.98	1,22,029.99	1,21,219.70	1,09,378.98	1,21,219.70	1,13,138.96
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	22,175.84	23,062.08	16,699.03	22,175.84	16,699.03	15,321.84
	Total	**25,26,134.08**	**25,74,771.10**	**25,36,896.10**	**25,26,134.08**	**25,36,896.10**	**24,70,847.47**
4	**Segment liabilities**						
a)	Treasury	4,63,937.02	3,44,107.19	3,61,262.51	4,63,937.02	3,61,262.51	3,65,996.80
b)	Retail Banking	16,08,304.49	17,76,862.11	17,40,382.69	16,08,304.49	17,40,382.69	16,65,456.95
c)	Wholesale Banking	94,220.86	1,05,923.38	1,06,223.56	94,220.86	1,06,223.56	98,125.00
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	1,403.32	1,274.35	950.56	1,403.32	950.56	1,634.61
	Total	**21,67,865.69**	**22,28,167.03**	**22,08,819.32**	**21,67,865.69**	**22,08,819.32**	**21,31,213.36**
5	**Capital Employed [Segment Assets-Segment Liabilities]**						
a)	Treasury	78,692.90	55,135.23	51,001.32	78,692.90	51,001.32	56,000.61
b)	Retail Banking	2,43,644.85	2,53,574.50	2,46,330.85	2,43,644.85	2,46,330.85	2,54,932.31
c)	Wholesale Banking	15,158.12	16,106.61	14,996.14	15,158.12	14,996.14	15,013.96
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	20,772.52	21,787.73	15,748.47	20,772.52	15,748.47	13,687.23
	Total	**3,58,268.39**	**3,46,604.07**	**3,28,076.78**	**3,58,268.39**	**3,28,076.78**	**3,39,634.11**

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

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Notes

3 The above unaudited financial results (along with the notes given below) hereafter " Statement" of Equitas Small Finance Bank Limited ("Bank" or "ESFBL") for the quarter and Nine months period ended December 31, 2021 were reviewed by the Audit Committee at their meeting held on January 27, 2022 and approved by the Board of Directors at their meeting held on January 28, 2022 and have been subjected to a limited review by the statutory auditors of the Bank (T R Chadha & Co LLP, Chartered Accountants and Varma & Varma, Chartered Accountants). The report thereon is unmodified.

4 The above financial results of the Bank have been prepared in accordance with the Banking Regulation Act, 1949, generally accepted accounting principles in India, including Accounting Standards as prescribed under section 133 of the Companies Act, 2013, Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the guidelines issued by the Reserve Bank of India (RBI).

5 The Bank has applied its significant accounting policies in the preparation of these financial results that are consistent with those followed in the annual financial statements for the year ended March 31, 2021.

6 The Reserve Bank of India, vide its clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors /Chief Executive Officers / Material Risk Takers and Control Function Staff, advised all the banks that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ended March 31, 2021. Accordingly, the Bank has recognised expenses related to instruments granted after March 31, 2021 in respect of Whole Time Directors /Chief Executive Officers / Material Risk Takers. The fair value of stock options is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period. 'Employee cost' for Nine months period ended December 31, 2021 is higher by ₹66.38 lakhs with a consequent reduction in profit after tax by the said amount.

7 The Capital adequacy ratio ("CAR") of the Bank has been computed as per applicable Basel II requirements in accordance with RBI Master Circular No.DBOD.BP.BC.9/21.06.001/2013-14 dated 1 July 2013, on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF).

8 RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments' requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on the Bank's website at the following link: https://ir.equitasbank.com/reports-and-presentations/.html. These disclosures have not been subjected to audit or limited review.

9 The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on July 26, 2021 approved a Scheme of Amalgamation between EHL, ESFBL and their respective shareholders, contemplating amalgamation of EHL with ESFBL under applicable provisions of the Companies Act 2013. The Scheme seeks to achieve the RBI licensing requirement of dilution of promoter shareholding in the Bank, in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, their respective shareholders or any other stakeholders. The Scheme, when implemented, will also enable ESFBL to meet the minimum public shareholding requirement prescribed by SEBI Regulations.

Upon coming into effect of this Scheme and in consideration of the amalgamation of EHL with ESFBL, ESFBL, without any further application, act or deed, shall issue and allot to each of the equity shareholders of EHL as on the Record Date defined in the Scheme, 226 equity Shares of ₹10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹10/- each fully paid up held by them in EHL.

Subsequently, the Board of Directors of the Bank in the Meeting on October 18, 2021 has approved meeting the Minimum Public Shareholding (MPS) requirements stipulated by SEBI by raising a sum not exceeding ₹ 1,000 Crore (including premium) through Qualified Institutions Placement (QIP) of equity shares. The Scheme of Amalgamation would be suitably amended post completion of QIP. Necessary approvals from regulatory and statutory authorities would be obtained for the Scheme as would then be amended.

10 The COVID-19 pandemic (declared as such by the World Health Organisation on March 11,2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict nation-wide lockdown in India in march 2020 to contain the spread of the virus. Subsequently, while the national lockdown was lifted, regional post COVID-19 disruptions continue in many parts of the country. The world is now experiencing another outbreak on account of new coronavirus variant and as a precautionary measure India has started to re-impose localised / regional restrictions.

The impact of Covid 19 coupled with change in customer behaviour and pandemic scare has led to significant disruptions and dislocations for individuals and businesses, with consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. The full extent of impact of the COVID-19 pandemic, on the Bank's operations, and financial metrics (including impact on provisioning on advances) is uncertain as on date and will depend on future developments, including new information on severity of the new and evolving virus variants, government and regulatory guidelines, resilience of customers to bounce back and their behaviour patterns, which are uncertain and incapable of estimation at this time.

11 (i) Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated May 5, 2021 are given below:

(Amount in ₹ crore except number of accounts)

Particulars	Individual Borrowers		Small Businesses
	Personal Loans	Business Loan	
(A) Number of requests received for invoking resolution process under Part A	190	1,67,927	121
(B) Number of accounts where resolution plan has been implemented under this window	190	1,67,906	121
(C) Exposure to accounts mentioned at (B) before implementation of the plan	18.21	1,371.11	15.48
(D) Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E) Additional funding sanctioned, if any, including between invocation of the plan and implementation		39.44	-
(F) Increase in provisions on account of the implementation of the resolution plan	0.41	64.30	0.38

Number of requests under (A) includes requests received as of September 30, 2021 processed subsequently. Number of accounts under (B) is in respect of requests received for invoking resolution process

(ii) There were 1988 borrower accounts having an aggregate exposure of ₹ 140.41 crores to the Bank, where resolution plans had been Implemented under RBI's Resolution Framework 1.0 dated August 6, 2020 and now modified under RBI's Resolution Framework 2.0 dated May 5, 2021.

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

12 Details of loans transferred / acquired during the quarter ended December 31, 2021 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 are given below:

(i) The Bank has not transferred any non-performing assets (NPAs).

(ii) The Bank has not transferred any Special Mention Account (SMA) and loan not in default.

(iii) The Bank has not acquired any loans not in default through assignment.

(iv) The Bank has not acquired any stressed loan.

13 The Honourable Supreme Court of India (Hon' ble SC), vide an interim order dated September 3, 2020, had directed that accounts which were not declared NPA till August 31 , 2020 shall not be declared as NPA till further orders, which has been complied with by the Bank. The said interim order stood vacated on March 23, 2021 and the Bank continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms. In view of this, the results for the Nine months period ended December 2021 may not be comparable with the corresponding Nine months period ended December 2020 .

14 The Bank has granted 64,76,457 options under the ESFB Employees Stock Option Scheme 2019 (ESFB ESOP Scheme) to eligible employees of the Bank as defined during the Nine months period ended December 31,2021. Out of total 5,75,79,901 options granted till December 31,2021, 2,39,16,103 Options were vested and 93,79,411 options were lapsed, and 1,46,45,184 options are yet to be vested.

15 The Bank, during the Nine months period ended December 31,2021 has allotted 86,11,039 equity shares of ₹ 10/- each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the ESFB ESOP Scheme

16 During the quarter ended December 31, 2021, The Bank has realised ₹ 7.60 Crore from sale of Priority Sector Lending Certificates ('PSLC').The same is amortised on a straight-line basis over the tenor of the certificate. The Bank has recognised ₹ 5.73 Crore as income during the period ended December 31, 2021 and has deferred ₹ 1.87 Crore of PSLC fee income.

17 Other Income includes fees earned from providing services to customers, Interchange fee income, selling of third-party products, profit on sale of investments (net), profit on sale of Priority Sector Lending Certificates, and recoveries from accounts previously written off.

18 Previous period's / year's figures have been regrouped / reclassified, where necessary to conform to current period's classification and also the amounts / ratios for the previous period / year have been regrouped / reclassified pursuant to the requirement of Master Direction on financial results - Presentation and disclosure issued by Reserve Bank of India dated August 30, 2021 (updated as on November 15, 2021), as amended and wherever considered necessary.

For Equitas Small Finance Bank Limited

Place: Chennai
Date : January 28, 2022

P N Vasudevan
Managing Director and Chief Executive Officer

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Chartered Accountants
Door No. 5D, V Floor,
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Varma & Varma
Chartered Accountants
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Independent Auditors Review Report on the unaudited quarterly financial results and year to date financial results of Equitas Small Finance Bank Limited pursuant to Regulation 33 & Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

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

1. We have reviewed the accompanying statement of unaudited financial results of Equitas Small Finance Bank Limited **("the Bank")** for the quarter ended 31st December 2021 and year to date results for the period from 1st April 2021 to 31st December 2021 ('the Statement') attached herewith, being submitted by the Bank pursuant to the requirements of Regulation 33 & Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations"), except for the disclosures relating to 'Pillar 3 disclosure under Basel III Capital Regulations as at December 31, 2021, including Leverage Ratio and Liquidity Coverage Ratio under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid financial results and have not been reviewed by us.

2. This statement is the responsibility of the Bank's Management and has been approved by the Bank's Board of Directors. This statement has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, (AS 25) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time ('the RBI Guidelines') and other recognized accounting principles generally accepted in India. Our responsibility is to issue a report on the statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results including notes thereon prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 & Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended including the manner in which it is to be disclosed, or that it contains any material misstatement or that it has not been prepared in accordance with the relevant prudential norms issued by the Reserve Bank of India in respect of income recognition, asset classification, provisioning and other related matters, except for the

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disclosures relating to 'Pillar 3 disclosure under Basel III Capital Regulations as at December 31, 2021, including Leverage Ratio and Liquidity Coverage Ratio under Capital Adequacy and Liquidity Standards issued by Reserve Bank of India ('RBI') as have been disclosed on the Bank's website and in respect of which a link has been provided in the aforesaid financial results and have not been reviewed by us.

Emphasis of Matter

5. We draw attention to Note 10 to the statement which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and that its possible consequential implications, if any, on the Bank's operations and financial results are dependent on future developments, which are highly uncertain.

   Our conclusion is not modified with regard to this matter.

Other Matter

6. The review of unaudited financial results for the quarter/ Nine Months ended 31st December 2020 and audit of financial results for the year ended 31st March 2021 included in the Statement were conducted by M/s T R Chadha & Co LLP Chartered Accountants, the statutory auditors of the bank, who had expressed an unmodified conclusion/ opinion, as the case may be, on those financial results. Accordingly, we M/s Varma & Varma, Chartered Accountants, do not express any conclusion/ opinion, as the case maybe, on these figures reported in the Statement as above.

   Our conclusion is not modified in respect of above matter.

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

SHESHU SAMUDRALA Digitally signed by SHESHU SAMUDRALA Date: 2022.01.28 18:24:16 +05'30'

Sheshu Samudrala
Partner
ICAI Membership No. 235031
UDIN: 22235031AAAAAH6995

Place: Chennai
Date: 28.01.2022

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

POONJAR RAMA PRASANNA VARMA Digitally signed by POONJAR RAMA PRASANNA VARMA Date: 2022.01.28 18:28:52 +05'30'

P R Prasanna Varma
Partner
ICAI Membership No. 25854
UDIN: 22025854AAAAAF9307

Place: Chennai
Date:28.01.2022

T R Chadha & Co LLP
Chartered Accountants
Door No. 5D, V Floor,
Mount Chambers
758, Anna Salai
Chennai - 600 002, Tamil Nadu

Varma & Varma
Chartered Accountants
Sreela Terrace, Level 4, Unit -D
105, 1st Main Road,
Gandhi Nagar Adyar
Chennai - 600 020, Tamil Nadu

REVIEW REPORT ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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

1. We have reviewed the accompanying Unaudited Condensed Interim Financial Statements which comprises Unaudited Condensed Interim Balance Sheet as at December 31, 2021, the Unaudited Condensed Interim Statement of Profit and Loss for the three months and nine months period ended December 31, 2021, Unaudited Condensed Interim Cash Flow Statement and selected explanatory notes for the nine months period ended December 31, 2021 (hereinafter referred as "the Unaudited Condensed Interim Financial Statements") of Equitas Small Finance Bank Limited **("the Bank"),** attached herewith, which has been prepared for use in connection with the proposed Qualified Institutions Placement (QIP) of Equity Shares of the Bank, as stated in Note No. 1 to the Unaudited Condensed Interim Financial Statements.

2. These Unaudited Condensed Interim Financial Statements are the responsibility of the Bank's Management and has been approved by the Bank's Board of Directors. These Unaudited Condensed Interim Financial Statements have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard 25, (AS 25) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by Reserve Bank of India from time to time ('the RBI Guidelines') and other recognized accounting principles generally accepted in India. Our responsibility is to issue a report on the statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ('SRE') 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

4. Based on our review conducted as above nothing has come to our attention that causes us to believe that the Unaudited Interim Condensed Financial Statements are not prepared, in all material respect, in accordance with the Generally Accepted Accounting Principles.

Emphasis of Matter

5. We draw attention to **Note 8** to the Unaudited Condensed Interim Financial Statements which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and that its possible consequential implications, if any, on the Bank's operations and financial results are dependent on future developments, which are highly uncertain.

   Our conclusion is not modified with regard to this matter.

T R Chadha & Co LLP
Chartered Accountants
Door No. 5D, V Floor,
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758, Anna Salai
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Varma & Varma
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105, 1st Main Road,
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Chennai - 600 020, Tamil Nadu

Other Matters

6. The review of unaudited financial results for the quarter/ Nine Months ended 31st December 2020 and audit of financial results for the year ended 31st March 2021 included in the Unaudited Condensed Interim Financial Statements were conducted by M/s T R Chadha & Co LLP Chartered Accountants, the statutory auditors of the bank, who had expressed an unmodified conclusion/ opinion, as the case may be, on those financial results. Accordingly, we M/s Varma & Varma, Chartered Accountants, do not express any conclusion/ opinion, as the case maybe, on these figures reported in the Statement as above. Our conclusion is not modified in respect of above matter.

7. This report is furnished solely for use in connection with the proposed Qualified Institutions Placement (QIP) of Equity Shares of the Bank and is not to be used for any other purpose or referred to in any document or distributed to anyone.

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

SHESHU SAMUDRALA
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Date: 2022.02.14 17:30:42 +05'30'

Sheshu Samudrala
Partner
ICAI Membership No. 235031
UDIN: 22235031ACCWUY2956

Place: Chennai
Date: 14.02.2022

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

POONJAR RAMA PRASANNA VARMA
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Date: 2022.02.14 17:35:58 +05'30'

P R Prasanna Varma
Partner
ICAI Membership No. 25854
UDIN: 22025854ACCJXY5981

Place: Chennai
Date: 14.02.2022

EQUITAS SMALL FINANCE BANK LIMITED

CIN: L65191TN1993PLC025280

[Subsidiary of Equitas Holdings Limited]

UNAUDITED CONDENSED INTERIM BALANCE SHEET AS ON DECEMBER 31, 2021

(₹ in Lakh)

SI No	Particulars	As at 31-Dec-21 Unaudited	As at 31-Mar-21 Audited
	CAPITAL AND LIABILITIES		
1	Capital	1,14,788.93	1,13,927.83
2	Reserves and Surplus	2,43,479.46	2,25,706.28
3	Deposits	17,88,364.12	16,39,197.17
4	Borrowings	2,78,530.00	4,16,532.00
5	Other Liabilities and Provisions	1,00,971.57	75,484.19
	Total Liabilities	**25,26,134.08**	**24,70,847.47**
	ASSETS		
6	Cash and Balances With Reserve Bank of India	76,581.34	51,480.80
7	Balances With Banks and Money At Call and Short Notice	37,235.55	2,86,390.44
8	Investments	4,92,261.97	3,70,516.61
9	Advances	18,31,490.55	16,84,818.91
10	Fixed Assets	18,557.46	18,505.00
11	Other Assets	70,007.21	59,135.71
	Total Assets	**25,26,134.08**	**24,70,847.47**
	Contingent Liabilities	1728.93	1250.61

EQUITAS SMALL FINANCE BANK LTD., CHENNAI 600 002

UNAUDITED CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2021

(₹ in Lakh)

	Particulars	Quarter ended			Nine months ended		Year ended
		31-Dec-21	30-Sep-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Mar-21
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Interest Earned (a)+(b)+(c)	90,089.42	84,357.66	85,722.75	2,56,343.99	2,37,607.96	3,19,441.32
	(a) Interest / discount on advances / bills	81,918.30	76,650.81	77,284.89	2,32,784.48	2,16,445.20	2,90,082.90
	(b) Income on Investments	6,364.29	5,963.85	6,023.83	18,005.76	16,079.17	21,938.47
	(c) Interest on balances with Reserve Bank of India and other inter bank funds	1,806.83	1,743.00	2,414.03	5,553.75	5,083.59	7,419.95
2	Other Income	13,411.50	15,211.76	15,452.61	38,981.08	23,965.88	41,805.47
3	**Total Income (1)+(2)**	**1,03,500.92**	**99,569.42**	**1,01,175.36**	**2,95,325.07**	**2,61,573.84**	**3,61,246.79**
4	Interest Expended	36,008.02	35,974.95	37,336.61	1,07,776.09	1,02,668.89	1,39,645.29
5	Operating Expenses (i)+(ii)	45,021.81	43,701.07	35,513.12	1,28,744.88	95,230.54	1,32,942.86
	(i) Employees Cost	24,043.35	22,754.09	20,493.64	68,962.83	58,721.17	79,144.96
	(ii) Other Operating Expenses	20,978.46	20,946.98	15,019.48	59,782.05	36,509.37	53,797.90
6	**Total Expenditure (4)+(5) (excluding provisions & contingencies)**	**81,029.83**	**79,676.02**	**72,849.73**	**2,36,520.97**	**1,97,899.43**	**2,72,588.15**
7	Operating Profit before Provisions & Contingencies (3)-(6)	22,471.09	19,893.40	28,325.63	58,804.10	63,674.41	88,658.64
8	Provisions (other than tax) and Contingencies	7,840.45	14,211.02	13,430.20	37,066.32	27,833.73	37,531.96
9	Exceptional Items	-	-	-	-	-	-
10	**Profit from Ordinary Activities before tax (7)-(8)-(9)**	**14,630.64**	**5,682.38**	**14,895.43**	**21,737.78**	**35,840.68**	**51,126.68**
11	Tax Expense	3,820.14	1,563.18	3,825.92	5,615.49	8,705.23	12,704.36
12	**Net Profit from Ordinary Activities after tax (10)-(11)**	**10,810.50**	**4,119.20**	**11,069.51**	**16,122.29**	**27,135.45**	**38,422.32**
13	Extraordinary Items (net of Tax Expense)	-	-	-	-	-	-
14	**Net Profit for the Period / Year (12)-(13)**	**10,810.50**	**4,119.20**	**11,069.51**	**16,122.29**	**27,135.45**	**38,422.32**
15	Paid-up Equity Share Capital (Face Value of ₹ 10/- each)	1,14,788.93	1,14,519.12	1,13,825.01	1,14,788.93	1,13,825.01	1,13,927.83
16	Reserves excluding Revaluation Reserves						2,25,706.28
17	**Analytical Ratios and other disclosures:**						
	(i) Percentage of Shares held by Government of India	Nil	Nil	Nil	Nil	Nil	Nil
	(ii) Capital Adequacy Ratio (%)- Basel-II (Refer note 5)	21.91%	22.21%	21.58%	21.91%	21.58%	24.18%
	(iii) Earnings Per Share (EPS) - (Face Value of ₹ 10/- each) - Basic EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.94	0.36	0.99	1.41	2.53	3.53
	- Diluted EPS (₹) before & after extraordinary items (net of tax expense) - not annualised	0.93	0.36	0.99	1.39	2.51	3.49
	(iv) NPA Ratio						
	(a) Gross NPAs	86,381.78	88,082.54	38,759.95	86,381.78	38,759.95	64,278.42
	(b) Net NPAs	45,942.46	43,964.00	11,185.58	45,942.46	11,185.58	26,617.46
	(c) % of Gross NPA to Gross Advances	4.61%	4.82%	2.27%	4.61%	2.27%	3.73%
	(d) % of Net NPA to Net Advances	2.51%	2.46%	0.67%	2.51%	0.67%	1.58%
	(v) Return on Assets (average)- not annualised	0.41%	0.16%	0.44%	0.62%	1.21%	1.65%
	(vi) Net worth (excluding Revaluation Reserve & Intangibles)	3,32,515.55	3,19,455.73	3,04,685.82	3,32,515.55	3,04,685.82	3,17,578.12
	(vii) Outstanding redeemable preference shares	-	-	-	-	-	-
	(viii) Capital redemption reserve	-	-	-	-	-	-
	(ix) Debt-equity ratio $	0.46	0.56	0.85	0.46	0.85	0.74
	(x) Total debts to total assets @	11.03%	12.16%	20.76%	11.03%	20.76%	16.86%

$ Debt represents borrowings with residual maturity of more than one year.

@ Total debts represents total borrowings of the Bank.

EQUITAS SMALL FINANCE BANK LTD.
CHENNAI
600 002

UNAUDITED CONDENSED INTERIM STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED DECEMBER 31,2021

(₹ in Lakh)

Particulars	Nine Months ended	Nine Months ended
	31-Dec-21	31-Dec-20
	Unaudited	Unaudited
Cash Flow from Operating activities		
Profit Before Tax	**21,737.78**	**35,840.68**
Adjustments for		
Depreciation on fixed assets	5,781.57	5,701.55
Depreciation on investments	276.86	-
Amortization on held to maturity securities	1,619.85	712.27
Provision for standard assets	17,319.35	1,436.32
General Provision under COVID-19 – Regulatory Package	-	(4,262.00)
Bad debts written off	16,876.34	3,996.49
Provision for Non performing assets	2,778.35	8,703.58
Other Provision and Contingencies	92.28	17,955.27
(Profit) / Loss on sale of fixed assets	26.58	(1.64)
Interest expenses on borrowings	24,211.43	36,251.33
Interest income on bank balances not considered as cash and cash equivalents	(189.02)	(19.61)
ESOP Expenses	66.38	-
Dividend Income	(40.28)	-
	90,557.47	**1,06,314.24**
Adjustments for		
(Increase)/Decrease in investments	(1,23,642.07)	(1,43,012.86)
(Increase)/Decrease in advances	(1,66,326.35)	(3,19,613.33)
Increase/(Decrease) in deposits	1,49,166.95	5,07,368.39
(Increase)/Decrease in other assets	(3,342.30)	(6,065.62)
Increase/(Decrease) in other liabilities and provisions	9,210.00	16,161.02
Direct taxes paid	(13,104.40)	(12,457.51)
Net cash (used in)/ generated from operating activities (A)	**(57,480.70)**	**1,48,694.33**
Cash flow from investing activities		
Purchase of fixed assets	(5,987.44)	(3,267.21)
Proceeds from sale of fixed assets	126.83	89.54
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	-	450.07
Interest received from bank balances not considered as cash and cash equivalents	189.02	14.18
Net cash (used in) / generated from investing activities (B)	**(5,671.59)**	**(2,713.42)**

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

UNAUDITED CONDENSED INTERIM STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED DECEMBER 31,2021		(₹ in Lakh)
Particulars	Nine Months ended	Nine Months ended
	31-Dec-21	31-Dec-20
	Unaudited	Unaudited
Cash flow from financing activities		
Increase/(decrease) in borrowings (net)	(1,38,002.00)	13,156.96
Proceeds from issue of share capital (including share premium)	2,511.99	28,000.00
Share issue Expenses	-	(1,473.58)
Interest paid on borrowings	(25,412.05)	(33,959.25)
Net cash generated from / (used in) financing activities (C)	**(1,60,902.06)**	**5,724.13**
Net Increase /(decrease) in cash and cash equivalents (A)+(B)+(C)	**(2,24,054.35)**	**1,51,705.04**
Cash and Cash equivalents at beginning of the period /year	3,37,871.24	2,53,148.49
Cash and Cash equivalents at end of the period /year	**1,13,816.89**	**4,04,853.53**

Note: Cash and Cash equivalents comprise of cash on hand, Balances with Reserve Bank of India, Balance with Banks and money at call and short notice.

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

SELECTED EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR NINE MONTHS PERIOD ENDED DECEMBER 31, 2021

1 The unaudited financial results of Equitas Small Finance Bank Limited ("the Bank") for the quarter and nine months ended 31st December, 2021, prepared by the Bank pursuant to the requirements of Regulation 33 & Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations"), were reviewed by the Audit Committee at their meeting held on January 27, 2022 and approved by the Board of Directors at their meeting held on January 28, 2022 and were subjected to a limited review by the statutory auditors of the Bank (T R Chadha & Co LLP, Chartered Accountants and Varma & Varma, Chartered Accountants). The statutory auditors have expressed an unmodified conclusion on those unaudited financial results vide their limited review report dated 28th January, 2022.

These Unaudited Condensed Interim Financial Statements have been prepared for use in connection with the proposed Qualified Institutions Placement (QIP) of Equity Shares of the Bank. These Statements were approved by the Board of Directors in their meeting held on 14th February, 2022. There are no subsequent events between 28th January 2022 and 14th February, 2022 which materially affects the financial position of the Bank as at December 31, 2021.

2 The above Unaudited Condensed Interim Financial Statements are in accordance with the Banking Regulation Act, 1949, generally accepted accounting principles in India, including Accounting Standards as prescribed under section 133 of the Companies Act, 2013, Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the guidelines issued by the Reserve Bank of India (RBI).

3 The Bank has applied its significant accounting policies in the preparation of these financial results that are consistent with those followed in the annual financial statements for the year ended March 31, 2021.

4 The Reserve Bank of India, vide its clarification dated August 30, 2021 on Guidelines on Compensation of Whole Time Directors /Chief Executive Officers / Material Risk Takers and Control Function Staff, advised all the banks that the fair value of share-linked instruments on the date of grant should be recognised as an expense for all instruments granted after the accounting period ended March 31, 2021. Accordingly, the Bank has recognised expenses related to instruments granted after March 31, 2021 in respect of Whole Time Directors /Chief Executive Officers / Material Risk Takers. The fair value of stock options is estimated on the date of grant using Black-Scholes model and is recognised as compensation expense over the vesting period.On account of this, 'Employee cost' for Nine months period ended December 31, 2021 is higher by ₹66.38 lakhs with a consequent reduction in profit after tax by the said amount.

5 The Capital adequacy ratio ("CAR") of the Bank has been computed as per applicable Basel II requirements in accordance with RBI Master Circular No.DBOD.BP.BC.9/21.06.001/2013-14 dated 1 July 2013, on Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF).

6 RBI circular DBOD.No.BP.BC.1/21.06.201/2015-16 dated 1st July, 2015 on 'Basel III Capital Regulations' read together with the RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31st March, 2015 on 'Prudential Guidelines on Capital Adequacy and Liquidity Standards-Amendments' requires banks to make applicable Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel III Framework. These disclosures are available on the Bank's website at the following link: https://ir.equitasbank.com/reports-and-presentations/.html. These disclosures have not been subjected to audit or limited review.

7 The Board of Directors of Equitas Small Finance Bank Limited (ESFBL) and Equitas Holdings Limited (EHL) at their respective Meetings held on July 26, 2021 approved a Scheme of Amalgamation between EHL, ESFBL and their respective shareholders, contemplating amalgamation of EHL with ESFBL under applicable provisions of the Companies Act 2013. The Scheme seeks to achieve the RBI licensing requirement of dilution of promoter shareholding in the Bank, in a manner that is in the best interests of and without being prejudicial to EHL, ESFBL, their respective shareholders or any other stakeholders. The Scheme, when implemented, will also enable ESFBL to meet the minimum public shareholding requirement prescribed by SEBI Regulations.

Upon coming into effect of this Scheme and in consideration of the amalgamation of EHL with ESFBL, ESFBL, without any further application, act or deed, shall issue and allot to each of the equity shareholders of EHL as on the Record Date defined in the Scheme, 226 equity Shares of ₹10/- each credited as fully paid up of ESFBL, in respect of every 100 Equity Shares of ₹10/- each fully paid up held by them in EHL.

Subsequently, the Board of Directors of the Bank in the Meeting on October 18, 2021 has approved meeting the Minimum Public Shareholding (MPS) requirements stipulated by SEBI by raising a sum not exceeding ₹ 1,000 Crore (including premium) through Qualified Institutions Placement (QIP) of equity shares. The Scheme of Amalgamation would be suitably amended post completion of QIP. Necessary approvals from regulatory and statutory authorities would be obtained for the Scheme as would then be amended.

8 The COVID-19 pandemic (declared as such by the World Health Organisation on March 11,2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict nation-wide lockdown in India in March 2020 to contain the spread of the virus. Subsequently, while the national lockdown was lifted, regional post COVID-19 disruptions continue in many parts of the country. The world is now experiencing another outbreak on account of new coronavirus variant and as a precautionary measure India has started to re-impose localised / regional restrictions.

The impact of Covid 19 coupled with change in customer behaviour and pandemic scare has led to significant disruptions and dislocations for individuals and businesses, with consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. The full extent of impact of the COVID-19 pandemic, on the Bank's operations, and financial metrics (including impact on provisioning on advances) is uncertain as on date and will depend on future developments, including new information on severity of the new and evolving virus variants, government and regulatory guidelines, resilience of customers to bounce back and their behaviour patterns, which are uncertain and incapable of estimation at this time.

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

9 (i) Details of resolution plan implemented under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated May 5, 2021 are given below:

(Amount in ₹ crore except number of accounts)

Particulars	Individual Borrowers		Small Businesses
	Personal Loans	Business Loan	
(A) Number of requests received for invoking resolution process under Part A	190	1,67,927	121
(B) Number of accounts where resolution plan has been implemented under this window	190	1,67,906	121
(C) Exposure to accounts mentioned at (B) before implementation of the plan	18.21	1,371.11	15.48
(D) Of (C), aggregate amount of debt that was converted into other securities	-	-	-
(E) Additional funding sanctioned, if any, including between invocation of the plan and implementation	-	39.44	-
(F) Increase in provisions on account of the implementation of the resolution plan	0.41	64.30	0.38

Number of requests under (A) includes requests received as of September 30, 2021 processed subsequently. Number of accounts under (B) is in respect of requests received for invoking resolution process

(ii) There were 1988 borrower accounts having an aggregate exposure of ₹ 140.41 crores to the Bank, where resolution plans had been implemented under RBI's Resolution Framework 1.0 dated August 6, 2020 and now modified under RBI's Resolution Framework 2.0 dated May 5, 2021.

10 Details of loans transferred / acquired during the quarter ended December 31, 2021 under the RBI Master Direction on Transfer of Loan Exposures dated September 24, 2021 are given below:

(i) The Bank has not transferred any non-performing assets (NPAs).

(ii) The Bank has not transferred any Special Mention Account (SMA) and loan not in default.

(iii) The Bank has not acquired any loans not in default through assignment.

(iv) The Bank has not acquired any stressed loan.

11 The Honourable Supreme Court of India (Hon' ble SC), vide an interim order dated September 3, 2020, had directed that accounts which were not declared NPA till August 31 , 2020 shall not be declared as NPA till further orders, which has been complied with by the Bank. The said interim order stood vacated on March 23, 2021 and the Bank continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms. In view of this, the results for the Nine months period ended December 2021 may not be comparable with the corresponding Nine months period ended December 2020 .

12 The Bank has granted 64,76,457 options under the ESFB Employees Stock Option Scheme 2019 (ESFB ESOP Scheme) to eligible employees of the Bank as defined during the Nine months period ended December 31,2021. Out of total 5,75,79,901 options granted till December 31,2021, 2,39,16,103 Options were vested and 93,79,411 options were lapsed, and 1,46,45,184 options are yet to be vested.

13 The Bank, during the Nine months period ended December 31,2021 has allotted 86,11,039 equity shares of ₹ 10/- each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the ESFB ESOP Scheme

14 During the quarter ended December 31, 2021, The Bank has realised ₹ 7.60 Crore from sale of Priority Sector Lending Certificates ('PSLC').The same is amortised on a straight-line basis over the tenor of the certificate. The Bank has recognised ₹ 5.73 Crore as income during the period ended December 31, 2021 and has deferred ₹ 1.87 Crore of PSLC fee income.

15 Other Income includes fees earned from providing services to customers, Interchange fee income, selling of third-party products, profit on sale of investments (net), profit on sale of Priority Sector Lending Certificates, and recoveries from accounts previously written off.

EQUITAS SMALL FINANCE BANK LTD. CHENNAI 600 002

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

(₹ in Lakh)

Sl No	Particulars	Quarter ended			Nine months ended		Year ended
		31-Dec-21	30-Sep-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Mar-21
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Segment revenue**						
a)	Treasury	10,075.97	9,522.51	14,748.51	28,745.86	26,911.39	39,811.89
b)	Retail Banking	89,512.19	85,782.85	82,036.42	2,55,169.22	2,22,524.86	3,05,303.23
c)	Wholesale Banking	2,242.32	2,512.64	2,484.54	7,291.45	7,706.02	9,954.49
d)	Other Banking operations	1,670.44	1,751.42	1,905.89	4,118.54	4,431.57	6,177.18
e)	Unallocated	-	-	-	-	-	-
	Less: Inter segment revenue	-	-	-	-	-	-
	Income from operations	**1,03,500.92**	**99,569.42**	**1,01,175.36**	**2,95,325.07**	**2,61,573.84**	**3,61,246.79**
2	**Segment results**						
a)	Treasury	5,702.25	4,726.63	11,938.04	15,004.98	17,538.84	27,361.26
b)	Retail Banking	8,621.88	934.87	2,279.79	6,621.75	16,145.77	20,936.25
c)	Wholesale Banking	201.41	568.39	207.71	792.16	1,206.40	1,568.18
d)	Other Banking operations	1,457.53	1,316.99	1,108.51	3,432.26	2,279.13	3,281.96
e)	Unallocated	(1,352.43)	(1,864.50)	(638.62)	(4,113.37)	(1,329.46)	(2,020.97)
	Total Profit before Tax	**14,630.64**	**5,682.38**	**14,895.43**	**21,737.78**	**35,840.68**	**51,126.68**
3	**Segment assets**						
a)	Treasury	5,42,629.92	3,99,242.42	4,12,263.83	5,42,629.92	4,12,263.83	4,21,997.41
b)	Retail Banking	18,51,949.34	20,30,436.61	19,86,713.54	18,51,949.34	19,86,713.54	19,20,389.26
c)	Wholesale Banking	1,09,378.98	1,22,029.99	1,21,219.70	1,09,378.98	1,21,219.70	1,13,138.96
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	22,175.84	23,062.08	16,699.03	22,175.84	16,699.03	15,321.84
	Total	**25,26,134.08**	**25,74,771.10**	**25,36,896.10**	**25,26,134.08**	**25,36,896.10**	**24,70,847.47**
4	**Segment liabilities**						
a)	Treasury	4,63,937.02	3,44,107.19	3,61,262.51	4,63,937.02	3,61,262.51	3,65,996.80
b)	Retail Banking	16,08,304.49	17,76,862.11	17,40,382.69	16,08,304.49	17,40,382.69	16,65,456.95
c)	Wholesale Banking	94,220.86	1,05,923.38	1,06,223.56	94,220.86	1,06,223.56	98,125.00
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	1,403.32	1,274.35	950.56	1,403.32	950.56	1,634.61
	Total	**21,67,865.69**	**22,28,167.03**	**22,08,819.32**	**21,67,865.69**	**22,08,819.32**	**21,31,213.36**
5	**Capital Employed [Segment Assets-Segment Liabilities]**						
a)	Treasury	78,692.90	55,135.23	51,001.32	78,692.90	51,001.32	56,000.61
b)	Retail Banking	2,43,644.85	2,53,574.50	2,46,330.85	2,43,644.85	2,46,330.85	2,54,932.31
c)	Wholesale Banking	15,158.12	16,106.61	14,996.14	15,158.12	14,996.14	15,013.96
d)	Other Banking operations	-	-	-	-	-	-
e)	Unallocated	20,772.52	21,787.73	15,748.47	20,772.52	15,748.47	13,687.23
	Total	**3,58,268.39**	**3,46,604.07**	**3,28,076.78**	**3,58,268.39**	**3,28,076.78**	**3,39,634.11**

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

17 Previous period's / year's figures have been regrouped / reclassified, where necessary to conform to current period's classification and also the amounts / ratios for the previous period / year have been regrouped / reclassified pursuant to the requirement of Master Direction on financial results - Presentation and disclosure issued by Reserve Bank of India dated August 30, 2021 (updated as on November 15, 2021), as amended and wherever considered necessary.

For Equitas Small Finance Bank Limited

P N Vasudevan
Managing Director and Chief Executive Officer

Place: Chennai
Date: February 14, 2022

Independent Auditor's Report

To the Members of Equitas Small Finance Bank Limited

Report on the Audit of the Financial Statements

1. **Opinion**

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31 2021, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India ('RBI'), in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2021, and its profit and its cash flows for the year ended on that date.

2. **Basis for Opinion**

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

3. **Emphasis of Matter**

We draw attention to Schedule 17.2.2 to the accompanying financial statement which describes the extent to which the Covid -19 pandemic will continue to impact the Bank's operations and financial statements will depend on ongoing and future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

4. **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How our audit addressed the key audit matter
Identification of non-performing advances and provisioning for advances	
Advances form a material portion of the Bank's assets and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") and the specific guidelines relating to COVID-19 Regulatory Package issued by the Reserve Bank of India (RBI) which include rule-based and judgmental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/groups (including factors relating to economic stress arising out of the COVID-19 pandemic). Further, the classification of accounts were made standstill and no NPA was declared by the bank based on the Supreme Court decision upto the last week March 2021. In those cases, bank has made a stand still provision for the advances which otherwise may slipped into NPA. However, Supreme Court has lifted the standstill provision in the month of March 2021, and accordingly the bank has classified the advances and made provisions in line with IRAC norms.	We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRAC norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. We tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package). To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans as NPAs. We considered the special mention accounts ("SMA") reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning.

Further, during the year RBI has provided the Resolution Framework for COVID-19-related Stress. Based on which bank has also extended the resolution package to their customers who are in stress and restructured the few eligible customers.	We have also considered banks policies on the RBIs circular on Resolution Framework for COVID-19-related Stress dated 6th August 2020 and (MSME) sector – Restructuring of Advances dated 6th August 2020. We have verified the borrowers request letters on sample basis for the restructuring of accounts and also verified the process adopted by the bank in restructuring the same.
A matter of error or omission in the process of NPA identification, Restructuring of eligible accounts or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	Selected the borrowers based on quantitative and qualitative risk factors for their assessment of appropriate classification as NPA including computation of overdue ageing to assess its correct classification and provision amount as per extant IRAC norms and Bank policy. We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. We also read the RBI Annual Financial Inspection report for the financial year ended 31 March 2020 and other communication with the regulators.
Information Technology ("IT") Systems and Controls	
The IT environment of the Bank is complex and involves a large number of independent and interdependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank. There has been a major enhancement in the information technology (IT) infrastructure of the Bank in the current year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, changes in the technology environment have been carried out by the Bank.	For testing the IT general controls, application controls and IT dependent manual controls relevant for financial reporting, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank's IT systems. We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems that are related to financial reporting. Access rights were tested over applications, operating systems, networks, and databases, which are relied upon for financial reporting.

IT general controls over user access management and change management across applications, networks, database, and operating systems. Due to the pervasive nature and complexity of the IT environment and considering that several systems and processes have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.	We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized. Other areas that were assessed under the IT control environment, included password policies, security configurations, business continuity, and controls around change management. Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

5. Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

6. Responsibilities of Management for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring

the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

7. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. Other Matter

The annual financial statement of the Bank for the year ended March 31, 2020, have been audited by the predecessor auditors who expressed their unmodified opinion on those financial statement on 14th May 2020. We did not audit the financial statements for the year ended 31st March 2020, included in the financial statement.

Our opinion is not modified in respect of this matter.

9. Report on Other Legal and Regulatory Requirements

a. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 (as amended).

b. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated July 30, 2020, we report that:

   i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   ii. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

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iii. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We performed procedures necessary for the purpose of our walkthrough of processes and test of controls at branches by inspection of documents obtained from branches.

c. With respect to the matter to be included in the Auditor's Report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under Banking Regulation Act, 1949, the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section, is not applicable.

d. As required by Section 143(3) of the Act, based on our audit we report that:

i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

iii. The Balance Sheet, the Profit and Loss Account, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

iv. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 (as amended) to the extent they are not inconsistent with the accounting policies prescribed by RBI;

v. On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;

vi. With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

vii. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), as amended in our opinion and to the best of our information and according to the explanations given to us:

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a. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer to Schedule 12 and Schedule 18.20 to the financial statements;

b. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank

For **TR CHADHA & CO LLP**
Chartered Accountants
ICAI Firm registration number: 006711N/N500028

per **Sheshu Samudrala**
Partner
Membership Number: 235031
UDIN: 21235031AAAAAL4485

Place: Chennai
Date: 29.04.2021

ANNEXURE1

TO THE INDEPENDENT AUDITOR'S REPORT OF EVENDATE ON THE FINANCIAL STATEMENTS OF EQUITAS SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Equitas Small Finance Bank Limited

We have audited the internal financial controls with reference to financial statements of Equitas Small Finance Bank Limited (the "Bank") as of March 31, 2021 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the financial statements whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to the financial statements.

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Meaning of Internal Financial Controls with reference to Financial Statements

A Bank's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control with reference to financial statements includes those policies and procedures that

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For **TR CHADHA & CO LLP**
Chartered Accountants
ICAI Firm registration number: 006711N/N500028

per **Sheshu Samudrala**
Partner
Membership Number: 235031
UDIN: 21235031AAAAAL4485
Place: Chennai
Date: 29.04.2021

Equitas Small Finance Bank Limited (*Formerly "Equitas Finance Limited"*)

Balance Sheet As at March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

Particulars	Schedule	As at 31-Mar-21	As at 31-Mar-20
CAPITAL AND LIABILITIES			
Capital	1	1,13,92,783	1,05,34,016
Reserves and Surplus	2	2,25,70,628	1,69,07,473
Deposits	3	16,39,19,717	10,78,84,055
Borrowings	4	4,16,53,200	5,13,48,736
Other Liabilities and Provisions	5	76,15,918	62,81,188
TOTAL		**24,71,52,246**	**19,29,55,468**
ASSETS			
Cash and Balances With Reserve Bank of India	6	51,48,080	38,08,637
Balances With Banks and Money At Call and Short Notice	7	2,86,39,044	2,15,59,788
Investments	8	3,70,51,661	2,34,25,062
Advances	9	16,84,79,467	13,72,82,415
Fixed Assets	10	18,50,500	21,27,694
Other Assets	11	59,83,494	47,51,872
TOTAL		**24,71,52,246**	**19,29,55,468**
Contingent Liabilities	12	1,25,061	2,69,794

Summary of significant accounting policies	17
Notes forming part of financial statements	18

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: April 29, 2021

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: April 29, 2021

Vasudevan PN
Managing Director and Chief Executive Officer
DIN:01550885
Place: Chennai
Date: April 29, 2021

Arun Kumar Verma
Director
DIN:03220124
Place: Bhubaneswar
Date: April 29, 2021

N Sridharan
Chief Financial Officer
Place: Chennai
Date: April 29, 2021

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: April 29, 2021

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

Profit and Loss account for the year ended March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

	Particulars	Schedule	Year ended 31-Mar-21	Year ended 31-Mar-20
I	**INCOME**			
	Interest earned	13	3,19,44,132	2,64,54,439
	Other income	14	41,80,547	28,23,516
	TOTAL		**3,61,24,679**	**2,92,77,955**
II	**EXPENDITURE**			
	Interest expended	15	1,39,64,529	1,15,01,381
	Operating expenses	16	1,32,94,286	1,18,00,786
	Provisions and contingencies		50,23,632	35,39,434
	TOTAL		**3,22,82,447**	**2,68,41,601**
III	**PROFIT**			
	Net Profit from ordinary activities		**38,42,232**	**24,36,354**
	Net Profit for the year		38,42,232	24,36,354
	TOTAL		**38,42,232**	**24,36,354**
IV	**APPROPRIATIONS**			
	Transfer to Statutory reserves		9,60,558	6,09,089
	Transfer to Special reserve account		74,244	48,339
	Transfer to Capital Reserve		2,36,608	-
	Transfer to Investment Fluctuation Reserve		19,820	27,630
	Balance carried over to Balance Sheet		25,51,002	17,51,296
		Total	**38,42,232**	**24,36,354**
	Summary of significant accounting policies	17		
	Notes forming part of the financial statements	18		
	Earning per share (Basic) (in ₹)	18.10.4	3.53	2.39
	Earning per share (Diluted) (in ₹)	18.10.4	3.49	2.39
	Face Value per share (in ₹)		10	10

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: April 29, 2021

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: April 29, 2021

Vasudevan PN
Managing Director and Chief Executive Officer
DIN:01550885
Place: Chennai
Date: April 29, 2021

Arun Kumar Verma
Director
DIN:03220124
Place: Bhubaneswar
Date: April 29, 2021

N Sridharan
Chief Financial Officer
Place: Chennai
Date: April 29, 2021

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: April 29, 2021

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")
Cash Flow Statement for the year ended March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Cash Flow from Operating activities		
Profit Before Tax	**51,12,668**	**35,09,403**
Adjustments for:		
Depreciation on fixed assets	7,64,332	9,64,545
Amortization on held to maturity securities	1,14,008	60,039
Provision for standard assets	3,70,255	1,51,301
General Provision under COVID-19 – Regulatory Package	(9,96,300)	9,96,300
Bad debts written off	24,47,328	7,15,044
Provision for Non performing assets	18,79,058	6,04,154
Other Provision and Contingencies	52,447	(448)
(Profit) /Loss on sale of fixed assets	(372)	2,597
Interest expenses on borrowings	45,96,866	43,61,728
Interest income on bank balances not considered as cash and cash equivalents	(4,372)	(5,541)
	1,43,35,918	**1,13,59,122**
Adjustments for:		
(Increase)/Decrease in investments	(1,37,40,607)	(40,560)
(Increase)/Decrease in advances	(3,55,23,438)	(2,28,41,568)
Increase/(Decrease) in deposits	5,60,35,662	1,78,16,692
(Increase)/Decrease in other assets	(9,63,863)	(12,30,600)
Increase/(Decrease) in other liabilities and provisions	18,34,713	6,73,834
Direct taxes paid	(15,38,966)	(13,40,766)
Net cash (used in)/ generated from operating activities (A)	**2,04,39,419**	**43,96,154**
Cash flow from investing activities		
Purchase of fixed assets	(4,99,828)	(7,43,718)
Proceeds from sale of fixed assets	13,062	22,244
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	53,576	(622)
Interest received from bank balances not considered as cash and cash equivalents	5,145	4,796
Net cash (used in) / generated from investing activities (B)	**(4,28,045)**	**(7,17,300)**
Cash flow from financing activities		
Borrowings taken during the year	28,40,42,471	32,37,75,706
Borrowings repaid during the year	(29,37,38,007)	(31,21,57,231)
Proceeds from issue of share capital (including share premium)	28,27,852	25,00,100
Share issue Expenses	(1,48,163)	(38,150)
Interest paid on borrowings	(45,23,252)	(49,97,627)
Net cash generated from / (used in) financing activities (C)	**(1,15,39,099)**	**90,82,798**
Net increase/ (decrease) in cash and cash equivalents (A)+(B)+(C)	**84,72,275**	**1,27,61,652**
Cash and Cash equivalents at beginning of the year (Refer Notes below)	**2,53,14,849**	**1,25,53,197**
Cash and Cash equivalents at end of the year (Refer Notes below)	**3,37,87,124**	**2,53,14,849**

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")
Cash Flow Statement for the year ended March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (Schedule 6)	51,48,080	38,08,637
Balances With Banks And Money At Call And Short Notice (Schedule 7)	2,86,39,044	2,15,59,788
Balances not considered as part of cash and cash equivalents:		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	-	(53,576)
Cash and Cash equivalents at end of the year	**3,37,87,124**	**2,53,14,849**

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: April 29, 2021

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: April 29, 2021

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN:01550885
Place: Chennai
Date: April 29, 2021

Arun Kumar Verma
Director
DIN:03220124
Place: Bhubaneswar
Date: April 29, 2021

N Sridharan
Chief Financial Officer
Place: Chennai
Date: April 29, 2021

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: April 29, 2021

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

SCHEDULES TO BALANCE SHEET As at March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 1 - CAPITAL	As at 31-Mar-21	As at 31-Mar-20
Authorised capital		
1700,000,000 Equity Shares of ₹ 10 each	1,70,00,000	1,70,00,000
Issued, subscribed and paid-up capital		
1139,278,250 (Previous year: 1053,401,602) Equity Shares of ₹ 10 each (Refer Note below)	1,13,92,783	1,05,34,016
TOTAL	**1,13,92,783**	**1,05,34,016**

During year ended March 31, 2021, the Bank successfully completed Initial Public Offer (IPO) of its shares comprising issue of 8,48,48,484 equity shares of ₹ 10 each at premium of ₹ 23 per share, thereby raising ₹ 280 crore and an offer for sale of 7,20,00,000 equity shares @ ₹ 33 per share, by the Equitas Holdings Limited. The equity shares of the Bank got listed on November 2, 2020 on National Stock Exchange (NSE) and BSE Ltd, thereby complying with licensing condition of listing shares of the Bank.

The Bank, during the year ended March 31, 2021, has allotted 10,28,164 equity shares of ₹ 10 each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the Banks's Employee Stock Option Scheme.

Entire amount of ₹ 280 crore has been utilised for augmentation of Bank's Tier I capital funds. There is no amount unspent.

	SCHEDULE 2 - RESERVES AND SURPLUS	As at 31-Mar-21	As at 31-Mar-20
I	**Statutory reserve**		
	Opening Balance	23,76,667	17,67,578
	Add: Transfer from Profit and Loss account	9,60,558	6,09,089
	Deductions during the year	-	-
	Total - (A)	**33,37,225**	**23,76,667**
II	**Capital reserve**		
	Opening Balance	**1,32,798**	**1,32,798**
	Additions during the year	2,36,608	-
	Deductions during the year	-	-
	Total - (B)	**3,69,406**	**1,32,798**
III	**Securities premium account**		
	Opening Balance	74,69,984	54,82,616
	Received during the year (1)	19,69,086	20,25,518
	Deductions during the year (2)	(1,48,163)	(38,150)
	Total - (C)	**92,90,907**	**74,69,984**
IV	**Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	**1,07,310**	**58,971**
	Add: Transfer from Profit and Loss account	74,244	48,339
	Deductions during the year	-	-
	Total - (D)	**1,81,554**	**1,07,310**
V	**Revenue and Other reserves**		
	Opening Balance	2,54,400	2,54,400
	Additions during the year	-	-
	Deductions during the year	-	-
	Total - (E)	**2,54,400**	**2,54,400**
VI	**Investment Reserve**		
	Opening Balance	23,000	23,000
	Additions during the year	-	-
	Deductions during the year	-	-
	Total - (F)	**23,000**	**23,000**
VII	**Investment Fluctuation Reserve**		
	Opening Balance	1,11,930	84,300
	Additions during the year	19,820	27,630
	Deductions during the year	-	-
	Total - (G)	**1,31,750**	**1,11,930**
VIII	**Balance in Surplus in profit and loss account**		
	Opening Balance	64,31,384	46,80,088
	Profits for the year	25,51,002	17,51,296
	Closing balance in Surplus in profit and loss account (H)	**89,82,386**	**64,31,384**
	TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	**2,25,70,628**	**1,69,07,473**

1. Securities Premium received on issue of equity shares.
2. Towards share issue expenses

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

SCHEDULES TO BALANCE SHEET As at March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 3 - DEPOSITS		As at 31-Mar-21	As at 31-Mar-20
A	**I Demand deposits**		
	(i) From banks	5,21,057	3,37,551
	(ii) From others	46,79,619	31,58,781
	II Savings bank deposits	5,09,37,568	1,85,85,796
	III Term deposits		
	(i) From banks	4,31,96,331	3,53,92,165
	(ii) From others	6,45,85,142	5,04,09,762
	TOTAL	**16,39,19,717**	**10,78,84,055**
B	I Deposits of branches in India	16,39,19,717	10,78,84,055
	II Deposits of branches outside India	-	-
	TOTAL	**16,39,19,717**	**10,78,84,055**

SCHEDULE 4 - BORROWINGS		As at 31-Mar-21	As at 31-Mar-20
I	**Borrowings in India**		
	(i) Reserve Bank of India	1,10,000	23,30,000
	(ii) Other banks	-	5,00,000
	(iii) Other institutions and agencies	3,93,43,200	4,63,18,736
	(iv) Tier II Capital (Non Convertible Debentures)	22,00,000	22,00,000
	(v) Bonds and Debentures (excluding subordinated debt)	-	-
	TOTAL	**4,16,53,200**	**5,13,48,736**
II	Borrowings outside India	-	-
	TOTAL	-	-
	TOTAL	**4,16,53,200**	**5,13,48,736**

Secured borrowings included in above	62,500	26,90,936

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		As at 31-Mar-21	As at 31-Mar-20
I	Bills payable	13,10,777	5,14,721
II	Interest accrued	13,83,492	12,86,979
III	Income Tax Payable (Net of tax paid in Advance)	63,492	-
IV	Others (including provisions)*	48,58,157	44,79,488
	TOTAL	**76,15,918**	**62,81,188**

*Includes :-
Provision for standard assets (including Provision for restructured standard assets) ₹ 831,210 (March 31, 2020: ₹ 460,955)
General provision of ₹ Nil (March 31, 2020: ₹ 996,300) made by Bank in respect of accounts in default but standard against the potential impact of COVID-19. Also Refer Schedule 18.5.2 and Schedule 17.3.0.

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

SCHEDULES TO BALANCE SHEET As at March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As at 31-Mar-21	As at 31-Mar-20
I	**Cash in hand**	9,74,205	13,84,895
II	**Balances with Reserve Bank of India :**		
	(a) In current accounts	41,73,875	24,23,742
	(b) In other accounts	-	-
	TOTAL	**51,48,080**	**38,08,637**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		As at 31-Mar-21	As at 31-Mar-20
I	**In India**		
	(i) Balances with banks :		
	(a) In current accounts	7,89,044	7,06,212
	(b) In other deposit accounts (Refer Note below)	-	53,576
	(ii) Money at call and short notice :		
	(a) With banks	-	-
	(b) With other institutions	-	-
	(c) Lending under Reverse Repo	2,78,50,000	2,08,00,000
	TOTAL	**2,86,39,044**	**2,15,59,788**
II	**Outside India**		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	TOTAL	**-**	**-**
	TOTAL	**2,86,39,044**	**2,15,59,788**
Note: Comprises deposits under lien		-	18,276
	Deposits with original maturity of more than three months	-	53,576

SCHEDULE 8 - INVESTMENTS		As at 31-Mar-21	As at 31-Mar-20
I	Investments in India in (Net of provision)		
	(i) Government securities	3,63,07,153	2,29,23,062
	(ii) Other Approved securities	-	-
	(iii) Shares	2,000	2,000
	(iv) Debentures and Bonds	7,42,508	5,00,000
	(v) Subsidiaries and / or Joint Ventures	-	-
	(vi) Others	-	-
		3,70,51,661	**2,34,25,062**
	Gross Investments	3,70,51,661	2,34,25,062
	Less: Depreciation	-	-
	Net Investments	**3,70,51,661**	**2,34,25,062**
II	Investments outside India	-	-
	TOTAL	**3,70,51,661**	**2,34,25,062**

SCHEDULE 9 - ADVANCES (Net of provision)		As at 31-Mar-21	As at 31-Mar-20
A	(i) Bills purchased and discounted	10,87,819	-
	(ii) Cash credits, overdrafts and loans repayable on demand	77,87,063	57,88,572
	(iii) Term loans	15,96,04,585	13,14,93,843
	TOTAL	**16,84,79,467**	**13,72,82,415**
B	(i) Secured by tangible assets	13,65,65,486	10,40,02,882
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	3,19,13,981	3,32,79,533
	TOTAL	**16,84,79,467**	**13,72,82,415**
C	I Advances in India		
	(i) Priority sector *	9,97,42,193	9,45,32,486
	(ii) Public sector	-	-
	(iii) Banks	93,192	39
	(iv) Others	6,86,44,082	4,27,49,890
	Total Advances in India	**16,84,79,467**	**13,72,82,415**
	II Advances outside India		
	(i) Due from banks	-	-
	(ii) Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	Total Advances Outside India	-	-
	TOTAL	**16,84,79,467**	**13,72,82,415**

*Priority sector includes ₹ 4,800.00 crore (previous year : ₹ 2,000.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

SCHEDULES TO BALANCE SHEET As at March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 10 - FIXED ASSETS		**As at 31-Mar-21**	**As at 31-Mar-20**
A	**Premises**		
	Cost		
	As at beginning of the year	**11,99,039**	**11,31,934**
	Additions during the year	58,537	69,028
	Deductions during the year	(1,936)	(1,923)
		12,55,640	**11,99,039**
	Depreciation		
	As at beginning of the year	**5,02,436**	**3,61,398**
	Additions during the year	1,39,868	1,42,961
	Deductions during the year	(1,936)	(1,923)
	Depreciation to date	**6,40,368**	**5,02,436**
	Net block	**6,15,272**	**6,96,603**
B	**Other fixed assets (including furniture and fixtures)**		
	Cost		
	As at beginning of the year	43,04,506	37,39,455
	Additions during the year	4,55,188	6,68,195
	Deductions during the year	(93,523)	(1,03,144)
		46,66,171	**43,04,506**
	Depreciation		
	As at beginning of the year	28,96,141	21,52,860
	Additions during the year	6,24,464	8,21,584
	Deductions during the year	(80,833)	(78,303)
	Depreciation to date	**34,39,772**	**28,96,141**
	Net block	**12,26,399**	**14,08,365**
C	**Capital work-in-progress**	**8,829**	**22,726**
	TOTAL	**18,50,500**	**21,27,694**

SCHEDULE 11 - OTHER ASSETS		**As at 31-Mar-21**	**As at 31-Mar-20**
I	Interest accrued	22,73,309	23,06,382
II	Tax paid in advance (Net of provision for tax)	-	66,790
III	Deferred tax asset	15,32,185	11,33,373
IV	Stamps	828	125
V	Others *	21,77,172	12,45,202
	TOTAL	**59,83,494**	**47,51,872**

*During the current Financial year 2020-21 ₹ Nil and during previous Financial Year 2019-20, includes expenses amounting to ₹ 8.68 crore relating to listing of shares under Initial Public Offer ("IPO"). These expenses have been adjusted against the Securities Premium Reserve on completion of the IPO in accordance with the provisions of Companies Act 2013 and the Banking Regulation Act 1949.

SCHEDULE 12 - CONTINGENT LIABILITIES		**As at 31-Mar-21**	**As at 31-Mar-20**
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	12,545	12,545
	(b) Others	20,152	17,151
II	Guarantees given on behalf of constituents		
	In India	92,364	2,40,098
	Total	**1,25,061**	**2,69,794**

Also Refer Note 20 in Schedule 18.

Equitas Small Finance Bank Limited (Formerly "Equitas Finance Limited")

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED March 31, 2021
(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 13 - INTEREST EARNED		Year ended 31-Mar-21	Year ended 31-Mar-20
I	Interest on advances	2,90,08,290	2,42,00,067
II	Income from investments	21,93,847	15,76,517
III	Interest on balance with RBI and other inter-bank funds	7,41,995	6,77,855
IV	Others	-	-
	Total	**3,19,44,132**	**2,64,54,439**

SCHEDULE 14 - OTHER INCOME		Year ended 31-Mar-21	Year ended 31-Mar-20
I	Commission, exchange and brokerage	2,51,909	2,10,407
II	Profit / (loss) on sale of investments (net)	4,47,043	33,774
III	Profit / (loss) on sale of Fixed assets (net)	372	(2,597)
IV	Miscellaneous income*	34,81,223	25,81,932
	Total	**41,80,547**	**28,23,516**

*Includes ₹ 61.99 crores (Previous year ₹ 22.34 crores) of income from sale of PSL Certificates.

SCHEDULE 15 - INTEREST EXPENDED		Year ended 31-Mar-21	Year ended 31-Mar-20
I	Interest on deposits	96,96,676	73,81,185
II	Interest on RBI / inter-bank borrowings	1,34,630	2,73,279
III	Other interest	41,33,223	38,46,917
	Total	**1,39,64,529**	**1,15,01,381**

SCHEDULE 16 - OPERATING EXPENSES		Year ended 31-Mar-21	Year ended 31-Mar-20
I	Payments to and provisions for employees	79,14,496	70,97,890
II	Rent, taxes and lighting	10,42,610	9,80,924
III	Printing and stationery	77,468	1,03,331
IV	Advertisement and publicity	1,24,440	1,81,934
V	Depreciation	7,64,332	9,64,545
VI	Directors' fees, allowances and expenses	26,351	19,370
VII	Auditors' fees and expenses #	7,270	9,647
VIII	Law Charges	2,14,679	2,35,475
IX	Postage, telegram, telephone etc.	1,94,303	2,11,112
X	Repairs and maintenance	2,19,138	2,15,596
XI	Insurance	1,17,105	82,486
XII	Commission and Brokerage	1,59,433	1,82,021
XIII	Information Technology Expenses	5,48,547	4,75,242
XIV	Travel & Conveyance	3,53,282	4,83,659
XV	Bank and Other finance charges	5,26,757	58,616
XVI	Cash handling charges	1,18,104	77,337
XVII	CSR contributions	1,57,300	1,32,700
XVIII	Other expenditure	7,28,671	2,88,901
	Total	**1,32,94,286**	**1,18,00,786**

excluding ₹ 0.68 crores (previous year ₹ 1.58 crore which have been recorded under other assets) paid for services in relation to listing of shares under Initial Public offer (IPO), have been adjusted from Securities premium Account. Also refer Schedule 11 and note thereunder.

Corporate information

1(a). Background

Equitas Small Finance Bank Limited (CIN: U65191TN1993PLC025280) ("ESFBL" or the "Bank", or the "Company") was incorporated in 1993 as V.A.P Finance Private Limited later renamed as Equitas Finance Private Limited in August 2011. In 2011, Equitas Holdings Limited acquired the Company. The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the "Scheme"), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed Equitas Small Finance Bank Limited ("ESFBL"). Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 2, 2016. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016.

The Bank is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

The Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the most recent financial year.

2.1 As part of small finance bank licensing guidelines, Reserve Bank of India (RBI) has mandated listing of shares of the Bank within 3 years from the date of commencement of operations (i.e., from 5th September 2016). In the absence of Securities Exchange Board of India's ("SEBI") approval to a scheme of arrangement, which would have resulted in the listing of the Bank's shares, and the consequent non-compliance with the relevant listing condition, RBI vide its letter dated September 06, 2019 had imposed regulatory action on the Bank, by way of restriction on opening of new branches and on the remuneration of the MD & CEO of the Bank, till further advice. (However, in December 2019, the Bank obtained specific approval of the RBI for opening 240 banking outlets).

During year ended March 31, 2021, the Bank successfully completed Initial Public Offer (IPO) of its shares comprising issue of 8,48,48,484 equity shares of ₹.10/ each at premium of ₹.23 per share, thereby raising ₹.280 crore and an offer for sale of 7,20,00,000 equity shares @ ₹ 33 per share, by the Equitas Holdings Limited. The equity shares of the Bank got listed on November 2, 2020 on National stock exchange (NSE) and BSE Ltd thereby complying with the licensing condition of listing the shares of the Bank. Subsequently, RBI lifted the previously mentioned restrictions vide its letter dated November 9, 2020.

2.2. The COVID-19 pandemic (declared as such by the World Health Organisation on March 11,2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict nation-wide lockdown in India in March 2020 to contain the spread of the virus. Subsequently, while the national lockdown was lifted, regional lockdowns continued in many parts of the country with significant number of COVID-19 infections.

This lockdown coupled with change in customer behaviours and pandemic scare has led to significant disruptions and dislocations for individuals and businesses, with consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. The full extent of impact of the COVID-19 pandemic, including the ongoing second wave of increasing infections, on the Bank's operations, and financial metrics (including impact on provisioning on advances) is uncertain as on date and will depend on future developments, including new information on severity of the new and evolving virus variants, government and regulatory guidelines, which are uncertain and incapable of estimation at this time.

3. Significant accounting policies

3.0. Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

a. In terms of the COVID-19 Regulatory Package of the RBI, vide guidelines dated March 27, 2020 ,April 17, 2020, and May 23, 2020 the Bank has granted a moratorium of six months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Bank's Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms .The Bank held a provision of ₹ 170.63 crore as on September 30, 2020 against the likely impact of COVID-19, including the RBI mandated provision. During the year ended March 31, 2021 the bank has adjusted ₹ 170.63 crore against the actual provisioning requirements for slippages from the loan accounts.

b. As regards interest income during the moratorium period, the Bank continues to recognise interest on the loans outstanding as at February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with COVID-19 Regulatory Package issued by RBI, which are collected based on revised repayment schedules.

(Also Please refer 18.5.4 and 18.5.5 Notes to Accounts)

3.1. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3.2. Investments

Classification:
In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories (hereinafter called "categories") as below:

i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity
ii) Held for Trading ("HFT") – Securities acquired with the intention to trade
iii) Available for Sale ("AFS") – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:
Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:

The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation:

Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FBIL.

The valuation of other unquoted fixed income securities (viz., state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value if the latest balance sheet is available, or at ₹.1, as per the RBI guidelines.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Security receipts, if any, are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility [LAF] and Marginal Standing Facility [MSF]) with RBI are accounted for as borrowings and lending, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:

Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account.

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

3.3. Advances

Classification:
Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

The bank transfers advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 18.11.1).

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts.

The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank’s policies Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in the financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments and transfer of assets

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment (PPE) and depreciation)

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition
Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date
Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences
Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight- line basis over the period of contract. Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:
The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits
The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Bank measures compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of Priority Sector Lending Certificate (PSLC)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

3.13. Taxes on Income
Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability (Also refer Note 18.11.1.a.(i)).

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.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

Proposed dividend after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared / approved.

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

Treasury includes all investment portfolios, Profit/Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other un-allocable assets, liabilities, income and expenditure.

Geographic segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.17. Provisions and Contingencies

A provision is recognized when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the 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 financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under ‘Other Liabilities’. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program, which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

1 Capital adequacy

The Capital Adequacy Ratio ["CRAR"] of the Bank, calculated as per the Standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets in the current year as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at 31-Mar-21	As at 31-Mar-20
1	Common Equity Tier 1 capital ratio (as a percentage of Credit RWA)	23.23%	22.44%
2	Tier 1 capital ratio (as a percentage of Credit RWA)	23.23%	22.44%
3	Tier 2 capital ratio (as a percentage of Credit RWA)	0.95%	1.17%
4	Total Capital Ratio (CRAR)	24.18%	23.61%
5	Amount of equity capital raised (at Face Value @ ₹ 10 each) *	85.88	47.46
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares ("PNCPS"): Perpetual Debt Instruments ("PDI") :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares ("PCPS") / Redeemable Non Cumulative Preference Shares ("RNCPS") / Redeemable Cumulative Preference Shares ("RCPS")]	-	-

* During year ended March 31, 2021, the Bank successfully completed Initial Public Offer (IPO) of its shares comprising issue of 8,48,48,484 equity shares of ₹ 10 each at premium of ₹ 23 per share, thereby raising ₹ 280 crore and an offer for sale of 7,20,00,000 equity shares @ ₹ 33 per share, by the Equitas Holdings Limited. The equity shares of the Bank got listed on November 2, 2020 on National Stock Exchange (NSE) and BSE Ltd, thereby complying with the licensing condition of listing the shares of the Bank.

The Bank, during the year ended March 31, 2021, has allotted 10,28,164 equity shares of ₹ 10 each, fully paid up, on exercise of options by its employees and employees of the Holding company (Equitas Holdings Limited) in accordance with the Banks's Employee Stock Option Scheme.

* The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 250.01 crore on December 11, 2019.

2 Business Ratio

S.no	Ratio	As at 31-Mar-21	As at 31-Mar-20
(i)	Interest Income as a percentage to Working Funds *	13.70%	15.02%
(ii)	Non interest income as a percentage to Working Funds *	1.79%	1.60%
(iii)	Operating Profit as a percentage to Working Funds ^*	3.80%	3.39%
(iv)	Return on Assets @	1.65%	1.38%
(v)	Business (deposits plus advances) per employee # & (₹ in crore)	1.80	1.35
(vi)	Profit per employee & (₹ in crore)	0.024	0.016

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return represents net profit for the year. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits)

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

(All amounts in crore of ₹, unless otherwise specified)

3 Investments

3.1 Category-wise details of Investments (Net of provision for depreciation):

S.No	Particulars	As at 31-Mar-2021			As at March 31, 2020		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	3,046.42	584.30	-	1,782.86	504.50	4.95
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	74.25	-	-	50.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	-	-
	Total	**3,046.42**	**658.75**	**-**	**1,782.86**	**554.70**	**4.95**

3.2 Details of investments

S.No	Particulars	As at 31-Mar-21	As at 31-Mar-20
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	3,705.17	2,342.51
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	3,705.17	2,342.51
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	108.02	6.46
	(iii) Less: Write off / write back of excess provisions during the year	108.02	6.46
	(iv) Closing balance	-	-

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions :

As at 31-Mar-21

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31-Mar -2021 #
1	**Securities sold under repo**				
	i. Government securities	-	725.61	242.93	11.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	500.00	4,250.00	2,144.96	2,785.00
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Face Value terms.

As at 31-Mar-20

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31-Mar -2020 #
1	**Securities sold under repo**				
	i. Government securities	-	750.40	131.64	233.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	300.00	2,600.14	1,244.40	2,080.00
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Face Value terms.

3.4 a) Issuer composition of Non SLR investments As at 31-Mar-21 :

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	74.45	25.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**74.45**	**25.20**	**-**	**0.20**	**0.20**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

b) Issuer composition of Non SLR investments As at 31-Mar-20 :

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	50.20	50.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**50.20**	**50.20**	**-**	**0.20**	**0.20**

Note: Amounts reported under columns 4, 5 6 and 7 are not mutually exclusive.

3.5 Non performing Non-SLR investments

The Bank does not have any non performing non SLR investments in the Current year and in the Previous year.

3.6 Sale and transfer of securities to / from HTM category

During the year, the Bank had sold SLR securities from HTM category through direct selling in secondary market (Book Value - ₹ 681.33 Crore), OMOs conducted by RBI and re-purchase of government securities by GOI (Book Value - ₹ 1144.70 Crores). As on 31 March 2021,Market value of the investments held in the HTM category is ₹ 3042.37 crores and the excess of book value over market value is ₹ 4.05 crores.

The Bank had availed option provided by RBI vide press release dated 06-Nov-20 on repayment of Targeted Long Term Repo Operations borrowings. Consequently, associated Non-SLR securities (invested out of funds borrowed in TLTRO) of Book Value ₹ 123.59 crores were shifted from HTM to AFS category in conformity with RBI guidelines.

The Bank has not sold or transferred any security to/from HTM category in the Previous year 2019-20.

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

(All amounts in crore of ₹, unless otherwise specified)

5 Asset Quality

5.1 Non-Performing Assets

S.no	**Particulars**	**As at 31-Mar-21**	**As at 31-Mar-20**
(i)	Net NPAs to Net Advances (%)	1.58%	1.67%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	417.32	295.71
	(b) Additions during the year	589.37	409.30
	(c) Reductions during the year	363.91	287.69
	(d) Closing balance	**642.78**	**417.32**
(iii)	Movement of Net NPAs		
	(a) Opening balance	228.62	167.42
	(b) Additions during the year	147.36	251.00
	(c) Reductions during the year	109.81	189.80
	(d) Closing balance	**266.17**	**228.62**
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	169.70	109.29
	(b) Additions during the year	442.01	158.30
	(c) Reductions during the year	254.10	97.89
	(d) Closing balance	**357.61**	**169.70**

5.1.1 Movement of NPAs

Particulars	**As at 31-Mar-21**	**As at 31-Mar-20**
Gross NPAs as at April 1	417.32	295.71
Additions during the year	589.37	409.30
Subtotal - (A)	**1,006.69**	**705.01**
Less:		
(i) Upgradations	38.02	101.19
(ii) Recoveries (excluding recoveries made from upgraded accounts)	81.16	114.99
(iii) Technical or Prudential write offs	191.85	17.27
(iv) Write offs other than those under (iii) above	52.88	54.24
Subtotal - (B)	**363.91**	**287.69**
Gross NPAs as at March 31	**642.78**	**417.32**

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	**As at 31-Mar-21**	**As at 31-Mar-20**
Opening balance of Technical / Prudential written off accounts as at April 1	184.35	169.23
Add : Technical / Prudential write offs during the year	191.85	17.27
Subtotal - (A)	**376.20**	**186.50**
Less: Recoveries made from previously technical / prudential written off accounts during the year **- (B)**	1.65	2.15
Less: Actual writeoff during the year - **(C)**		-
Closing balance as at March 31 (A-B-C)	**374.55**	**184.35**

5.1.3 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year : Nil).

5.1.4 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

5.2 Details of Loan Moratorium provided to customers - COVID19 Regulatory Package - Asset Classification and Provisioning

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning (COVID circular)

Particulars	As at 31-Mar-21	As at 31-Mar-20
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the COVID circular	996.30	996.30
Respective amount where asset classification benefits is extended in respect of such accounts	9,403.60	29.78
Provisions made during the Q4FY2020, Q1 FY 2021 and Q2 FY 2021 in terms of paragraph 5 of the COVID circular	170.63	99.63
Provisions adjusted against slippages during the year in terms of paragraph 6 of the covid circular	170.63	Nil
Residual provisions in terms of paragraph 6 of the COVID circular	Nil	99.63

5.3.1 Details of Loans Restructured under Resolution Framework for COVID-19-related Stress

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 -Resolution Framework for COVID-19-related Stress.

Type of Borrower	A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
of which, MSMEs	-	-	-	-	-
Others	8224	434.33	-	2.88	25.33
Total	**8,224**	**434.33**	**-**	**2.88**	**25.33**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

5.3.2 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured the accounts as per the RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18,DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, DOR.No.BP.BC.34/21.04.048/2019-20 February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 August 6, 2020.

Particulars	**FY 2020-21**	**FY 2019-20**
No. of accounts Restructured	5,663	Nil
Amount	361.46	Nil

5.4 The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Accordingly, the Bank did not classify any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated April 07, 2021 issued in this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms with effect from September 01, 2020.

5.5 Department of Financial Services, Ministry of Finance, Government of India vide notification no. F.No.2/12/2020-BOA.I dated October 23, 2020 conveyed that in view of the unprecedented and extreme COVID - 19 situation, the Central Government has approved "Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts, (March 01, 2020 — August 31, 2020)". The benefits under the Scheme routed through lending institutions (as defined in the notification). The Management of the Bank has put in place a process note in line with the operational guidelines and pronouncements issued in this regard and conducted the aforesaid exercise of crediting the benefit in the respective accounts of eligible borrowers and filed the claim with the Government of India within the prescribed timeline. The effect of the Notification and the resultant credits to the loan accounts of eligible borrowers has been made in these financial statements.

In accordance with the instructions in the aforesaid circular dated April 07, 2021, the Bank is required to refund / adjust 'interest on interest' 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. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been finalised by the Indian Banks Association (IBA) vide letter CE/IBA/ 2021 dated 21st April 2021 in consultation with other industry participants / bodies vide letter CE/IBA/ 2021 dated 21st April 2021. The Bank has calculated the said amount of ₹ 0.89 crore and recognised a charge in Profit and Loss account for the year ended March 31, 2021.

5.6 Divergence in the asset classification and provisioning

The Financial statement for the year ended March 31,2021 have not been subjected to inspection by Reserve Bank of India as on the date of the financials and accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

5.7 (a) Details of financial assets purchased/sold

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year: Nil)

(b) Details of book value of investment in security receipts:
The Bank has not invested in security receipts during the Current year and in the Previous year.

5.8 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year (Previous year: Nil). Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.9 Provision on Standard Assets *

Particulars	As at March 31, 2021	As at March 31, 2020
Provision towards standard assets	55.91	45.99
Provisions for restructured standard advances	27.21	0.11
Total	**83.12**	**46.10**

*Does not include general provision of ₹ 99.63 crores made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020 and Nil as on March 31, 2021.

5.10 Disclosures on Change in Ownership of Projects Under Implementation

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2021, (Previous year: Nil).

5.11 Resolution of Stressed Assets – Revised Framework

The Bank does not have any stressed Assets (Revised Framework) as per RBI Circular RBI/2017 -131 DBR.No.BP.BC. 101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No. BP.BC.45/21.04.048/2018-19 as on March 31, 2021 (Previous year: Nil).

5.12 Details of Loan Assets subjected to Restructuring as on 31-Mar-21

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679	118	85	-	2,882
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	2.27	1.58	0.08	-	3.93	2.27	1.58	0.08	-	3.93
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11	0.25	0.08	-	0.44
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7,070	82	86	-	7,238	7,070	82	86	-	7,238
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	443.78	10.64	0.24	-	454.66	443.78	10.64	0.24	-	454.66
		Provision thereon	-	-	-	-	-	-	-	-	-	-	27.17	1.70	0.24	-	29.11	27.17	1.70	0.24	-	29.11
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	607	(36)	(571)	-	-	607	(36)	(571)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.54	(0.02)	(0.52)	-	-	0.54	(0.02)	(0.52)	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.03	(0.00)	(0.52)	-	(0.50)	0.03	(0.00)	(0.52)	-	(0.50)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2019-20 and hence need not be shown as restructured standard advances at the beginning of the next FY 2020-21	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(1,023)	331	692	-	-	(1,023.00)	331.00	692.00	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.92)	(1.15)	2.07	-	-	(0.92)	(1.15)	2.07	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.05)	(0.10)	0.93	-	0.78	(0.05)	(0.10)	0.93	-	0.78
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1,354	317	160	-	1,831	1,354	317	160.00	-	1,831
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	1.92	0.33	0.35	-	2.60	1.92	0.33	0.35	-	2.60
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.06	0.08	0.17	-	0.31	0.06	0.08	0.17	-	0.31
7	Restructured Accounts as on March 31,2021	No. of borrowers	-	-	-	-	-	-	-	-	-	-	7,979	178	132	-	8,289	7,979	178	132	-	8,289
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	443.75	10.72	1.51	-	455.98	443.75	10.72	1.51	-	455.98
		Provision thereon	-	-	-	-	-	-	-	-	-	-	27.21	1.76	0.55	-	29.52	27.21	1.76	0.55	-	29.52

* Write-off of restructured accounts includes ₹ 1.51 crore (1,210 Accounts and ₹ 0.09 crore Provision there on) recoveries in existing balances.
The figures under Sr No 2 includes ₹.454.66 Crore of fresh/additional sanction (7,238 accounts and ₹.29.11 Crore Provision there on).

5.13 Details of Loan Assets subjected to Restructuring as on 31-Mar-20

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.15	0.06	0.18	-	5.38	5.15	0.06	0.18	-	5.38
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.26	0.01	0.18	-	0.45
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	223	4	6	-	233	223	4	6	-	233
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.55	1.57	0.00	-	2.12	0.55	1.57	0.00	-	2.12
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.03	0.24	-	-	0.27	0.03	0.24	-	-	0.27
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	360	(110)	(250)	-	-	360	(110)	(250)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.10	(0.03)	(0.08)	-	(0.01)	0.10	(0.03)	(0.08)	-	(0.01)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.01)	(0.08)	-	(0.09)	-	(0.01)	(0.08)	-	(0.09)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2019-20	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(131)	85	46	-	-	(131.00)	85.00	46.00	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.19)	0.13	0.06	-	-	(0.19)	0.13	0.06	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.01)	0.03	0.06	-	0.08	(0.01)	0.03	0.06	-	0.08
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	728	4	4	-	736	728	4	4.00	-	736
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.34	0.14	0.08	-	3.57	3.34	0.14	0.08	-	3.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.17	0.03	0.08	-	0.28	0.17	0.03	0.08	-	0.28
7	Restructured Accounts as on March 31,2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679	118	85	-	2,882
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	2.27	1.58	0.08	-	3.93	2.27	1.58	0.08	-	3.93
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11	0.25	0.08	-	0.44

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹.2.12 Crore of fresh/additional sanction (233 accounts and ₹.0.27 Crore Provision there on).

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at 31-Mar-21

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	310.80	629.72	175.84	397.92	776.92	469.59	1,979.46	3,362.16	8,265.83	9.81	13.92	16,391.97
Advances	9.99	146.02	151.97	180.06	481.56	511.10	774.88	2,497.83	6,129.30	2,393.43	3,571.81	16,847.95
Investments	940.01	148.00	-	199.87	203.47	69.33	289.40	493.52	1,295.34	44.50	21.73	3,705.17
Borrowings	-	17.45	220.73	70.00	172.18	122.18	432.79	621.88	1,978.11	530.00	-	4,165.32
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

a) As at 31-Mar-20

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	158.92	462.12	134.11	364.53	471.33	594.76	1,456.96	3,044.12	4,099.33	1.21	1.02	10,788.41
Advances	0.55	32.27	-	(400.00)	(175.17)	281.78	780.37	2,526.38	6,224.14	1,975.84	2,482.08	13,728.24
Investments	243.98	-	-	138.10	149.76	95.34	284.73	474.90	898.22	41.27	16.21	2,342.51
Borrowings	-	-	55.73	-	172.18	126.43	542.05	1,013.34	2,619.99	603.23	1.92	5,134.87
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain assumptions have been made by management of the Bank which have been relied upon by the auditors and the same are used for submitting the regulatory returns. The actual outflows may be lower than the above estimates as deposits rollover assumptions are not considered in the maturity profile . Also the liquid assets in the form of Reverse Repo for ₹ 2785 crores as on March 31, 2021 with residual maturity upto 9 days (March 31, 2020 ₹ 2080 crores) were not included in the above disclosure.

Equitas Small Finance Bank Limited
(Formerly "Equitas Finance Limited")
SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2021
(All amounts in crore of ₹, unless otherwise specified)

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

Sl No	Particulars	As at 31-Mar-21	As at 31-Mar-20
(a)	**Direct Exposures**		
	(i) Residential Mortgages - Lending fully secured by Mortgages on residential property that is or will be occupied by the borrower or that is rented	7,834.10	6,150.08
	- of which housing loans eligible for inclusion in priority sector advances are rendered	767.87	463.71
	(ii) Commercial Real Estate		
	Lending secured by mortgages on commercial real estate (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 would also include non fund based (NFB) limit	168.47	114.94
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(b)	**Indirect Exposures**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	252.82	242.41
	Total exposure to Real Estate Sector	**8,255.39**	**6,507.43**

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

The above disclosure a (i) and a (ii) includes the IBPC exposure of ₹ 700 crore. (Previous year ₹ 1050 crore) and above disclosures (a) and (b) includes a) Exposure to Home Loans, Loan against property against Residential mortgages other than classified under CRE-RH b) Exposure to Real Estate Builders/ Developers c) Exposures where the primary source of cash flow, i.e. more than 50% of cash flows, for repayment / recovery is from lease or rental payments and such assets are taken as security and d) Indirect exposure to HFC.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

7.2 Exposures to Capital Market

Sl No	Particulars	As at 31-Mar-21	As at 31-Mar-20
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;	0.20	0.20
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;	0.06	0.20
iii	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter’s contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues;	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered);	-	-
	Total exposure to Capital market	**0.26**	**0.40**

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure. (Previous year: Nil).

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the year, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers. (Previous year: Nil).

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 3,191.40 crore (March 31, 2020 : ₹ 3,327.95 crore) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

During the year ended March 31, 2021 (Previous year: Nil), RBI has not imposed any penalties on the Bank. (Also, refer Note 17.2.1 for the regulatory action taken by the RBI during the year ended March 31, 2020).

9 Disclosure on remuneration

Qualitative disclosures

The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of five (5) Independent Directors.

(a) Remuneration Policy of the Bank covers remuneration payable for directors and employees of the Bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for remuneration payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOP Scheme) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank. Also, refer Schedule 17.2.1..

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

The Bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Circular Reference no DOR. Appt. BC. No. 23/ 29.67.001/ 2019-20 dated November 4, 2019.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

The Board of Directors through the Nomination and Remuneration Committee ("NRC") shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons ("KMP") and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors ("NED") including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such sitting fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Section 35B (1) of the Banking Regulation Act 1989. NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them while performing duties for the Bank.

The remuneration payable to Managing Director ("MD")/Chief Executive Officer ("CEO") shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the NRC may fix a maximum ceiling on the fixed/variable component of compensation; subject the approval of Reserve Bank of India. The remuneration payable to the Managing Director has been structured in compliance with RBI circular Appt. BC. No. 23/ 29.67.001/ 2019-20 dated November 4, 2019.

On November 22, 2019, the Board of the Bank approved an ESOP scheme for the Bank for eligible employees as determined from time to time by the NRC of the Bank.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

(All amounts in crore of ₹, unless otherwise specified)

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration

The Bank follows Annual Performance Review (12 months period) to link performance. Remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets, risks etc.

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

The Bank has restructured the remuneration for Material Risk Takers in line with the RBI circular dated November 4, 2019. Accordingly, the variable pay of identified MRT was determined to be between 100% to 300% of fixed pay. This variable pay was further divided into cash and ESOPs. Both the cash and ESOPs of the said MRTs is to be deferred over a period of three years in line with the risk taken and prudent governance principles. Each such MRT has performance measures aligned to risk measures and the vesting of variable pay is also pro-rated till the end of the deferral period.

(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.

Employees of the Bank are eligible for variable pay in terms of both cash and ESOPs. At field level variable pay is typically in cash and are to simple Key Performance Indicators. Other roles may be given variable pay based on their performance ratings linked to their KRAs. The variable pay amount varies depending on both the role of the individual as well as his/her performance levels.

Employees above defined grade are eligible to participate in the Employee Stock Options Plan of the Bank as determined by the Nomination and Remuneration Committee. These options are granted annually based on performance ratings and role of the individual. Junior employees in cases of consistent exemplary performance are also granted options being part of High Achievers Club.

In very select instances, employees are offered options over a four year period, with a quarter of the options vesting every year. The vesting of the options is dependent on continuity of service and performance rating of the said individual.

In addition, some of the employees are holding stock options issued by the Holding company under the Holding Company's Employee Stock Option scheme (Equitas ESOP Scheme 2015).

Variable pay for MRTs have been explained in **(e)** earlier.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above.

Quantitative disclosures

Particulars	**Year ended 31-Mar-21**	**Year ended 31-Mar-20**
Number of meetings held by the Remuneration Committee during the year	12	6
Remuneration paid to its members	0.21	0.08
(i) Number of employees having received a variable remuneration award during the year	-	-
(ii) Number and total amount of sign on awards made during the year	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the year	-	-
Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred:		
(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 year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the year due to ex post implicit adjustments.	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

(All amounts in crore of ₹, unless otherwise specified)

10 Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

As at 31-Mar-21

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**398.12**	**3,053.03**	**99.55**	**61.77**	**3,612.47**
Segment Results	273.61	209.37	15.68	32.82	531.48
Unallocated (income)/expenses					20.21
Operating profit					511.27
Income taxes					127.05
Net Profit					**384.22**
Other information					
Segment assets	4,219.97	19,210.64	1,131.39	-	24,562.00
Unallocated assets					153.22
Total assets					**24,715.22**
Segment liabilities	3,659.97	16,661.32	981.25	-	21,302.54
Unallocated liabilities					16.35
Total liabilities					**21,318.89**
Net assets / Capital employed	560.00	2,549.32	150.14	-	3,259.46
Unallocated Net assets / Capital employed					**136.87**
Total Capital Employed					**3,396.33**
Additional information					
Capital expenditure	-	47.20	2.78	-	**49.98**

As at 31-Mar-20

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**248.69**	**2,557.59**	**86.37**	**35.15**	**2,927.80**
Segment Results	**118.84**	**221.60**	**14.28**	**12.65**	**367.36**
Unallocated (income)/expenses					16.42
Operating profit					350.94
Income taxes					107.30
Net Profit					**243.64**
Other information					
Segment assets	2,723.37	15,438.85	1,013.31	**-**	19,175.53
Unallocated assets					120.02
Total assets					**19,295.55**
Segment liabilities	2,353.31	13,325.48	862.55	-	16,541.34
Unallocated liabilities					10.06
Total liabilities					**16,551.40**
Net assets / Capital employed	371.03	1,616.54	84.57	-	**2,634.20**
Unallocated Net assets / Capital employed					**109.95**
Total Capital Employed					**2,744.15**
Additional information					
Capital expenditure	**-**	69.79	4.58	**-**	**74.37**

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions.

(All amounts in crore of ₹, unless otherwise specified)

10.2 Related Party Transactions (AS 18)

i. Names of Related Parties and Nature of Relationship

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO
	N Sridharan, Chief Financial Officer
	Sampathkumar KR, Company Secretary
Entities under the same Management	Equitas Development Initiatives Trust
	Equitas Dhanyakosha India
	Equitas Healthcare Foundation

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	Year ended 31-Mar-21	Year ended 31-Mar-20
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	2.17	10.90
	Equitas Healthcare Foundation	13.56	2.37
Deposits			
Term deposits received	Equitas Holdings Limited	287.91	60.34
	Equitas Technologies Private Limited	0.20	-
	Equitas Development Initiatives Trust	0.24	10.75
	Key Management Personnel	1.62	0.67
Term deposits closed	Equitas Holdings Limited	241.87	55.20
	Equitas Technologies Private Limited	0.20	-
	Equitas Development Initiatives Trust	4.23	6.70
	Key Management Personnel	-	0.31
Interest on Term Deposits	Equitas Holdings Limited	16.70	14.83
	Equitas Development Initiatives Trust	0.30	0.30
	Key Management Personnel	0.07	0.03
	Equitas Technologies Private Limited	0.00	-
Interest on Savings Deposits	Equitas Development Initiatives Trust	0.27	0.31
	Equitas Healthcare Foundation	0.51	0.07
	Key Management Personnel	0.08	0.06
Savings Deposits	Equitas Development Initiatives Trust	17.87	39.61
	Equitas Healthcare Foundation	16.37	2.75
	Key Management Personnel	4.31	2.40
Demand Deposits	Equitas Technologies Private Limited	20.42	9.26
	Equitas Holdings Limited	559.34	73.79
	Equitas Dhanyakosha India	-	0.00
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	17.54	38.38
	Key Management Personnel	3.66	2.27
	Equitas Healthcare Foundation	1.85	0.01
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	561.25	72.88
	Equitas Dhanyakosha India	-	0.02
	Equitas Technologies Private Limited	19.81	9.62
Reimbursement of IPO expenses\	Equitas Holdings Limited	14.83	-
Guarantees released during the period	Equitas Holdings Limited	52.00	-
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	1.48	1.65
	N Sridharan, Chief Financial Officer	0.92	0.94
	Sampathkumar KR, Company Secretary	0.24	0.24

Under the ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP, 2019) of the Bank, the Key Management Personnel were allotted the following shares:

Name of the Key Management Personnel	Year ended 31-Mar-21	Year ended 31-Mar-20
N Sridharan	47,500	-
Total	**47,500**	**-**

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.

(All amounts in crore of ₹, unless otherwise specified)

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at 31-Mar-21	As at 31-Mar-20
Payables			
Term Deposit outstanding	Equitas Holdings Limited	227.66	181.62
	Equitas Development Initiatives Trust	0.15	4.14
	Key Management Personnel	2.19	0.56
Interest Payable on term deposits	Equitas Holdings Limited	2.55	2.13
	Equitas Development Initiatives Trust	0.00	0.04
	Key Management Personnel	0.02	0.01
Demand Deposits	Equitas Holdings Limited	0.44	2.35
	Equitas Technologies Private Limited	0.62	0.01
Savings Deposit	Equitas Development Initiatives Trust	5.98	5.38
	Equitas Healthcare Foundation	17.85	2.82
	Key Management Personnel	1.42	0.70
Others			
Corporate Guarantees	Equitas Holdings Limited	-	52.00

iv. Maximum Outstanding during the year

Particulars	Name of the Related Party	Maximum Outstanding during FY 2020-21	Maximum Outstanding during FY 2019-20
Term Deposit	Equitas Holdings Limited	357.66	182.72
	Equitas Development Initiatives Trust	4.38	6.60
	Equitas Technologies Private Limited	0.20	-
	Key Management Personnel	2.19	0.56
Demand Deposits	Equitas Holdings Limited	227.67	11.63
	Equitas Dhanyakosha India	-	0.02
	Equitas Technologies Private Limited	1.18	1.08
Savings Deposit	Equitas Development Initiatives Trust	7.60	10.04
	Equitas Healthcare Foundation	17.85	2.82
	Key Management Personnel	2.88	1.44
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	52.00

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Future lease rentals payable at the end of the year		
- Not later than one year	64.53	64.89
- Later than one year but not later than five years	218.59	239.23
- Later than five years	25.43	62.36
Total minimum lease payments recognised in the Profit and loss account	64.34	64.69
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

10.4 Earnings per Share (AS 20)

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Net profit after tax	384.22	243.64
Basic weighted average number of equity shares	1,08,95,31,274	1,02,04,66,103
Diluted weighted average number of equity shares	1,10,14,06,583	1,02,04,66,103
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	3.53	2.39
Diluted Earnings per share (₹)	3.49	2.39

During the year ended March 31, 2021, the Bank granted 96,94,716 options (Previous year 4,14,08,728 options) to its employees and the employees of Equitas Holding Limited under the ESFB Employees Stock Option Scheme 2019. These options have dilutive impact on the earnings per share.

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	As at 31-Mar-21		As at 31-Mar-20	
Timing difference on account of:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Impact of difference between tax depreciation and depreciation/amortization for financial reporting.	20.43	-	16.64	-
Expenditure charged to the profit and loss account but allowed for tax purposes on payment basis.*	32.74	-	22.13	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961.	67.15	-	28.71	-
Provision for advances	25.70	-	41.46	-
Others	11.77	-	7.10	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	4.57	-	2.70
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	**157.79**	**4.57**	**116.04**	**2.70**
Net Amount	**153.22**		**113.34**	

*Amount pertains to Provision for Leave encashment ₹ 20.58 crore (Previous year: ₹ 12.54 crore), Provision for Gratuity ₹ 4.66 crore (Previous year: ₹ 2.66 crore) and Provision for Bonus and Others ₹ 7.50 crore (Previous year: ₹ 6.93 crore).

Also refer note 18.11.1.a.(i) for details of change in statutory income tax rate.

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Bank recognised ₹ 38.27 Crores (Previous Year: ₹ 35.26 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

Defined Benefit Plans

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	**As at 31-Mar-21**	**As at 31-Mar-20**
Change in defined benefit obligations during the year		
Present value of defined benefit obligation at beginning of the year	32.67	23.50
Current service cost	11.40	10.68
Interest cost	1.94	1.58
Benefits paid	(1.29)	(2.06)
Actuarial (gains)	(0.69)	(1.03)
Present value of Defined Benefit Obligation at end of the year	**44.03**	**32.67**
Change in Fair Value of Assets during the year		
Plan Assets at beginning of the year	22.08	20.63
Add: Adjustments to the opening balance	1.97	-
Expected return on plan assets	1.46	1.45
Actual Bank contributions	-	-
Actuarial gain / (loss)	(0.01)	-
Plan Assets at End of the Year	**25.50**	**22.08**
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(44.03)	(32.66)
Fair value of plan assets	25.49	22.08
Net Liability Recognised in the Balance Sheet	**(18.54)**	**(10.58)**
Particulars	**Year ended 31-Mar-21**	**Year ended 31-Mar-20**
Cost of Defined Benefit Plan for the year		
Current service cost	11.40	10.68
Interest cost	1.94	1.58
Expected return on plan assets	(1.46)	(1.45)
Net actuarial gains	(2.64)	(1.03)
Net Cost Recognized in the Profit and Loss account	**9.24**	**9.78**
Return on Plan Assets	1.46	1.45
Assumptions		
Discount rate (Refer Note (b))	5.81%	6.06%
Interest rate (Estimated rate of return on assets)	6.00%	7.00%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

(All amounts in crore of ₹, unless otherwise specified)

Notes:

a) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

c) Experience Adjustments:

Particulars	For the year ended 31- Mar-21	For the year ended 31- Mar-20	For the year ended 31- Mar-19	For the year ended 31- Mar-18	For the year ended 31- Mar-17
Projected benefit obligation	44.03	32.66	23.50	17.88	13.53
Fair value of plan assets	25.49	22.08	20.63	11.85	10.49
Surplus/ (Deficit)	(18.54)	(10.58)	(2.87)	(6.03)	(3.04)
Experience adjustments on plan liabilities - gains	(0.69)	(1.03)	(1.71)	(1.50)	6.64
Experience adjustments on plan assets - gains / (losses)	(0.01)	-	(1.18)	(0.95)	(1.04)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets as at 31-Mar- 21	% of fair value to total plan assets as at 31-Mar-20
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others (Funds with Life insurance corporation of India)	100%	100%

e) During the current and previous year the Bank does not have unamortised gratuity and pension.

Long-term Compensated Absences and Leave Encashment*

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Assumptions:		
Discount Rate	5.81%	6.06%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

* The Bank has made changes to the leave policy w.e.f.01st April 2021 and necessary effect has been given in the financial statement.

11 Additional disclosures

11.1 Provisions and Contingencies

a) The breakup of provisions and contingencies debited to profit and loss account is given below:

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Provisions for depreciation on Investment	-	-
Provision for NPA (including write off)	432.64	131.92
Net provision / (reversal) towards Standard assets (including provision for restructured standard assets)	37.03	15.13
Floating provision	-	-
Provision for taxes (net) *	166.92	133.08
Deferred tax (net) *	(39.88)	(25.78)
General Provision under COVID-19 Regulatory Package	(99.63)	99.63
Other Provision and Contingencies	5.29	(0.04)
Total	**502.37**	**353.94**

*(i) The Bank has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank has recognised provision for income tax for the year ended March 31, 2020 and re-measured the balance of net deferred tax assets, basis the rate prescribed in the aforesaid ordinance. Tax expense for the year ended March 31, 2020 includes ₹ 24.50 crore resulting from write down of net deferred tax assets pertaining to earlier years.

b) **Movement in provision for debit card reward points**

Particulars	As at 31-Mar-21	As at 31-Mar-20
Opening provision for reward points	0.22	0.33
Provision for reward points made during the year	0.48	0.22
Utilisation / Write back of provision for reward points	0.22	0.33
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.48	0.22

c) **Movement in provision for frauds included under Other Liabilities**

Particulars	As at 31-Mar-21	As at 31-Mar-20
Opening provision	1.32	0.42
Provision during the year	2.43	0.96
Utilisation/Write back of provision	0.78	0.06
Closing provision	2.97	1.32

11.2 Floating provision

Particulars	As at 31-Mar-21	As at 31-Mar-20
Opening Balance at the beginning of the year	19.00	19.00
Provisions made during the year	-	-
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

11.3 Drawdown from reserves

The Bank has not drawn down any amount from its opening reserves during the year ended March 31, 2021 and March 31, 2020.

Securities premium

An amount of ₹ 14.82 crore (Previous Year ₹ 3.82 crore) being the expenditure in connection with issue of shares during the year has been drawn down from Securities Premium account as permitted under section 52 of the Companies Act 2013.Also refer schedule 11 and the note thereunder.

Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 96.06 crore (Previous year ₹ 60.91 crore) to Statutory Reserve for the year.

Capital Reserve

During the year, the Bank had appropriated ₹ 23.66 crore (Previous Year ₹ Nil), net of taxes and transfer to statutory reserve, to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 7.42 crore (Previous year ₹ 4.83 crore) to Special Reserve. There is no drawdown from this reserve during FY 20-21 and FY 19-20.

Investment Fluctuation Reserve

During the FY 2020-21, the bank has apportioned ₹ 1.98 crore (Previous year :₹ 2.76 Crore) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

Declaration of Dividends

The Reserve Bank of India (RBI), vide notification dated December 4, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final dividend for the financial year ended March 31, 2020.

Further, RBI vide its notification reference RBI/2021-22/23/DOR.ACC.REC.7/21.02.067/2021-22 Dated: April 22, 2021, stated that in view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. While allowing banks to pay dividend on equity shares at the half of that permitted vide circular dated May 4, 2005, the said circular requires the Board of Directors of the Bank to consider projected capital position and requirements, adequacy of provisions, etc before deciding upon payment of dividend. Accordingly, considering the need to preserve capital in these uncertain times, the Board did not recommend any dividend for the financial year ended March 31, 2021.

11.4 Disclosure relating to Complaints

A

a) **Summary information on complaints received by the bank from customers and from the OBOs** **[Nos.]**

Complaints received by the bank from its customers

Sr.No	Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
1	Number of complaints pending at beginning of the year	54	7
2	Number of complaints received during the year	2,410	1,867
3	Number of complaints disposed during the year	2,401	1,820
3.1	Of which, number of complaints rejected by the bank	4	3
4	Number of complaints pending at the end of the year	63	54
Maintainable complaints received by the bank from OBOs			
5	Number of maintainable complaints received by the bank from OBOs	239	112
5.1	Of 5, number of complaints resolved in favour of the bank by BOs	229	109
5.2	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs	10	0
5.3	Of 5, number of complaints resolved after passing of Awards by BOs against the bank	0	3
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	0	0

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 day
1	2	3	4	5	6
2020-2021					
Internet/Mobile/Electronic Banking	19	920	24% increase	8	
Account opening/difficulty in operation of accounts	10	698	196% increase	28	1
Levy of charges without prior notice/excessive charges/foreclosure charges	7	480	256% increase	3	
Loans and advances	5	295	34% decrease	17	
ATM/Debit Cards	11	178	2% decrease	5	
Others	2	78	67% decrease	2	
Total	**54**	**2649**		**63**	**1**
2019-2020					
Internet/Mobile/Electronic Banking	0	742	315% increase	19	
Loans and advances	3	449	155% increase	5	
Account opening/difficulty in operation of accounts	2	236	24% increase	10	
ATM/Debit Cards	1	181	41% decrease	11	
Levy of charges without prior notice/excessive charges/foreclosure charges	1	135	29% decrease	7	
Others		236	90% decrease	2	1
Total	**7**	**1979**		**54**	**1**

11.5 Letters of Comfort

The Bank has not issued any letters of comfort during the year.(Previous year: Nil).

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2021 is 58.59% (March 31, 2020 is 45.22%). The Provision Coverage ratio is computed on the advances as at respective year end.

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Particulars	As at 31-Mar-21	As at 31-Mar-20
On Insurance products	24.34	19.47
On Mutual Fund products	0.65	1.50
Total	**24.99**	**20.97**

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at 31-Mar-21	As at 31-Mar-20
Total Deposits of twenty largest depositors *	3,588.65	3,446.45
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	21.89%	31.95%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at 31-Mar-21	As at 31-Mar-20
Total advances of twenty largest borrowers	858.98	758.85
Percentage of advances of twenty largest borrowers to Total advances of the bank	4.99%	5.45%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures*

Particulars	As at 31-Mar-21	As at 31-Mar-20
Total Exposure of twenty largest borrowers/customers	907.96	789.64
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.17%	5.58%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

11.8.4 Concentration of NPA

Particulars	As at 31-Mar-21	As at 31-Mar-20
Total exposure of top four NPA accounts	18.33	6.80

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines is ₹ 700 crore as on March 31, 2021 (Previous Year : ₹ 1450 crore).

(All amounts in crore of ₹, unless otherwise specified)

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	As at 31-Mar-21	
	PSLCs bought during the year	**PSLCs sold during the year**
Agriculture	-	100.00
Small and Marginal Farmers	-	1,000.00
Micro Enterprises	-	3,650.00
General	-	50.00
Total	**-**	**4,800.00**

Particulars	As at 31-Mar-20	
	PSLCs bought during the year	**PSLCs sold during the year**
Agriculture	-	-
Small and Marginal Farmers	-	1,500.00
Micro Enterprises	-	500.00
General	-	-
Total	**-**	**2,000.00**

12 Sector-wise advances

Sector	As at 31-Mar-21			As at 31-Mar-20		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	**10,257.21**	**427.54**	**4.17%**	**9,589.23**	**308.72**	**3.22%**
(a) Agriculture and Allied Activities	2,783.97	80.47	2.89%	2,461.54	28.79	1.17%
(b) Industry	739.60	27.14	3.67%	463.85	15.20	3.28%
(c) Services	4,663.57	242.49	5.20%	4,739.41	221.28	4.67%
(d) Personal Loans*	725.47	20.78	2.86%	443.76	15.85	3.57%
(e) Others	1,344.60	56.66	4.21%	1,480.67	27.60	1.86%
B. Non-priority sector	**6,967.35**	**215.24**	**3.09%**	**4,327.72**	**108.60**	**2.51%**
(a) Agriculture and Allied Activities	-	-	0.00%	-	-	0.00%
(b) Industry	924.40	6.54	0.71%	862.96	0.89	0.10%
(c) Services	166.02	26.80	16.14%	124.56	5.23	4.20%
(d) Personal Loans**	5,741.87	181.90	3.17%	3,327.87	102.48	3.08%
(e) Others	135.06	-	0.00%	12.33	-	0.00%
Total	**17,224.56**	**642.78**	**3.73%**	**13,916.95**	**417.32**	**3.00%**

* Personal Loans includes Housing Loans.

** Personal Loans includes Housing Loans, Loan Against Property ,Vehicle Finance Loans, Loans against Gold.
Priority sector includes ₹ 4,800.00 crore (previous year : ₹ 2,000.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports.

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at 31-Mar-21	As at 31-Mar-20
Number of SPVs sponsored by the bank for securitisation transactions	-	2
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	-	233.45
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss (Corporate Guarantee)	-	21.79
Others (Corporate Guarantee)	-	-
b) On-balance sheet exposures		
First loss (Cash Collateral & Retained Assets)	-	4.28
Others	-	-
Amount of exposure to securtisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securtisation		
First loss	-	-
Others	-	-
ii) Exposure to third party securtisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securtisation		
First loss	-	0.21
Others	-	-
ii) Exposure to third party securtisation		
First loss	-	-
Others	-	-

(All amounts in crore of ₹, unless otherwise specified)

13.2 Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at 31-Mar-21	As at 31-Mar-20
Number of Direct Assignments	1	1
Total amount of Loans directly transferred / Assigned	111.11	111.11
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
First loss	-	-
Others	0.00	0.00
Amount of exposure to Assignment transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the year (Previous year: Nil).

15 Intra-Group Exposure

The Bank does not have any exposure (advances/investments) within the group (Previous year: Nil).

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF):

There were no delay in transfer to Depositor Education and Awareness Fund during the year (Previous year: Nil).

16.1 Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	Year ended 31-Mar-21	Year ended 31-Mar-20
Opening balance of amounts transferred to DEAF	0.01	-
Add : Amounts transferred to DEAF during the year	0.05	0.01
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	**0.06**	**0.01**

17 Unhedged foreign currency exposure

The Bank has made a provision of ₹ 0.028 crore for unhedged foreign currency exposure as required by RBI guidelines as at March 31, 2021 (March 31, 2020 : ₹ 0.027 crore).

18.1 Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

	Particulars	Quarter ended 30-Jun-20		Quarter ended 30-Sep-20		Quarter ended 31-Dec-20		Quarter ended 31-Mar-21	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		4,198.33		4,730.24		6,937.62		6,626.61
	Cash Outflows								
2	**Retail deposits and deposits from small business customers, of which:**								
(i)	Stable deposits	739.86	36.99	928.96	46.45	1,123.47	56.17	1,366.26	68.31
(ii)	Less stable deposits	3,311.74	331.17	3,883.86	388.39	4,519.72	451.97	5,284.13	528.41
3	**Unsecured wholesale funding, of which:**								
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	2,880.83	2,259.73	3,356.97	2,703.25	3,702.09	2,937.33	4,078.68	3,203.01
(iii)	Unsecured debt	126.58	126.58	235.47	235.47	279.10	279.10	325.64	325.64
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	145.81	46.23	245.24	109.87	227.39	72.06	247.20	92.34
6	**Other contractual funding obligations**	399.53	399.53	485.69	485.69	328.70	328.70	342.07	342.07
7	**Other contingent funding obligations**	148.61	6.92	112.93	5.25	136.08	6.69	162.91	7.93
8	**TOTAL CASH OUTFLOWS**		**3,207.15**		**3,974.37**		**4,132.02**		**4,567.71**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	1,704.43	0.00	1,277.96	0.00	2,824.04	0.00	2,604.47	0.00
10	Inflows from fully performing exposures	47.38	29.33	285.37	156.04	482.67	255.75	478.12	257.26
11	Other cash inflows	109.73	102.45	75.83	66.73	237.18	167.16	310.60	238.71
12	**TOTAL CASH INFLOWS**	**1,861.54**	**131.78**	**1,639.16**	**222.77**	**3,543.89**	**422.91**	**3,393.19**	**495.97**
13	**TOTAL HQLA**		**4,198.33**		**4,730.24**		**6,937.62**		**6,626.61**
14	**TOTAL NET CASH OUTFLOWS**		**3,075.37**		**3,751.60**		**3,709.11**		**4,071.74**
15	**LIQUIDITY COVERAGE RATIO (%)**		**136.51**		**126.09**		**187.04**		**162.75**

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

(All amounts in crore of ₹, unless otherwise specified)

18 .2 Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

	Particulars	Quarter ended 30-Jun-19		Quarter ended 30-Sep-19		Quarter ended 31-Dec-19		Quarter ended 31-Mar-20	
		Total Unweighted Value (average)	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		2,611.39		3,319.83		3,186.19		3,490.03
	Cash Outflows								
2	**Retail deposits and deposits from small business customers, of which:**								
(i)	Stable deposits	381.38	19.07	419.50	20.97	422.92	21.15	629.30	31.47
(ii)	Less stable deposits	2,433.32	243.33	2,688.21	268.82	2,906.80	290.68	3,062.87	306.29
3	**Unsecured wholesale funding, of which:**								
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	2,776.56	2,155.00	2,780.46	2,148.72	2,559.99	1,961.61	2,855.92	2,209.62
(iii)	Unsecured debt	260.51	260.51	323.59	323.59	226.39	226.39	259.70	259.70
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	93.24	27.80	148.48	50.56	186.39	56.36	171.34	52.39
6	**Other contractual funding obligations**	91.67	91.67	133.16	133.16	182.94	182.94	229.27	229.27
7	**Other contingent funding obligations**	131.55	5.99	153.46	7.12	149.89	6.95	154.27	7.16
8	**TOTAL CASH OUTFLOWS**		**2,803.37**		**2,952.94**		**2,746.08**		**3,095.90**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	773.37	0.00	1,232.93	0.00	1,160.38	0.00	1,596.02	0.00
10	Inflows from fully performing exposures	359.99	179.99	393.19	205.26	428.25	225.85	459.61	243.56
11	Other cash inflows	152.32	101.21	158.15	102.01	172.18	118.72	184.89	122.41
12	**TOTAL CASH INFLOWS**	**1,285.68**	**281.20**	**1,784.27**	**307.27**	**1,760.81**	**344.57**	**2,240.52**	**365.97**
13	**TOTAL HQLA**		**2,611.39**		**3,319.83**		**3,186.19**		**3,490.03**
14	**TOTAL NET CASH OUTFLOWS**		**2,522.17**		**2,645.67**		**2,401.52**		**2,729.93**
15	**LIQUIDITY COVERAGE RATIO (%)**		**103.54**		**125.48**		**132.67**		**127.84**

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

(All amounts in crore of ₹, unless otherwise specified)

19 Fixed Assets - details of software

Particulars	As at 31-Mar-21	As at 31-Mar-20
Opening cost	79.13	66.67
Additions during the year	21.45	41.53
Less: Deletions	2.91	2.94
Less: Amortization to date	30.33	26.13
Closing balance	**67.34**	**79.13**

20 Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

21 Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

Details of CSR expenditure	Year ended 31-Mar-21	Year ended 31-Mar-20
a) Gross amount required to be spent by the Bank	4.96	3.68
b) Amount spent		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	15.73	13.27
% of Average net profit spent for the last three financial years	6.35%	7.22%

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Bank, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

23 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options are granted to some of the eligible employees of the Bank. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted. The outstanding options as at the respective years is given below.

Particulars	As at 31-Mar-21	As at 31-Mar-20
Options outstanding	1,10,420	1,72,308

(All amounts in crore of ₹, unless otherwise specified)

b) ESFB ESOP 2019

During the previous year ended 31st March 2020, the bank established a employee stock option scheme titled ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP 2019) effective from November 22, 2019. Under the plan, the Bank was authorized to issue upto 110,000,000 options (including 33,487,873 options under Grant 1 issued as a replacement option for the Scheme under the Holding Company) to eligible employees of the Bank and the Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.

As at March 31, 2021, 438,18,120 (previous year 400,43,917) (net of forfeitures and cancellation) options were outstanding, which were granted at various exercise prices. The following are the outstanding options as at March 31, 2021:

ESOP Scheme	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019
Grant	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Date of Board Approval	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Exercise Price Per Option (₹)	27.00	27.00	38.00	38.00	38.00	33.00	34.00	35.00	40.00	56.00	56.00
Total Options granted	3,34,87,873	12,00,000	64,38,855	2,82,000	38,00,360	1,00,000	1,58,346	2,91,000	4,00,000	38,02,510	11,42,500
Vesting Period	(Vesting over 3 years) 30-Nov-20 to 15-Dec-22	(Vesting over 4 years) 12-Dec-20 to 12-Dec-23	(Vesting over a period of two years) 29 -Jan 2021 to 29-Jan-2022.	(Vesting over a period of four years – 25% at the end of each year) 1-Apr-2021 to 1-Apr-2024	(Vesting over a period of one year) 26-Sep-2021	(Vesting over a period of one year) 15-Feb-2022	(Vesting over a period of three years) 22-Feb-2022 to 22-Feb-2024	(Vesting over a period of three years) 22-Feb-2022 to 22-Feb-2024	(Vesting over a period of four years) 22-Feb-2022 to 22-Feb-2025	(Vesting over a period of one year) 22-Mar-2022	(Vesting over a period of four years) 22-Mar-2022 to 22-Mar-2025
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity

Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
					Graded Vesting						
1st Vesting	92 % on 12 months and 8 days from the date of grant	25 % on 12 months and 20 days from the date of grant	67 % on completion of One year from the date of grant	25 % on 12 months and 20 days from the date of grant	12 months from the date of grant	12 months from the date of grant	1/3rd on expiry of 12 months from the date of grant	1/3rd on expiry of 12 months from the date of grant	25 % on 12 months from the date of grant	12 months from the date of grant	25 % on 12 months from the date of grant
2nd Vesting	6% on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	33 % on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	NA	NA	1/3rd on expiry of one year from the 1st vesting date	1/3rd on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	NA	25% on expiry of one year from the 1st vesting date
3rd Vesting	2% on expiry of two years from the 1st vesting date	25% on expiry of two years from the 1st vesting date	NA	25% on expiry of two years from the 1st vesting date	NA	NA	1/3rd on expiry of two years from the 1st vesting date	1/3rd on expiry of two years from the 1st vesting date	25% on expiry of two years from the 1st vesting date	NA	25% on expiry of two years from the 1st vesting date
4th Vesting	NA	25% on expiry of three years from the 1st vesting date	NA	25% on expiry of three years from the 1st vesting date	NA	NA	NA	NA	25% on expiry of three years from the 1st vesting date	NA	25% on expiry of three years from the 1st vesting date
Vesting Conditions	Partly based on continuance of service and party based on performance rating	Partly based on continuance of service and party based on performance rating	On Continuance of Service	Partly based on continuance of service and party based on performance rating	On Continuance of Service	On Continuance of Service	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	Partly based on continuance of service and partly based on performance rating	On Continuance of Service	Partly based on continuance of service and party based on performance rating

Exercise Period: Eligible to exercise the options up to three years from the date of vesting.
Manner of vesting: In a graded manner over 3 to 4 years commencing from the date of grant.

Particulars	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Outstanding Options as at April 1, 2020	3,22,85,276	12,00,000	62,76,641	2,82,000	-	-	-	-	-	-	-
Options granted during the Period	-	-	-	-	38,00,360	1,00,000	1,58,346	2,91,000	4,00,000	38,02,510	11,42,500
Less: Options Forfeited / Lapsed	41,29,432	30,000	3,91,347	-	2,67,170	-	-	-	-	74,400	-
Options Exercised	10,19,810	-	8,354	-	-	-	-	-	-	-	-
Outstanding options as at March 31, 2021	**2,71,36,034**	**11,70,000**	**58,76,940**	**2,82,000**	**35,33,190**	**1,00,000**	**1,58,346**	**2,91,000**	**4,00,000**	**37,28,110**	**11,42,500**
Vested	2,50,04,474	2,70,000	39,88,209	-	-	-	-	-	-	-	-
Yet to vest	21,31,560	9,00,000	18,88,731	2,82,000	35,33,190	1,00,000	1,58,346	2,91,000	4,00,000	37,28,110	11,42,500
Weighted Average of the remaining maturity (in years)	2.77	4.29	3.16	4.51	3.49	3.88	4.88	4.88	5.38	3.98	5.48

(All amounts in crore of ₹, unless otherwise specified)

(b) The fair value of options used to compute Pro-forma net profit and earnings per Equity Share have been estimated on the date of the grant, using Black-Scholes model by a Merchant Banker.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Variables	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
Grant Date	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20	26-Sep-20	15-Feb-21	15-Feb-21	15-Feb-21	15-Feb-21	22-Mar-21	22-Mar-21
Risk Free Interest Rate	5.56% to 6.06%	5.85% to 6.59%	5.83 % to 6.12%	5.81 % to 6.41%	4.66%	4.68%	4.68% to 5.46%	4.68% to 5.46%	4.68% to 5.75%	4.82%	4.82% to 5.97%
Expected Life	2.52 to 4.53 yrs	2.50 to 5.51 yrs	2.50 to 3.51 yrs	2.52to 5.52 yrs	2.50 yrs	2.50 yrs	2.50 yrs to 4.50 yrs	2.50 yrs to 4.50 yrs	2.50 yrs to 5.50 yrs	2.50 yrs	2.50 to 5.51 yrs
Expected Volatility	32.63% to 35.63%	32.71% to 35.41%	32.66% to 32.86%	32.86% to 35.33%	40.98%	42.05%	39.30% to 42.03%	39.30% to 42.03%	39.30% to 42.03%	42.24%	39.21% to 42.13%
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-
Price of the underlying Share at the time of the Option Grant (₹)	27	27	38	38	38	33	34	35	40	56	56
Fair Value of the Option (₹)											
1st Stage	7.10	7.17	10.11	10.22	11.35	20.76	20.20	19.65	17.11	16.69	16.66
2nd Stage	8.70	8.82	12.41	12.45	NA	NA	22.24	21.73	19.38	NA	19.60
3rd Stage	10.69	10.83	NA	14.53	NA	NA	24.48	23.81	21.63	NA	22.52
4th Stage	-	12.13	NA	16.94	NA	NA	NA	NA	23.83	NA	25.33

Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

c) Dividend Yield

Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the Bank's net profit / (loss) and earnings per share would have been as per the Proforma amounts indicated below:

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Net Profit as per Statement of Profit and Loss (as reported)	384.22	243.64
Add: Stock Based Employee Compensation Expense included in profit before tax	-	-
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)	(21.68)	(8.83)
Net Profit - Proforma	**362.54**	**234.81**

Basic Earnings per Share of ₹ 10 each (as reported)	3.53	2.39
Basic Earnings per Share of ₹ 10 each (Proforma)	3.33	2.30
Diluted Earnings per Share of ₹ 10 each (as reported)	3.49	2.39
Diluted Earnings per Share of ₹ 10 each (Proforma)	3.29	2.30

Also refer Note 10.4 of Schedule 18.

24 Prior period comparatives

Prior period comparatives have been reclassified / regrouped by the management, wherever necessary.

As per our report of even date

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

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Sheshu Samudrala
Partner
Membership No: 235031
Place: Chennai
Date: April 29, 2021

Arun Ramanathan
Chairman
DIN:00308848
Place: Chennai
Date: April 29, 2021

Vasudevan PN
Managing Director and Chief Executive Officer
DIN:01550885
Place: Chennai
Date: April 29, 2021

Arun Kumar Verma
Director
DIN:03220124
Place: Bhubaneswar
Date: April 29, 2021

N Sridharan
Chief Financial Officer
Place: Chennai
Date: April 29, 2021

Sampathkumar KR
Company Secretary
M.No:A27466
Place: Chennai
Date: April 29, 2021

Independent Auditor's Report

To the Members of Equitas Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31 2020, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in so far as they apply to the Bank, and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time, of the state of affairs of the Bank as at March 31, 2020, its profit, its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to the following matters:

a. Schedule 17.2.1 to the accompanying Statement regarding management's plans relating to compliance by the Bank, with the relevant licensing guidelines of the Reserve Bank of India and related regulatory processes and requirements.

b. Schedule 17.2.2 to the accompanying financial statements, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic, and its possible consequential implications, if any, the Bank's operations and financial metrics,

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
(a) Identification of non-performing advances and provisioning for advances (Refer to Schedule 17.2.2 and Schedule 17.3.3 to the financial statements)	
Advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification, classification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification ("IRAC") and the specific guidelines relating to COVID-19 Regulatory Package issued by the Reserve Bank of India (RBI) which include rule-based and judgmental factors. Management is also required to make estimates of stress, recoverability issues, and security erosion in respect of specific borrowers or groups of borrowers, on account of specific factors that	• We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the IRAC norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. • We tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status (including consideration of the moratorium on loans offered under the Regulatory Package).

Key audit matters	How our audit addressed the key audit matter
(a) Identification of non-performing advances and provisioning for advances (Refer to Schedule 17.2.2 and Schedule 17.3.3 to the financial statements)	
may affect such borrowers/groups (including factors relating to economic stress arising out of the COVID-19 pandemic). Implementation of COVID 19 Regulatory package and regulatory forbearance in asset classification and additional provision required by regulator on accounts were such moratorium / asset classification benefits are extended involve significant level of judgement. A material error or omission in the process of NPA identification or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	• We considered the special mention accounts ("SMA") reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) and made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning • We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies and applicable regulatory provisioning requirements. • We made inquiries of management and examined supporting evidence, for situations where provision was made at levels higher than the minimum prescribed by RBI. • We made inquiries regarding the implementation of the moratorium of loans in view of the COVID-19 regulatory package, asset classification benefit on under IRAC norms and the general provision made on eligible accounts, and performed audit tests on the provisions so made, on a sample basis. • We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. • We tested the arithmetical accuracy of computation of provision for advances.
(b) IT systems and controls	
There has been a major enhancement in the information technology (IT) infrastructure of the Bank in the current year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, changes in the technology environment have been carried out by the Bank. The IT infrastructure is critical for effective and efficient functioning of the Bank's business operations as well as for timely and accurate financial reporting. Accordingly, the Bank has continued to invest in its IT infrastructure in the current year as well.	• We included specialized IT auditors as part of our audit team for testing IT general controls, application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank's IT systems. • We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems that are related to financial reporting. • We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized.

Key audit matters	How our audit addressed the key audit matter
(b) IT systems and controls	
Due to the pervasive nature and complexity of the IT environment and considering that several systems and processes have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.	• We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition, we tested the key application controls with respect to financial reporting to evaluate their operating effectiveness. • If deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information
The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements
The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time. .

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated June 14, 2019, we report that:

   a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We performed procedures necessary for the purpose of our walkthrough of processes and test of controls at branches by inspection of documents obtained from branches.

3. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

(e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

(g) In our opinion, the entity being a banking company, remuneration to the whole-time director during the year ended March 31, 2020 has been paid / provided by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act 1949; and

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer to Schedule 12 and Schedule 18.20 to the financial statements;

ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For S.R. Batliboi & Associates LLP

Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
UDIN: 20211107AAAABL8061

Place: Chennai
Date: May 14, 2020

ANNEXURE 1

TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF EQUITAS SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Equitas Small Finance Bank Limited

We have audited the internal financial controls over financial reporting of Equitas Small Finance Bank Limited (the "Bank") as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP

Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
UDIN: 20211107AAAABL8061

Place: Chennai
Date: May 14, 2020

Balance Sheet
as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Schedule	As at 31-Mar-2020	As at 31-Mar-2019
Capital and Liabilities			
Capital	1	10,534,016	10,059,434
Reserves and Surplus	2	16,907,473	12,483,751
Deposits	3	107,884,055	90,067,363
Borrowings	4	51,348,736	39,730,261
Other Liabilities and Provisions	5	6,471,188	5,286,100
Total		193,145,468	**157,626,909**
Assets			
Cash and Balances With Reserve Bank of India	6	3,808,637	4,027,037
Balances with banks and money at call and short notice	7	21,559,788	8,579,115
Investments	8	23,425,062	23,444,540
Advances	9	137,472,415	115,950,045
Fixed assets	10	2,127,694	2,373,362
Other assets	11	4,751,872	3,252,810
Total		**193,145,468**	**157,626,909**
Contingent Liabilities	12	269,794	327,223

Summary of significant accounting policies	17
Notes forming part of financial statements	18

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
Place: Chennai
Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan
Chairman
DIN: 00308848
Place: Chennai
Date: May 14, 2020

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN: 01550885
Place: Chennai
Date: May 14, 2020

Arun Kumar Verma
Director
DIN: 03220124
Place: Bhubaneswar
Date: May 14, 2020

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 14, 2020

Sampathkumar KR
Company Secretary
M. No: A27466
Place: Chennai
Date: May 14, 2020

Statement of Profit and Loss
for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

	Particulars	Schedule	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
I	**INCOME**			
	Interest earned	13	26,454,439	21,119,345
	Other income	14	2,823,516	2,828,975
	Total		**29,277,955**	**23,948,320**
II	**EXPENDITURE**			
	Interest expended	15	11,501,381	9,602,006
	Operating expenses	16	11,800,786	10,084,865
	Provisions and contingencies		3,539,434	2,155,788
	Total		**26,841,601**	**21,842,659**
III	**PROFIT**			
	Net Profit for the year		2,436,354	2,105,661
	Total		**2,436,354**	**2,105,661**
IV	**APPROPRIATIONS**			
	Transfer to Statutory reserves		609,089	526,416
	Transfer to Special reserve account		48,339	26,375
	Transfer to Investment Reserve			0
	Transfer to Investment Fluctuation Reserve		27,630	84,300
	Balance carried over to Balance Sheet		1,751,296	1,468,570
	Total		**2,436,354**	**2,105,661**

Summary of significant accounting policies	17		
Notes forming part of the financial statements	18		
Earning per share (Basic) (in ₹)	18.10.4	2.39	2.09
Earning per share (Diluted) (in ₹)	18.10.4	2.39	2.09
Face Value per share (in ₹)		10	10

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP

Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
Place: Chennai
Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan
Chairman
DIN: 00308848
Place: Chennai
Date: May 14, 2020

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Place: Chennai
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N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 14, 2020

Sampathkumar KR
Company Secretary
M. No: A27466
Place: Chennai
Date: May 14, 2020

Cash Flow Statement
for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
Cash Flow from Operating activities		
Profit Before Tax	3,509,403	3,237,367
Adjustments for:		
Depreciation on fixed assets	964,545	917,767
Amortization on Held to Maturity securities	60,039	51,623
Provision for standard assets	151,301	98,887
General Provision under COVID-19 – Regulatory Package	996,300	-
Bad debts written off	715,044	607,743
Provision for Non performing assets	604,154	282,597
Other Provision and Contingencies	(448)	34,890
Loss on sale of fixed assets	2,597	1,113
Interest expenses on borrowings	4,361,728	4,591,902
Interest income on bank balances not considered as cash and cash equivalents	(5,541)	(20,319)
	11,359,123	**9,803,569**
Adjustments for:		
(Increase)/Decrease in investments	(40,560)	15,072,252
(Increase)/Decrease in advances	(22,841,568)	(39,773,459)
Increase/(Decrease) in deposits	17,816,692	34,027,636
(Increase)/Decrease in other assets	(1,230,600)	(426,829)
Increase/(Decrease) in other liabilities and provisions	673,834	730,864
Direct taxes paid	(1,340,766)	(1,441,030)
Net cash (used in)/ generated from operating activities (A)	**4,396,154**	**17,993,003**
Cash flow from investing activities		
Purchase of fixed assets	(743,718)	(516,363)
Proceeds from sale of fixed assets	22,244	32,946
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	(622)	369,816
Interest received from bank balances not considered as cash and cash equivalents	4,796	47,423
Net cash (used in) / generated from investing activities (B)	**(717,300)**	**(66,178)**
Cash flow from financing activities		
Borrowings taken during the year	323,775,706	904,467,952
Borrowings repaid during the year	(312,157,231)	(916,509,772)
Proceeds from issue of share capital (including share premium)	2,500,100	-
Share issue Expenses	(38,150)	-
Interest paid on borrowings	(4,997,627)	(5,020,693)
Net cash generated from / (used in) financing activities (C)	**9,082,798**	**(17,062,513)**
Net decrease in cash and cash equivalents (A)+(B)+(C)	**12,761,652**	**864,312**
Cash and Cash equivalents at beginning of the year (Refer Notes below)	**12,553,197**	**11,688,885**
Cash and Cash equivalents at end of the year (Refer Notes below)	**25,314,849**	**12,553,197**

Cash Flow Statement
for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	Year Ended 31-Mar-2020	Year Ended 31-Mar-2019
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (Schedule 6)	3,808,637	4,027,037
Balances With Banks And Money At Call And Short Notice (Schedule 7)	21,559,788	8,579,115
Balances not considered as part of cash and cash equivalents:		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(53,576)	(52,955)
Cash and Cash equivalents at end of the year	**25,314,849**	**12,553,197**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
Place: Chennai
Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan
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DIN: 00308848
Place: Chennai
Date: May 14, 2020

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Place: Bhubaneswar
Date: May 14, 2020

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 14, 2020

Sampathkumar KR
Company Secretary
M. No: A27466
Place: Chennai
Date: May 14, 2020

Schedules to Balance Sheet

as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 1 - Capital		
Authorised capital		
1,700,000,000 (Previous Year: 2,500,000,000) Equity Shares of ₹ 10 each	**17,000,000**	**25,000,000**
Issued, subscribed and paid-up capital		
1,053,401,602 (Previous year: 1,005,943,363) Equity Shares of ₹ 10 each (Refer note below)	10,534,016	10,059,434
Total	**10,534,016**	**10,059,434**

The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 250.01 crores on December 11, 2019.

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
Schedule 2 - Reserves and Surplus			
I	**Statutory reserve**		
	Opening Balance	1,767,578	1,241,162
	Add: Transfer from Profit and Loss account	609,089	526,416
	Deductions during the year	-	-
	Total - (A)	**2,376,667**	**1,767,578**
II	Capital reserve		
	Opening Balance	132,798	132,798
	Additions during the year	-	-
	Deductions during the year	-	-
	Total - (B)	**132,798**	**132,798**
III	Share premium account		
	Opening Balance	5,482,616	5,482,616
	Received during the year (1)	2,025,518	
	Deductions during the year (2)	(38,150)	-
	Total - (C)	**7,469,984**	**5,482,616**
IV	**Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	58,971	32,596
	Add: Transfer from Profit and Loss account	48,339	26,375
	Deductions during the year	-	-
	Total - (D)	**107,310**	**58,971**
V	**Revenue and Other reserves**		
	Opening Balance	254,400	254,400
	Additions during the year	-	
	Deductions during the year	-	-
	Total - (E)	**254,400**	**254,400**
VI	**Investment Reserve**		
	Opening Balance	23,000	23,000
	Additions during the year	-	
	Deductions during the year	-	-
	Total - (F)	**23,000**	**23,000**
VII	**Investment Fluctuation Reserve**		
	Opening Balance	84,300	-
	Additions during the year	27,630	84,300
	Deductions during the year	-	-
	Total - (G)	**111,930**	**84,300**
VII	**Balance in Surplus in profit and loss account**		
	Opening Balance	4,680,088	3,211,518
	Profits for the year	1,751,296	1,468,570
	Closing balance in Surplus in profit and loss account (H)	**6,431,384**	**4,680,088**
	Total (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	**16,907,473**	**12,483,751**

1. Securities Premium received on issue of equity shares.
2. Share issue expenses

Schedules to Balance Sheet
as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 3 - Deposits		
A	**I Demand deposits**		
	(i) From banks	337,551	460,775
	(ii) From others	3,158,781	4,362,761
	II Savings bank deposits	18,585,796	17,919,120
	III Term deposits		
	(i) From banks	35,392,165	23,750,878
	(ii) From others	50,409,762	43,573,829
	Total	**107,884,055**	**90,067,363**
B	I Deposits of branches in India	107,884,055	90,067,363
	II Deposits of branches outside India	-	-
	Total	**107,884,055**	**90,067,363**

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 4 - Borrowings		
I	Borrowings in India		
	(i) Reserve Bank of India	2,330,000	-
	(ii) Other banks	500,000	100,000
	(iii) Other institutions and agencies	46,318,736	34,830,261
	(iv) Tier II Capital (Non Convertible Debentures)	2,200,000	2,700,000
	(v) Bonds and Debentures (excluding subordinated debt)	-	2,100,000
	Total	**51,348,736**	**39,730,261**
II	Borrowings outside India	-	-
	Total	**-**	**-**
	Total	**51,348,736**	**39,730,261**
	Secured borrowings included in I and II above	2,690,936	1,504,761

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 5 - Other Liabilities and Provisions		
I	Bills payable	514,721	627,038
II	Interest accrued	1,286,979	1,484,617
III	Others (including provisions)*	4,669,488	3,174,445
	Total	**6,471,188**	**5,286,100**

*Includes :-

Provision for standard assets (including Provision for restructured standard assets) ₹ 460,955 (March 31, 2019 : ₹ 309,654)

Floating provision of ₹ 190,000 (March 31, 2019 : ₹ 190,000)

General provision of ₹ 996,300 (March 31, 2019: Not Applicable) made by Bank in respect of accounts in default but standard against the potential impact of COVID-19. Also Refer Schedule 18.5.2 and Schedule 17.3.0.

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 6 - Cash and balances with Reserve Bank of India		
I	Cash in hand	1,384,895	1,158,596
II	Balances with Reserve Bank of India :		
	(a) In current accounts	2,423,742	2,868,441
	(b) In other accounts	-	-
	Total	**3,808,637**	**4,027,037**

Schedules to Balance Sheet
as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 7 - Balances with Banks and Money at call and Short Notice		
I	In India		
	(i) Balances with banks :		
	(a) In current accounts	706,212	689,070
	(b) In other deposit accounts [Refer note below]	53,576	52,955
	(ii) Money at call and short notice :		
	(a) With banks	-	-
	(b) With other institutions	-	2,298,258
	(c) Lending under Reverse Repo	20,800,000	5,538,832
	Total	21,559,788	8,579,115
II	Outside India		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	Total	**21,559,788**	**8,579,115**

Note:	Comprises deposits under lien.	18,276	52,955
	Deposits with original maturity of more than three months	53,576	52,955

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 8 - Investments		
I	Investments in India (Net of provision)		
	(i) Government securities	22,923,062	22,442,540
	(ii) Other Approved securities	-	-
	(iii) Shares	2,000	2,000
	(iv) Debentures and Bonds	500,000	1,000,000
	(v) Subsidiaries and / or Joint Ventures	-	-
	(vi) Others	-	-
		23,425,062	**23,444,540**
	Gross Investments	23,425,062	23,444,540
	Less: Depreciation	-	-
	Net Investments	**23,425,062**	**23,444,540**
II	Investments outside India	-	-
	Total	**23,425,062**	**23,444,540**

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 9 - Advances (Net)		
A	(i) Bills purchased and discounted	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	5,788,572	2,789,992
	(iii) Term loans	131,683,843	113,160,053
	Total	**137,472,415**	**115,950,045**
B	(i) Secured by tangible assets	104,192,882	81,946,787
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	33,279,533	34,003,258
	Total	**137,472,415**	**115,950,045**
C	I Advances in India		
	(i) Priority sector*	94,532,486	76,734,059
	(ii) Public sector	-	-
	(iii) Banks	39	700,387
	(iv) Others	42,939,890	38,515,599
	Total Advances in India	**137,472,415**	**115,950,045**

Schedules to Balance Sheet
as at March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
II	Advances outside India		
(i)	Due from banks	-	-
(ii)	Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	Total Advances Outside India	-	-
	Total	**137,472,415**	**115,950,045**

*Priority sector includes ₹ 2,000.00 crores (previous year : ₹ 3,576.25 crores), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC). During the year ended March 31, 2020, the Bank has bought PSLC amounting Nil (previous year : ₹ 5,475.00 crores), which is not included in above.

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 10 - Fixed Assets		
A	**Premises**		
	Cost		
	As at beginning of the year	**1,131,934**	**1,049,826**
	Additions during the year	69,028	84,496
	Deductions during the year	(1,923)	(2,388)
		1,199,039	**1,131,934**
	Depreciation		
	As at beginning of the year	**361,398**	220,932
	Additions during the year	142,961	142,848
	Deductions during the year	(1,923)	(2,382)
	Depreciation to date	**502,436**	**361,398**
	Net block	**696,603**	**770,536**
B	**Other fixed assets (including furniture and fixtures)**		
	Cost		
	As at beginning of the year	3,739,455	3,396,927
	Additions during the year	668,195	427,127
	Deductions during the year	(103,144)	(84,599)
		4,304,506	**3,739,455**
	Depreciation		
	As at beginning of the year	2,152,860	1,428,487
	Charge during the year	821,584	774,919
	Deductions during the year	(78,303)	(50,546)
	Depreciation to date	**2,896,141**	**2,152,860**
	Net block	**1,408,365**	**1,586,595**
C	**Capital work-in-progress**	**22,726**	**16,231**
	Total	**2,127,694**	**2,373,362**

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 11 - Other Assets		
I	Interest accrued	2,306,382	1,462,847
II	Tax paid in advance (Net of provisions for tax)	66,790	56,841
III	Deferred tax asset	1,133,373	875,604
IV	Stationery and stamps	125	247
V	Others*	1,245,202	857,271
	Total	**4,751,872**	**3,252,810**

*Includes expenses amounting to ₹ 8.68 crore relating to listing of shares under Initial Public Offer ("IPO"). These expenses will be drawn down from/adjusted against the Securities Premium Reserve upon completion of the IPO in accordance with the provision of Companies Act 2013 and the Banking Regulation Act 1949.

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
	Schedule 12 - Contingent Liabilities		
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	12,545	8,660
	(b) Income tax	-	1,137
	(c) Others	17,151	10,460

Schedules to Profit and Loss account

for the year ended March 31, 2020

(All amounts in ₹ 000, unless otherwise specified)

	Particulars	As at 31-Mar-2020	As at 31-Mar-2019
II	Guarantees given on behalf of constituents		
	In India	240,098	306,966
	Total	**269,794**	**327,223**

Also Refer Note 20 in Schedule 18

	Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
	Schedule 13 - Interest Earned		
I	Interest on advances	24,200,067	18,236,560
II	Income from investments	1,576,517	2,579,612
III	Interest on balance with RBI and other inter-bank funds	677,855	303,173
IV	Others	-	-
	Total	**26,454,439**	**21,119,345**

	Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
	Schedule 14 - Other Income		
I	Commission, exchange and brokerage	210,407	186,008
II	Profit / (loss) on sale of investments (net)	33,774	32,731
III	Profit / (loss) on sale of Fixed assets (net)	(2,597)	(1,113)
IV	Miscellaneous income*	2,581,932	2,611,349
	Total	**2,823,516**	**2,828,975**

* Includes ₹ 22.34 crores (Previous year ₹ 28.15 crores) of income from sale of PSL Certificates.

	Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
	Schedule 15 - Interest Expended		
I	Interest on deposits	7,381,185	5,097,011
II	Interest on RBI / inter-bank borrowings	273,279	529,299
III	Other interest	3,846,917	3,975,696
	Total	**11,501,381**	**9,602,006**

	Particulars	Year ended 31-Mar-2020	Year ended 31-Mar-2019
	Schedule 16 - Operating Expenses		
I	Payments to and provisions for employees	7,097,890	5,513,063
II	Rent, taxes and lighting	980,924	906,143
III	Printing and stationery	103,331	96,861
IV	Advertisement and publicity	181,934	162,477
V	Depreciation	964,545	917,767
VI	Directors' fees, allowances and expenses	19,370	8,833
VII	Auditors' fees and expenses #	9,647	8,731
VIII	Law Charges	235,475	158,386
IX	Postage, telegram, telephone etc.	211,112	208,424
X	Repairs and maintenance	215,596	193,506
XI	Insurance	82,486	62,554
XII	Commission and Brokerage	182,021	184,761
XIII	Information Technology Expenses	475,242	377,331
XIV	Travel & Conveyance	483,659	400,398
XV	Bank and Other finance charges	58,616	42,962
XVI	Cash handling charges	77,337	51,656
XVII	CSR contributions	132,700	87,492
XVIII	Other expenditure*	288,901	703,520
	Total	11,800,786	**10,084,865**

Excluding ₹ 1.58 crores (previous year – Nil) for services in relation to listing of shares under Initial Public offer (IPO) which have been recorded under other assets. Also refer Schedule 11 and note thereunder.

* Includes ₹ Nil (Previous year : ₹ 29.41 crores) of expenses from purchase of PSL Certificates.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Corporate information

1(a). Background

Equitas Small Finance Bank Limited ("ESFBL" or the "Bank", or the "Company") was incorporated in 1993 as V.A.P Finance Private Limited, later renamed as Equitas Finance Private Limited in August 2011. In 2011, the Company was acquired by Equitas Holdings Limited. The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the "Scheme"), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed Equitas Small Finance Bank Limited ("ESFBL"). Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 2, 2016. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016.

The Bank is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

The Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with provisions of accounting standards as specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank, and other accounting principles generally accepted in India as applicable to banking companies and the applicable requirements of the Banking Regulation Act, 1949 and circulars, guidelines and directions issued by Reserve Bank of India from time to time. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the most recent financial year.

2.1. As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank was required to be listed within 3 years from the date of commencement of operations (i.e from 5th September 2016). In the absence of Securities Exchange Board of India's ("SEBI") approval to a scheme of arrangement, which would have resulted in the listing of the Bank's shares, and the consequent non-compliance of the relevant listing condition, the Reserve Bank of India vide its letter dated September 06, 2019 has imposed regulatory action on the Bank, by way of restriction on opening of new branches and on the remuneration of the MD & CEO of the Bank frozen at current level,till further advice. (In December 2019, the Bank obtained the specific approval of the RBI for opening 240 banking outlets). On September 10, 2019, the Board of directors of the Bank approved an initial public offer and listing of the equity shares on stock exchanges in India, to comply with the licensing guidelines. Subsequently, the Bank filed a Draft Red Herring Prospectus with SEBI on December 16, 2019 and Stock Exchanges (National Stock Exchange of India Limited and BSE Limited). The Bank has received in principle approval from stock exchanges (National Stock Exchange of India Limited and BSE Limited) and observations from the SEBI on its Draft Red Herring Prospectus ("DRHP"). In March 2020, the Bank filed a revised DRHP after addressing the SEBI's comments, and was in the process of completing the Initial Public Offer ("IPO") of shares. However, due to the COVID-19 global pandemic and consequent lockdowns across the country, the completion of the listing process and the IPO of shares has been delayed. Management and the Board of Directors remain committed to completing the IPO of shares in due course, once normalcy in business operations is restored. Read with the above, the Bank continues normal course of business and operates as a going concern, and no adjustments have been considered necessary in this regard.

2.2. The COVID-19 pandemic (declared as such by the World Health Organisation on March 11,2020), has contributed to a significant decline and volatility, and a significant decrease in economic activity, in global and Indian markets. The Indian government announced a strict 40-day lockdown in India to contain the spread of the virus till May 3, 2020, which was further extended till May 17, 2020 with some relaxations in specific areas. This has led to significant disruptions and dislocations for individuals and businesses, and has had consequential impact on regular banking operations including lending, fund-mobilisation, and collection activities. In respect of the Bank's loan book, Management has made provisions as more fully explained in note 17.3.0.a. however, the full extent of impact of the COVID-19 pandemic on the Bank's operations, and financial metrics (including impact on provisioning on advances) will further depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

3. Significant accounting policies

3.0. Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

a. In terms of the COVID-19 Regulatory Package of the RBI, vide guidelines dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, in accordance with the Scheme approved by the Bank's Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning ("IRAC") norms). The Bank has made provision as on March 31, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as permitted under the IRAC norms and based on management's assessment, the Bank has made a provision of ₹ 99.63 crores in the quarter ended March 31, 2020 (including ₹ 2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in paragraph 5 of the RBI's guidelines dated April 17, 2020), based on assessment of recoverability of advances after considering internal and external information and the norms prescribed by RBI. The provision held by the bank is in excess of the RBI prescribed norms.

b. As regards interest income during the moratorium period, the Bank continues to recognise interest on the loans outstanding as at February 29, 2020, on loans to borrowers to whom moratorium benefit has been extended in accordance with COVID-19 Regulatory Package issued by RBI, which are proposed to be collected based on revised repayment schedules.

c. The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020 has not proposed any dividend for the year ended March 31, 2020.

3.1. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3.2. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories (hereinafter called "categories") as below:

i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity

ii) Held for Trading ("HFT") – Securities acquired with the intention to trade

iii) Available for Sale ("AFS") – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:

The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation:

Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FBIL.

The valuation of other unquoted fixed income securities (viz., state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value if the latest balance sheet is available, or at ₹ .1, as per the RBI guidelines.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Security receipts, if any, are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility [LAF] and Marginal Standing Facility [MSF]) with RBI are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:
Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account.

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

3.3. Advances

Classification:
Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

The bank transfers advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Provisioning:
In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 18.11.1).

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank's policies Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation
Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in the financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments and transfer of assets
The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment (PPE) and depreciation)
Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- 'Point of Sale' terminals are fully depreciated in the year of purchase

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight-line basis over the period of contract.Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Bank measures compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of Priority Sector Lending Certificate (PSLC)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in Profit and Loss Account. These are amortised over the period of the Certificate.

3.13. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability (Also refer Note 18.11.1).

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

Proposed dividend after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared / approved.

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020 has not proposed any dividend for the year ended March 31, 2020.

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

Treasury includes all investment portfolios, Profit/Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under 'Retail Banking'.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other unallocable assets, liabilities, income and expenditure.

Schedule 17 – Significant Accounting Policies Forming Part of the Financial Statements

Geographic segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.17. Provisions and Contingencies

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

(All amounts in crore of ₹, unless otherwise specified)

1 Capital adequacy

The Capital Adequacy Ratio["CRAR"]of the Bank, calculated as per the Standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets in the current year as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
1	Common Equity Tier 1 capital ratio (as a percentage of Credit RWA)	22.44%	20.92%
2	Tier 1 capital ratio (as a percentage of Credit RWA)	22.44%	20.92%
3	Tier 2 capital ratio (as a percentage of Credit RWA)	1.17%	1.52%
4	Total Capital Ratio (CRAR)	23.61%	22.44%
5	Amount of equity capital raised *	47.46	-
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares ("PNCPS"): Perpetual Debt Instruments ("PDI") :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares ("PCPS") / Redeemable Non Cumulative Preference Shares ("RNCPS") / Redeemable Cumulative Preference Shares ("RCPS")]	-	-

* The Bank issued 47,458,239 equity shares of face value of ₹ 10 each on preferential basis at a premium of ₹ 42.68 each for total cash consideration of ₹ 250.01 crores on December 11, 2019.

2 Business Ratio

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Interest Income as a percentage to Working Funds *	15.02%	14.39%
(ii)	Non interest income as a percentage to Working Funds *	1.60%	1.92%
(iii)	Operating Profit as a percentage to Working Funds ^	3.39%	2.89%
(iv)	Return on Assets @	1.38%	1.43%
(v)	Business (deposits plus advances) per employee # & (₹ in crore)	1.35	1.32
(vi)	Profit per employee & (₹ in crore)	0.016	0.015

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return represents net profit for the year. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits).

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

3 Investments

3.1 Category-wise details of Investments (Net of provision for depreciation):

S.No	Ratio	As at March 31, 2020			As at March 31, 2019		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	1,782.86	504.50	4.95	1,080.70	1,163.55	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	50.00	-	-	100.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	-	-
	Total	**1,782.86**	**554.70**	**4.95**	**1,080.70**	**1,263.75**	**-**

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

3.2 Details of investments

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	2,342.51	2,344.45
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	2,342.51	2,344.45
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add: Provisions made during the year	6.46	3.76
	(iii) Less: Write off / write back of excess provisions during the year	6.46	3.76
	(iv) Closing balance	-	-

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions

As at March 31, 2020

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020 #
1	**Securities sold under repo**				
	i. Government securities	-	752.79	132.57	233.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	300.00	2,600.43	1,248.36	2,080.00
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Deal Value terms.

As at March 31, 2019

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020 #
1	**Securities sold under repo**				
	i. Government securities	-	1,199.70	360.07	-
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	-	1,330.00	152.56	783.71
	ii. Corporate debt securities	-	-	-	-

Repo and Reverse Repo Transactions (including LAF) are disclosed above in Deal Value terms.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

3.4 a) Issuer composition of Non SLR investments As at March 31, 2020 :

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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	50.20	50.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	50.20	50.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

b) Issuer composition of Non SLR investments as at March 31, 2019 :

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	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Privwate Corporates	100.20	100.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	100.20	100.20	-	0.20	0.20

Note: Amounts reported under columns 4, 5, 6 and 7 are not mutually exclusive.

3.5 Non performing Non-SLR investments
The Bank does not have any non performing non SLR investments in the Current year and in the Previous year.

3.6 Sale and transfer of securities to / from HTM category
The Bank has not sold or transferred any security to/from HTM category in the Current year and in the Previous year.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

5 Asset Quality

5.1 Non-Performing Assets

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(i)	Net NPAs to Net Advances (%)	1.66%	1.44%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	295.71	212.53
	(b) Additions during the year	409.30	317.30
	(c) Reductions during the year	287.69	234.12
	(d) Closing balance	**417.32**	**295.71**
(iii)	Movement of Net NPAs		
	(a) Opening balance	186.42	131.50
	(b) Additions during the year	251.00	206.78
	(c) Reductions during the year	189.80	151.86
	(d) Closing balance	**247.62**	**186.42**
(iv)	Movement of provisions for NPAs		
	(excluding provisions on standard assets)		
	(a) Opening balance	109.29	81.03
	(b) Additions during the year	158.30	110.52
	(c) Reductions during the year	97.89	82.26
	(d) Closing balance	**169.70**	**109.29**

5.1.1 Movement of NPAs

Particulars	As at March 31, 2020	As at March 31, 2019
Gross NPAs as at April 1	295.71	212.53
Additions during the year	409.30	317.30
Subtotal - (A)	**705.01**	**529.83**
Less:		
(i) Upgradations	101.19	81.28
(ii) Recoveries (excluding recoveries made from upgraded accounts)	114.99	92.07
(iii) Technical or Prudential write offs	17.27	31.76
(iv) Write offs other than those under (iii) above	54.24	29.01
Subtotal - (B)	**287.69**	**234.12**
Gross NPAs as at March 31	**417.32**	**295.71**

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	As at March 31, 2020	As at March 31, 2019
Opening balance of Technical / Prudential written off accounts as at April 1	169.23	142.11
Add : Technical / Prudential write offs during the year	17.27	31.76
Subtotal - (A)	**186.50**	**173.87**
Less: Recoveries made from previously technical / prudential written off accounts during the year - (B)	2.15	4.64
Less: Actual writeoff during the year - (C)	-	-
Closing balance as at March 31 (A-B-C)	**184.35**	**169.23**

5.1.3 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year : Nil).

(All amounts in crore of ₹, unless otherwise specified)

5.1.4 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

5.2 Details of Loan Moratorium provided to customers - COVID-19 Regulatory Package - Asset Classification and Provisioning

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning (COVID circular)

Particulars	Amount in ₹ crores
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the COVID circular	996.30
Respective amount where asset classification benefits is extended	29.78
Provisions made during the Q4FY2020 in terms of paragraph 5 of the COVID circular	99.63
Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of the COVID circular	Nil

5.3 Divergence in the asset classification and provisioning

The Financial statements for the year ended March 31, 2020 and March 31, 2019 are not subjected to inspection by Reserve Bank of India as on the date of the financials and accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

5.4 (a) Details of financial assets purchased/sold

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year: Nil)

(b) Details of book value of investment in security receipts:

The Bank has not invested in security receipts during the Current year and in the Previous year.

5.5 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year (Previous year: Nil). Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.6 Provision on Standard Assets

Particulars	As at March 31, 2020	As at March 31, 2019
Provision towards standard assets	45.99	28.39
Provisions for restructured standard advances	**0.11**	**2.58**
Total	**46.10**	**30.97**

*Does not include general provision of ₹ 99.63 crores made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

5.7 Disclosures on Change in Ownership of Projects Under Implementation

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2020, (Previous year: Nil).

5.8 Resolution of Stressed Assets – Revised Framework

The Bank does not have any stressed Assets (Revised Framework) as per RBI Circular RBI/2017 -131 DBR.No.BP.BC. 101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No. BP.BC.45/21.04.048/2018-19 as on March 31, 2020 (Previous year: Nil).

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2020

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.15	0.06	0.18	-	5.38	5.15	0.06	0.18	-	5.38
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.26	0.01	0.18	-	0.45
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	223	4	6	-	233	223	4	6	-	233
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.55	1.57	0.00	-	2.12	0.55	1.57	0.00	-	2.12
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.03	0.24	-	-	0.27	0.03	0.24	-	-	0.27
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	360	(110)	(250)	-	-	360	(110)	(250)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.10	(0.03)	(0.08)	-	(0.01)	0.10	(0.03)	(0.08)	-	(0.01)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.01)	(0.08)	-	(0.09)	-	(0.01)	(0.08)	-	(0.09)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2019-20	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2020

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
5	Down gradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(131)	85	46	-	-	(131.00)	85.00	46.00	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.19)	0.13	0.06	-	-	(0.19)	0.13	0.06	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.01)	0.03	0.06	-	0.08	(0.01)	0.03	0.06	-	0.08
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	728	4	4	-	736	728	4	4.00	-	736
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	3.34	0.14	0.08	-	3.57	3.34	0.14	0.08	-	3.57
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.17	0.03	0.08	-	0.28	0.17	0.03	0.08	-	0.28
7	Restructured Accounts as on March 31,2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,679	118	85	-	2,882	2,679	118	85	-	2,882
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	2.27	1.58	0.08	-	3.93	2.27	1.58	0.08	-	3.93
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.11	0.25	0.08	-	0.44	0.11	0.25	0.08	-	0.44

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹ 2.12 crores of additional sanction (233 accounts and ₹ 0.27 crores Provision there on.)

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1,2018	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	1.65	-	-	1.65	-	1.65	-	-	1.65
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.41	-	-	0.41	-	0.41	-	-	0.41
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,265	135	287	-	2,687	2,265	135	287	-	2,687
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.19	0.04	0.21	-	5.44	5.19	0.04	0.21	-	5.44
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.21	-	0.48	0.26	0.01	0.21	-	0.48
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	699	(699)	-	-	-	699	(699)	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.75	(0.75)	-	-	-	0.75	(0.75)	-	-	-
			-	-	-	-	-	-	-	-	-	-	0.04	(0.19)	-	-	(0.15)	0.04	(0.19)	-	-	(0.15)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

5.9 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
5	Down gradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(9)	(17)	-	-	(26)	(9)	(17)	-	-	(26)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.79)	(0.89)	(0.03)	-	(1.71)	(0.79)	(0.89)	(0.03)	-	(1.71)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.04)	(0.22)	(0.03)	-	(0.30)	(0.04)	(0.22)	(0.03)	-	(0.30)
7	Restructured Accounts as on March 31, 2019	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.15	0.06	0.18	-	5.38	5.15	0.06	0.18	-	5.39
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.26	0.01	0.18	-	0.45

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹ 5.45 crores of additional sanction (2,687 accounts and ₹ 0.48 crores Provision there on.)

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crores of ₹, unless otherwise specified)

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2020

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	158.92	462.12	134.11	364.53	471.33	594.76	1,456.96	3,044.12	4,099.33	1.21	1.02	10,788.41
Advances	0.55	32.27	-	(400.00)	(175.17)	281.78	780.37	2,526.38	6,224.14	1,975.84	2,501.08	13,747.24
Investments	243.98	-	-	138.10	149.76	95.34	284.73	474.90	898.22	41.27	16.21	2,342.51
Borrowings	-	-	55.73	-	172.18	126.43	542.05	1,013.34	2,619.99	603.23	1.92	5,134.87
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2019

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	35.41	327.96	286.36	757.07	376.79	546.82	801.81	2,339.33	3,532.07	2.44	0.68	9,006.74
Advances	11.76	129.91	149.09	109.85	538.05	369.84	1,070.74	1,995.20	4,290.64	1,460.38	1,469.54	11,595.00
Investments	617.54	-	-	120.82	217.62	97.13	206.76	394.84	631.85	44.37	13.52	2,344.45
Borrowings	-	10.00	15.00	-	231.45	83.66	617.22	641.46	1,916.92	454.25	3.07	3,973.03
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain assumptions have been made by management of the Bank and the same are used for submitting the regulatory returns. The actual outflows may be lower than the above estimates as deposits rollover assumptions are not considered in the maturity profile on a conservative basis. Also the liquid assets in the form of Reverse Repo for ₹ 2,080 crores as on March 31, 2020 with residual maturity upto 9 days (March 31, 2019 - ₹ 554 Cr) were not included in the above disclosure.

(All amounts in crore of ₹, unless otherwise specified)

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
(a)	**Direct Exposures**		
	(i) Residential Mortgages - Lending fully secured by Mortgages on residential property that is or will be occupied by the borrower or that is rented.	6,150.08	4,485.64
	-of which housing loans eligible for inclusion in priority sector advances are rendered.	463.71	276.71
	(ii) Commercial Real Estate.		
	Lending secured by mortgages on commercial real estate (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 would also include non fund based (NFB) limit.	114.94	54.54
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(b)	**Indirect Exposures**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	242.41	122.50
	Total exposure to Real Estate Sector	**6,507.43**	**4,662.68**

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

The above disclosure includes the IBPC exposure of ₹ 1,050 crores. (Previuos year -Nil) and includes a) Exposure to Home Loans, Loan against property against Residential mortgages other than classified under CRE-RH b) Exposure to Real Estate Builders/ Developers c)exposures where the primary source of cash flow, i.e. more than 50% of cash flows, for repayment / recovery is from lease or rental payments and such assets are taken as security and d) Indirect exposure to HFC.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

7.2 Exposures to Capital Market

S.No	Particulars	As at March 31, 2020	As at March 31, 2019
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;	0.20	0.20
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;	0.20	0.21
iii	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues;	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
	Total exposure to Capital market	**0.40**	**0.41**

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure. (Previous year: Nil).

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the year, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers. (Previous year: Nil).

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 3,327.95 crore (March 31, 2019 : ₹ 3,400.33 crore) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

During the year ended March 31, 2020 (Previous year: Nil), RBI has not imposed any penalties on the Bank. (Also, refer Note 17.2.1 for the regulatory action taken by the RBI during the year ended March 31, 2020).

9 Disclosure on remuneration

Qualitative disclosures

The Nomination and Remuneration Committee is chaired by an Independent Director and comprises of five (5) Independent Directors and one (1) Non-Executive Non-Independent Director.

(a) Remuneration Policy of the Bank covers remuneration payable for directors and employees of the Bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for bonus payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOP Scheme) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank. Also, refer Schedule 17.2.1.

(b) **Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:**

The Bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Master Circular Reference no DBOD No.BC.72 /29.67.001/2011-12 dated January 31, 2012.

(c) **Description of the ways in which current and future risks are taken into account in the remuneration processes.**

The Board of Directors through the Nomination and Remuneration Committee ("NRC") shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons ("KMP") and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors ("NED") including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such sitting fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Section 35B (1) of the Banking Regulation Act 1989. NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them while performing duties for the Bank.

The remuneration payable to Managing Director ("MD")/Chief Executive Officer ("CEO") shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of

MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the NRC may fix a maximum ceiling on the fixed/variable component of compensation, subject the approval of Reserve Bank of India.

The Bank did not have an ESOP scheme for its employees till November 21, 2019. Select employees including MD & CEO was eligible for Employee Stock Options ("ESOP") of the Holding Company, as determined from time to time by the NRC of the Holding Company and subject to the approval of Reserve Bank of India (RBI). The proposal for grant of ESOPs of the Holding Company to MD & CEO was not acceded to by RBI as conveyed vide its letter dated April 2, 2019. As a result of this, ESOPs of Holding Company are not allotted to MD & CEO.

On November 22, 2019, the Board of the Bank approved an ESOP scheme for the Bank for eligible employees as determined from time to time by the NRC of the Bank. As at March 31, 2020, options under this scheme are issued to an employee of the Bank and EHL who do not hold options under the ESOP Scheme issued by EHL or have surrendered such options issued by EHL.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

(d) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

The Bank follows Annual Performance Review (12 months period) to link performance. Remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets etc.

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

Currently the Bank does not follow any deferred remuneration.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.

A variable component would also be made available for specific employees as agreed and included as a part of compensation. The percentage of variable component may be fixed upto 25% of remuneration.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above defined grade are eligible for Employee Stock Options issued by the Bank determined by the Nomination and Remuneration Committee of the Bank. In addition, some of the employees are holding stock options issued by the Holding company under the Holding Company's Employee Stock Option scheme (Equitas ESOP Scheme 2015).

Quantitative disclosures

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Number of meetings held by the Remuneration Committee during the year	6	6
Remuneration paid to its members	0.08	
(i) Number of employees having received a variable remuneration award during the year	-	-
(ii) Number and total amount of sign on awards made during the year	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the year	-	-
Breakdown of amount of remuneration awards for the year to show fixed and variable, deferred and non deferred:		
(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 year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the year due to ex post implicit adjustments.	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10 Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

As at March 31, 2020

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**247.85**	**2,558.47**	**86.33**	**35.15**	**2,927.80**
Segment Results	77.98	310.31	23.11	12.65	424.05
Unallocated income/(expenses)					73.11
Operating profit					350.94
Income taxes					107.30
Net Profit					**243.64**
Other information					
Segment assets	2,723.37	15,394.12	993.67	-	19,111.16
Unallocated assets					203.39
Total assets					**19,314.55**
Segment liabilities	2,353.31	13,344.48	862.55	-	16,560.34
Unallocated liabilities					10.06
Total liabilities					**16,570.40**
Net assets / Capital employed	370.06	2049.64	131.12	-	**2,550.82**
Additional information					
Capital expenditure	-	74.37	-	-	**74.37**

As at March 31, 2019

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**319.79**	**2,009.59**	**45.31**	**28.83**	**2,403.52**
Segment Results	**112.47**	**258.11**	**2.77**	**10.15**	**383.50**
Unallocated income/(expenses)					59.77
Operating profit					323.74
Income taxes					113.17
Net Profit					**210.57**
Other information					
Segment assets	2,747.16	12,178.57	645.98	-	15,571.71
Unallocated assets					190.98
Total assets					**15,762.69**
Segment liabilities	2,376.13	10,562.03	561.41	-	13,499.57
Unallocated liabilities					8.80
Total liabilities					**13,508.37**
Net assets / Capital employed	371.03	1,616.54	84.57	-	**2,072.14**
Additional information					
Capital expenditure	-	51.64	-	-	**51.64**

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

10.2 Related Party Transactions (AS 18)

i. Names of Related Parties and Nature of Relationship

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO
	N Sridharan, Chief Financial Officer
	Sampathkumar KR, Company Secretary
Entities under the same Management	Equitas Development Initiatives Trust
	Equitas Dhanyakosha India
	Equitas Healthcare Foundation

ii. Transactions with the Related Parties

Transaction	Name of the Related Party	Year ended March 31, 2020	Year ended March 31, 2019
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	10.90	8.65
	Equitas Healthcare Foundation	2.37	0.30
Deposits			
Term deposits received	Equitas Holdings Limited	60.34	207.59
	Equitas Development Initiatives Trust	10.75	0.04
	Key Management Personnel	0.67	0.20
Term deposits closed	Equitas Holdings Limited	55.20	76.58
	Equitas Technologies Private Limited	-	3.53
	Equitas Development Initiatives Trust	6.70	-
	Key Management Personnel	0.31	-
Interest on Term Deposits	Equitas Holdings Limited	14.83	11.05
	Equitas Development Initiatives Trust	0.30	0.00
	Key Management Personnel	0.03	0.01
	Equitas Technologies Private Limited	-	0.05
Savings Deposits and Interest	Equitas Development Initiatives Trust	39.92	23.30
	Equitas Healthcare Foundation	2.82	0.00
	Key Management Personnel	2.46	1.44
Demand Deposits	Equitas Technologies Private Limited	9.26	5.76
	Equitas Holdings Limited	73.79	224.12
	Equitas Dhanyakosha India	0.00	0.00
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	38.38	19.78
	Key Management Personnel	2.27	1.38
	Equitas Healthcare Foundation	0.01	-
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	72.88	226.02
	Equitas Dhanyakosha India	0.02	0.00
	Equitas Technologies Private Limited	9.62	5.86
Borrowings			
Borrowings Repaid	Equitas Holdings Limited	-	121.70
Interest on Borrowings	Equitas Holdings Limited	-	2.65
Other Transactions			
Reimbursement of Expenses	Equitas Development Initiatives Trust	-	0.22
	Equitas Technologies Private Limited	-	0.02
	Equitas Holdings Limited	-	0.00
Guarantees released during the year (net)	Equitas Holdings Limited	-	150.00
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	1.65	1.11
	N Sridharan, Chief Financial Officer	0.94	0.79
	Sampathkumar KR, Company Secretary	0.24	0.18

Schedule 18 – Notes forming part of the Financial Statements

for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited, the Key Management Personnel were allotted the following shares:

Name of the Key Management Personnel	Year ended March 31, 2020	Year ended March 31, 2019
N Sridharan	-	5,400
Sampathkumar K R	-	1,194
Total	-	6,594

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

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at March 31, 2020	As at March 31, 2019
Payables			
Borrowings outstanding	Equitas Holdings Limited	-	-
Term Deposit outstanding	Equitas Holdings Limited	181.62	176.48
	Equitas Development Initiatives Trust	4.14	0.08
	Equitas Technologies Private Limited	-	-
	Key Management Personnel	0.56	0.20
Interest Payable on term deposits	Equitas Holdings Limited	2.13	2.03
	Equitas Development Initiatives Trust	0.04	0.00
	Key Management Personnel	0.01	0.00
Demand Deposits	Equitas Holdings Limited	2.35	1.43
	Equitas Dhanyakosha India	-	0.02
	Equitas Technologies Private Limited	0.01	0.37
Savings Deposit	Equitas Development Initiatives Trust	5.38	3.83
	Equitas Healthcare Foundation	2.82	0.01
	Key Management Personnel	0.70	0.50
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	52.00

iv. Maximum Outstanding during the year

Particulars	Name of the Related Party	As at March 31, 2020	As at March 31, 2019
Borrowings	Equitas Holdings Limited	-	121.70
Term Deposit	Equitas Holdings Limited	182.72	177.02
	Equitas Development Initiatives Trust	6.60	0.08
	Equitas Technologies Private Limited	-	3.53
	Key Management Personnel	0.56	0.21
Demand Deposits	Equitas Holdings Limited	11.63	43.33
	Equitas Dhanyakosha India	0.02	0.02
	Equitas Technologies Private Limited	1.08	2.82
Savings Deposit	Equitas Development Initiatives Trust	10.04	4.05
	Equitas Healthcare Foundation	2.82	0.01
	Key Management Personnel	1.44	0.76
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	202.00

(All amounts in crore of ₹, unless otherwise specified)

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Future lease rentals payable at the end of the year		
- Not later than one year	64.89	44.95
- Later than one year but not later than five years	239.23	197.31
- Later than five years	62.36	88.81
Total minimum lease payments recognised in the Profit and loss account	64.69	58.99
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

10.4 Earnings per Share (AS 20)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net profit after tax	243.64	210.57
Basic weighted average number of equity shares	1,020,466,103	1,005,943,363
Diluted weighted average number of equity shares	1,020,466,103	1,005,943,363
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	2.39	2.09
Diluted Earnings per share (₹)	2.39	2.09

During the year ended March 31, 2020, the Bank granted 4,14,08,728 options to its employees and the employees of Equitas Holding Limited under the ESFB Employees Stock Option Scheme 2019. These options does not have any dilutive impact on the earnings per share.

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
Timing difference on account of:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Impact of difference between tax depreciation and depreciation/amortization for financial reporting.	16.64	-	10.44	-
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis.*	22.13	-	24.25	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961.	28.71	-	29.64	-
Provision for advances	41.46	-	17.46	-
Others	7.10	-	7.83	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961		2.70		2.06
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	**116.04**	**2.70**	**89.62**	**2.06**

*Amount pertains to Provision for Leave encashment ₹ 12.54 crores (Previous year: ₹ 14.37 crores), Provision for Gratuity ₹ 2.66 crores (Previous year: ₹ 1.00 crores) and Provision for Bonus and Others ₹ 6.93 crores (Previous year: ₹ 8.88 crores).

Also refer note 11.1.a.(i) for details of change in statutory income tax rate.

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(All amounts in crore of ₹, unless otherwise specified)

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised ₹ 35.26 Crores (Previous Year: ₹ 28.73 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

Defined Benefit Plans

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Change in defined benefit obligations during the year		
Present value of defined benefit obligation at beginning of the year	23.50	17.88
Present value of Defined Benefit Obligation transferred on account of Scheme of Arrangement (Refer Note 29)		
Current service cost	10.68	7.38
Interest cost	1.58	1.56
Benefits paid	(2.06)	(1.61)
Actuarial (gains)	(1.03)	(1.71)
Present value of Defined Benefit Obligation at end of the year	**32.67**	**23.50**
Change in Fair Value of Assets during the year		
Plan Assets at beginning of the year	20.63	11.85
Add: Adjustments to the opening balance	-	0.00
Expected return on plan assets	1.45	1.18
Actual company contributions	-	8.78
Actuarial gain / (loss)	-	(1.18)
Plan Assets at End of the Year	**22.08**	**20.63**
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(32.66)	(23.50)
Fair value of plan assets	22.08	20.63
Net Liability Recognised in the Balance Sheet	**(10.58)**	**(2.87)**

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Cost of Defined Benefit Plan for the year		
Current service cost	10.68	7.38
Interest cost	1.58	1.56
Expected return on plan assets	(1.45)	(1.18)
Net actuarial gains	(1.03)	(0.53)
Net Cost Recognized in the Profit and Loss account	**9.78**	**7.23**
Return on Plan Assets	1.45	1.18
Assumptions		
Discount rate (Refer Note (b))	6.06%	7.01%
Interest rate (Estimated rate of return on assets)	7.00%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

Notes:

a) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

(All amounts in crore of ₹, unless otherwise specified)

c) Experience Adjustments:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016
Projected benefit obligation	32.66	23.50	17.88	13.53	2.19
Fair value of plan assets	22.08	20.63	11.85	10.49	2.99
Surplus/ (Deficit)	(10.58)	(2.87)	(6.03)	(3.04)	0.80
Experience adjustments on plan liabilities - gains	(1.03)	(1.71)	(1.50)	6.64	(0.04)
Experience adjustments on plan assets - gains / (losses)	-	(1.18)	(0.95)	(1.04)	(0.25)

d) Category of Plan Assets

Particulars	% of fair value to total plan assets as at March 31, 2020	% of fair value to total plan assets as at March 31, 2019
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Assumptions:		
Discount Rate	6.06%	7.01%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

11 Additional disclosures

11.1 Provisions and Contingencies

a) The breakup of provisions and contingencies debited to profit and loss account is given below:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Provisions for depreciation on Investment	-	-
Provision for NPA (including write off)	131.92	89.03
Net Provision / (reversal) towards Standard assets	15.13	9.89
Floating provision	-	-
Provision for taxes (net) *	133.08	137.86
Deferred tax (net) *	(25.78)	(24.69)
General Provision under COVID-19 Regulatory Package	99.63	-
Other Provision and Contingencies	(0.04)	3.49
Total	353.94	215.58

*(i) The Bank has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019.Accordingly, the Bank has recognised provision for income tax for the year ended March 31, 2020 and re-measured the balance of net deferred tax assets, basis the rate prescribed in the aforesaid ordinance. Tax expense for the year ended March 31, 2020 includes ₹ 24.50 crores resulting from write down of net deferred tax assets pertaining to earlier years.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

b) Movement in provision for debit card reward points

Particulars	As at March 31, 2020	As at March 31, 2019
Opening provision for reward points	0.33	0.08
Provision for reward points made during the year	0.22	0.33
Utilisation / Write back of provision for reward points	0.33	0.08
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.22	0.33

c) Movement in provision for frauds included under Other Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
Opening provision	0.42	0.27
Provision during the year	0.96	0.36
Utilisation/Write back of provision	0.06	0.21
Closing provision	1.32	0.42

11.2 Floating provision

Particulars	As at March 31, 2020	As at March 31, 2019
Opening Balance at the beginning of the year	19.00	19.00
Provisions made during the year	-	-
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

11.3 Drawdown from reserves

The Bank has not drawn down any amount from its opening reserves during the year ended March 31, 2020 and March 31, 2019.

Share premium

An amount of ₹ 3.82 crore (Previous Year ₹ Nil) being the expenditure in connection with issue of shares during the year has been drawn down from Share Premium account as permitted under section 52 of the Companies Act 2013. Also refer schedule 11 and the note thereunder.

Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 60.91 Crore (Previous year ₹ 52.64 crores) to Statutory Reserve for the year.

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 4.83 crore (Previous year ₹ 2.64 crore) to Special Reserve. There is no drawdown from this reserve during FY 19-20 and FY 18-19.

Investment Fluctuation Reserve

During the FY 2019-20, the bank has apportioned ₹ 2.76 crores (Previous year :₹ 8.43 Crore) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

(All amounts in crore of ₹, unless otherwise specified)

Declaration of Dividends

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 14, 2020, has not proposed any dividend for the year ended March 31, 2020.

11.4 Disclosure relating to Complaints

A

a) Customer complaints [Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	7	81
No. of complaints received during the year	1,979	3,452
No. of complaints redressed during the year	1,932	3,526
No. of complaints pending at the end of the year	54	7

b) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs [Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	6	4
No. of complaints received during the year	547	748
No. of complaints redressed during the year	549	746
No. of complaints pending at the end of the year	4	6

c) ATM transaction disputes relating to the Bank's customers on other banks' ATMs [Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	19	12
No. of complaints received during the year	2,513	6,373
No. of complaints redressed during the year	2,516	6,366
No. of complaints pending at the end of the year	16	19

d) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above] [Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of complaints pending at the beginning of the year	32	97
No. of complaints received during the year	5,039	10,573
No. of complaints redressed during the year	4,997	10,638
No. of complaints pending at the end of the year	74	32

B Awards Passed by the Banking Ombudsman [Nos.]

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
No. of unimplemented Awards at the beginning of the year	Nil	Nil
No. of Awards passed by the Banking Ombudsmen during the year	3	Nil
No. of Awards implemented during the year	3	Nil
No. of unimplemented Awards at the end of the year	Nil	Nil

11.5 Letters of Comfort

The Bank has not issued any letters of comfort during the year. (Previous year: Nil).

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2020 is 45.22% (March 31, 2019 is 43.38%). The Provision Coverage ratio is computed on the advances as at respective year end.

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Particulars	As at March 31, 2020	As at March 31, 2019
On Insurance products	19.47	16.60
On Mutual Fund products	1.50	1.93
Total	**20.97**	**18.53**

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at March 31, 2020	As at March 31, 2019
Total Deposits of twenty largest depositors *	3,446.45	2,941.14
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	31.95%	32.65%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at March 31, 2020	As at March 31, 2019
Total advances of twenty largest borrowers	758.85	556.59
Percentage of advances of twenty largest borrowers to Total advances of the bank	5.45%	4.76%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures *

Particulars	As at March 31, 2020	As at March 31, 2019
Total Exposure of twenty largest borrowers/customers	789.64	654.51
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.58%	5.51%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

11.8.4 Concentration of NPA

Particulars	As at March 31, 2020	As at March 31, 2019
Total exposure of top four NPA accounts	6.80	4.77

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines is ₹ 1,450 crores as on March 31, 2020 (Previous Year : Nil)

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	As at March 31, 2020	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	1,500.00
Micro Enterprises	-	500.00
General	-	-
Total	-	2,000.00

Particulars	As at March 31, 2019	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	394.00	-
Small and Marginal Farmers	416.00	975.00
Micro Enterprises	-	1,543.75
General	4,665.00	1,057.50
Total	5,475.00	3,576.25

11.8.7. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not done restructuring in Micro, Small and Medium Enterprises (MSME) sector as per the RBI guidelines RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019.

Particulars	FY 2019-20	FY 2018-19
No of accounts Restructured	Nil	Nil

12 Sector-wise advances

Sector	As at March 31, 2020			As at March 31, 2019		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	9,589.23	308.72	3.22%	7,768.97	246.22	3.17%
(i) Agriculture	2,461.54	28.79	1.17%	2,424.55	14.68	0.61%
(ii) Micro, Small and Medium Enterprises	6,683.93	264.08	3.95%	5,080.78	218.19	4.29%
(iii) Export Credit	-	-	0.00%	-	-	0.00%
(iv) Education	-	-	0.00%	-	-	0.00%
(v) Housing	443.76	15.85	3.57%	263.64	13.35	5.06%
(vi) Social Infrastructure	-	-	0.00%	-	-	0.00%
(vii) Renewable Energy	-	-	0.00%	-	-	0.00%
(viii) Others	-	-	0.00%	-	-	0.00%
B. Non-priority sector	4,327.72	108.60	2.51%	3,935.32	49.49	1.26%
Total	**13,916.95**	**417.32**	**3.00%**	**11,704.29**	**295.71**	**2.53%**

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Number of SPVs sponsored by the bank for securitisation transactions	2	5
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	233.45	487.28
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR)		
as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss (Corporate Guarantee)	21.79	28.89
Others (Corporate Guarantee)	-	-
b) On-balance sheet exposures		
First loss (Cash Collateral & Retained Assets)	4.28	30.19
Others	-	-
Amount of exposure to securtisation transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securtisation		
First loss	-	-
Others	-	-
ii) Exposure to third party securtisation		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securtisation		
First loss	0.21	1.26
Others	-	-
ii) Exposure to third party securtisation		
First loss	-	-
Others	-	-

(All amounts in crore of ₹, unless otherwise specified)

13.2 Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Number of Direct Assignments	1	1
Total amount of Loans directly transferred / Assigned	111.11	111.11
Total amount of exposures retained by the Bank to comply with Minimum Retention Requirement (MRR) as on the date of Balance Sheet		
a) Off-balance sheet exposures		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
First loss	-	-
Others	0.00	1.12
Amount of exposure to Assignment transactions other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
i) Exposure to own Assignment		
First loss	-	-
Others	-	-
ii) Exposure to third party Assignment		
First loss	-	-
Others	-	-

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the year (Previous year: Nil).

15 Intra-Group Exposure

The Bank does not have any exposure (advances/investments) within the group (Previous year: Nil).

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF):

There were no delay in transfer to Depositor Education and Awareness Fund during the year (Previous year: Nil).

16.1 Transfers to Depositor Education and Awareness Fund (DEAF)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Opening balance of amounts transferred to DEAF	-	-
Add : Amounts transferred to DEAF during the year	0.01	-
Less : Amounts reimbursed by DEAF towards claims	-	-
Closing balance of amounts transferred to DEAF	**0.01**	**-**

17 Unhedged foreign currency exposure

The Bank has made a provision of ₹ 0.027 crores for unhedged foreign currency exposure as required by RBI guidelines during the year ended March 31, 2020 (March 31, 2019 : ₹ 0.004 crores).

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

		Quarter ended June 30, 2019		Quarter ended September 30, 2019		Quarter ended December 31, 2019		Quarter ended March 31, 2020	
	Particulars	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		2,611.39		3,319.83		3,186.19		3,490.03
	Cash Outflows								
2	**Retail deposits and deposits from small business customers, of which:**								
(i)	Stable deposits	381.38	19.07	419.50	20.97	422.92	21.15	629.30	31.47
(ii)	Less stable deposits	2,433.32	243.33	2,688.21	268.82	2,906.80	290.68	3,062.87	306.29
3	**Unsecured wholesale funding, of which:**								
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	2,776.56	2,155.00	2,780.46	2,148.72	2,559.99	1,961.61	2,855.92	2,209.62
(iii)	Unsecured debt	260.51	260.51	323.59	323.59	226.39	226.39	259.70	259.70
4	**Secured wholesale funding**		-		0.00		0.00		0.00
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	93.24	27.80	148.48	50.56	186.39	56.36	171.34	52.39
6	**Other contractual funding obligations**	91.67	91.67	133.16	133.16	182.94	182.94	229.27	229.27
7	**Other contingent funding obligations**	131.55	5.99	153.46	7.12	149.89	6.95	154.27	7.16
8	**Total Cash Outflows**		**2,803.37**		**2,952.94**		**2,746.08**		**3,095.90**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	773.37	0.00	1,232.93	0.00	1,160.38	0.00	1,596.02	0.00
10	Inflows from fully performing exposures	359.99	179.99	393.19	205.26	428.25	225.85	459.61	243.56
11	Other cash inflows	152.32	101.21	158.15	102.01	172.18	118.72	184.89	122.41
12	**Total Cash Inflows**	**1,285.68**	**281.20**	**1,784.27**	**307.27**	**1,760.81**	**344.57**	**2,240.52**	**365.97**
13	**Total HQLA**		2,611.39		3,319.83		3,186.19		3,490.03
14	**Total Net Cash Outflows**		2,522.17		2,645.67		2,401.52		2,729.93
15	**Liquidity Coverage Ratio (%)**		103.54		125.48		132.67		127.84

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

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Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is investing in Level I assets resulting in comfortable level of HQLA. The Bank follows the criteria laid down by the RBI for the calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises of Government securities viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz. Refinances & Customer Deposits. All significant outflows and inflows are determined in accordance with the RBI guidelines and are included in the prescribed LCR computation. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

18 Liquidity Coverage Ratio (LCR) Continued

Quantitative information on Liquidity coverage ratio (LCR) is given below:

	Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1	Total High Quality Liquid Assets (HQLA)		2,292.83		2,360.10		2,212.87		2,737.12
	Cash Outflows								
2	**Retail deposits and deposits from small business customers, of which:**								
(i)	Stable deposits	437.32	21.87	484.47	24.22	463.67	23.18	503.33	25.17
(ii)	Less stable deposits	1,380.45	138.04	1,510.15	151.02	1,797.13	179.71	2,391.24	239.12
3	**Unsecured wholesale funding, of which:**								
(i)	Operational deposits (all counterparties)								
(ii)	Non-operational deposits (all counterparties)	1,517.09	1,223.73	2,054.28	1,629.38	2,186.47	1,649.42	2,717.80	2,248.50
(iii)	Unsecured debt								
4	**Secured wholesale funding**								
5	**Additional requirements, of which**								
(i)	Outflows related to derivative exposures and other collateral requirements								
(ii)	Outflows related to loss of funding on debt products								
(iii)	Credit and liquidity facilities								
6	**Other contractual funding obligations**					141.47	141.47	55.14	55.14
7	**Other contingent funding obligations**	393.22	184.70	272.30	80.88	158.38	29.46	164.06	18.90
8	**Total Cash Outflows**		**1,568.34**		**1,885.50**		**2,023.25**		**2,586.82**

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(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR) Continued

	Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	88.14	0.00	32.67	0.00	46.66	0.00	697.88	0.00
10	Inflows from fully performing exposures	321.02	160.51	333.57	166.78	347.56	173.78	361.19	180.60
11	Other cash inflows	345.31	345.31	372.17	372.17	187.55	187.55	97.87	77.80
12	**Total Cash Inflows**	**754.48**	**505.82**	**738.40**	**538.95**	**581.77**	**361.33**	**1,156.95**	**258.40**
13	**Total HQLA**		2,292.83		2,360.10		2,212.87		2,737.12
14	**Total Net Cash Outflows**		1,062.52		1,346.54		1,661.92		2,328.42
15	**Liquidity Coverage Ratio (%)**		215.79		175.27		133.15		117.55

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI.

Qualitative disclosure around LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days.

Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans. The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016.

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank's ALCO for perusal and review.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

19 Fixed Assets - details of software

Particulars	As at March 31, 2020	As at March 31, 2019
Opening cost	66.67	66.24
Additions during the year	41.53	22.04
Less: Deletions	2.94	-
Less: Amortization to date	26.13	21.61
Closing balance	**79.13**	**66.67**

20 Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

21 Corporate Social Responsibility Activities

Operating expenses include the following amounts towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
a) Gross amount required to be spent by the Bank	3.68	2.35
b) Amount spent		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	13.27	8.75
% of Average net profit spent for the last three financial years	7.22%	7.46%

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

23 Employees Stock Option Scheme

a) Equitas ESOP Scheme 2015

Under the Equitas ESOP Scheme 2015, EHL stock options are granted to some of the eligible employees of the Bank. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted. The outstanding options as at the respective years is given below.

Particulars	As at March 31, 2020	As at March 31, 2019
Options outstanding	172,308	12,614,538

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

b) ESFB ESOP 2019

During the year, the bank established a employee stock option scheme titled ESFB Employees Stock Option Scheme, 2019 (ESFB ESOP 2019) effective from November 22, 2019. Under the plan, the Bank was authorized to issue upto 110,000,000 options (including 33,487,873 options under Grant 1 issued as a replacement option for the Scheme under the Holding Company) to eligible employees of the Bank and the Holding Company. Each option entitles for apply and allotment of one fully paid share on payment of exercise price during the exercise period.

As at March 31, 2020, 400,43,917 (net of forfeitures and cancellation) options were outstanding, which were granted at various exercise prices. The following are the outstanding options as at March 31, 2020:

ESOP Scheme	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019	ESFB ESOP 2019
Grant	**Grant 1**	**Grant 2**	**Grant 3**	**Grant 4**
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Date of Board Approval	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Exercise Price Per Option (₹)	27.00	27.00	38.00	38.00
Total Options granted	33,487,873	1,200,000	6,438,855	282,000
Vesting Period	(Vesting over 3 years) 30-Nov-20 to 15-Dec-22	(Vesting over 4 years) 12-Dec-20 to 12-Dec-23	(Vesting over a period of two years) 29 -Jan 2021 to 29-Jan-2022.	(Vesting over a period of four years – 25% at the end of each year) 1-Apr-2021 to 1-Apr-2024
Method of Settlement	Equity	Equity	Equity	Equity

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Exercise Period	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options	3 years from the date of vesting of the options
	Graded Vesting			
1st Vesting	92 % on 12 months and 8 days from the date of grant	25 % on 12 months and 20 days from the date of grant	67 % on completion of One year from the date of grant	25 % on 12 months and 20 days from the date of grant
2nd Vesting	6% on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date	33 % on expiry of one year from the 1st vesting date	25% on expiry of one year from the 1st vesting date
3rd Vesting	2% on expiry of two years from the 1st vesting date	25% on expiry of two years from the 1st vesting date	NA	25% on expiry of two years from the 1st vesting date
4th Vesting	NA	25% on expiry of three years from the 1st vesting date	NA	25% on expiry of three years from the 1st vesting date
Vesting Conditions	Partly based on continuance of service and party based on performance rating	Partly based on continuance of service and party based on performance rating	On Continuance of Service	Partly based on continuance of service and party based on performance rating

Exercise Period: Eligible to exercise the options up to three years from the date of vesting.

Manner of vesting: In a graded manner over 3 to 4 years commencing from the date of grant.

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

Particulars	Grant 1	Grant 2	Grant 3	Grant 4
Date of Grant	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Outstanding Options as at April 1, 2019	NA	NA	NA	NA
Options granted during the Period	33,487,873	1,200,000	6,438,855	282,000
Less: Options Forfeited / Lapsed	(1,202,597)	-	(162,214)	-
Options Exercised	-	-	-	-
Outstanding options as at March 31, 2020	**32,285,276**	**1,200,000**	**6,276,641**	**282,000**
Vested	-	-		
Yet to vest	32,285,276	1,200,000	6,276,641	282,000
Options exercisable at the end of the period to be given	-	-	-	-
Weighted Average of the remaining maturity	3.78 Years	5.26 Years	4.16 Years	5.51 Years

(b) The fair value of options used to compute Pro-forma net profit and earnings per Equity Share have been estimated on the date of the grant, using Black-Scholes model by an external firm of Chartered Accountants.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

Variables	Grant 1	Grant 2	Grant 3	Grant 4
Grant Date	22-Nov -19 & 08-Dec-19	12-Dec-19	29-Jan-20	24-Mar-20
Risk Free Interest Rate	5.56% to 6.06%	5.85% to 6.59%	5.83 % to 6.12%	5.81 % to 6.41%
Expected Life	2.52 to 4.53 yrs	2.50 to 5.51 yrs	2.50 to 3.51 yrs	2.52to 5.52 yrs
Expected Volatility	32.63% to 35.63%	32.71% to 35.41%	32.66% to 32.86%	32.86% to 35.33%
Dividend Yield	-	-	-	-
Price of the underlying Share at the time of the Option Grant (₹) adjusted after bonus option	27	27	38	38
Fair Value of the Option (₹)				
1st Stage	7.10	7.17	10.11	10.22
2nd Stage	8.70	8.82	12.41	12.45
3rd Stage	10.69	10.83	NA	14.53
4th Stage	-	12.13	NA	16.94

Volatility

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of Volatility used in the Black -Scholes option pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

c) Dividend Yield

Expected dividend yield has been calculated based on the dividend declared for 1 financial year prior to the date of grant. The dividend yield has been derived by dividing the dividend per share by the market price per share on the date of grant.

Had compensation cost for the stock options granted under the Scheme been determined based on the fair value approach, the Company's net profit / (loss) and earnings per share would have been as per the Proforma amounts indicated below:

Particulars	For the year ended March 31, 2020
Net Profit as per Statement of Profit and Loss (as reported)	243.64
Add: Stock Based Employee Compensation Expense included in profit before tax	-
Less: Stock Based Compensation Expense Determined under Fair Value based Method (Proforma)	(8.83)
Net Profit - Proforma	**234.81**
Basic Earnings per Share of ₹ 10 each (as reported)	2.39
Basic Earnings per Share of ₹ 10 each (Proforma)	2.30
Diluted Earnings per Share of ₹ 10 each (as reported)	2.39
Diluted Earnings per Share of ₹ 10 each (Proforma)	2.30

Also refer Note 10.4 of Schedule 18

Schedule 18 – Notes forming part of the Financial Statements
for the year ended March 31, 2020

(All amounts in crore of ₹, unless otherwise specified)

24 Prior period comparatives
Prior period comparatives have been reclassified / regrouped by the management, wherever necessary.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
Firm Registration No.: 101049W/E300004

per **Aniruddh Sankaran**
Partner
Membership No. 211107
Place: Chennai
Date: May 14, 2020

For and on behalf of Board of Directors of Equitas Small Finance Bank Limited

Arun Ramanathan
Chairman
DIN: 00308848
Place: Chennai
Date: May 14, 2020

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN: 01550885
Place: Chennai
Date: May 14, 2020

Arun Kumar Verma
Director
DIN: 03220124
Place: Bhubaneswar
Date: May 14, 2020

N Sridharan
Chief Financial Officer
Place: Chennai
Date: May 14, 2020

Sampathkumar KR
Company Secretary
M. No: A27466
Place: Chennai
Date: May 14, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Equitas Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Equitas Small Finance Bank Limited ("the Bank"), which comprise the Balance Sheet as at March 31, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 ("the Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	**How our audit addressed the key audit matter**
(a) **Identification of and provisioning for non-performing assets** (Refer to note 17.3.3 to the financial statements)	
Loans and advances form a material portion of the Bank's assets, and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. Identification and provisioning of NPAs are governed by the prudential norms on Income Recognition and Asset Classification prescribed by the Reserve Bank of India (RBI) which includes rule based and judgmental factors. Management is also required to make estimates in respect of specific borrowers or groups of borrowers, on account of specific factors that may affect such borrowers/groups. A material error or omission in the process of NPA identification or provisioning may result in a material misstatement of the financial statements, and also potentially result in a non-compliance of applicable regulatory guidelines. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	• We considered the Bank's accounting policies for NPA identification, and provisioning and assessing compliance with the prudential norms prescribed by the RBI. • We tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to their days-past-due (DPD) status. • We made inquiries of personnel in the Bank's credit and risk departments regarding indicators of stress or the occurrence of specific event(s) of default or other factors affecting the loan portfolio / particular loan product category, that may affect NPA identification and/or provisioning. • We performed test of details on the provisioning made against respective asset classes as at balance sheet date, and consistency of such provisioning with the Bank's accounting policies. • We made inquiries of management and examined any relevant supporting documentation or evidence, for situations where provision was made at levels higher than the minimum prescribed by RBI. • We made inquiries of management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • We performed analytical procedures which considered both financial and non-financial parameters, in relation to identification of NPAs and provisioning there against. • We tested the arithmetical accuracy of computation of provision for loans and advances.

Key audit matters	How our audit addressed the key audit matter
(b) IT systems and controls	
There has been a major enhancement in the information technology (IT) infrastructure of the Bank in the current year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, frequent changes in the technology environment have been carried out by the Bank. The IT infrastructure is critical for effective and efficient functioning of the Bank's business operations as well as for timely and accurate financial reporting. Accordingly, the Bank has continued to invest in its IT infrastructure in the current year as well. Due to the pervasive nature and complexity of the IT environment and considering that several systems and process have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.	• We included specialized IT auditors as part of our audit team for testing IT general controls, application controls and IT dependent manual controls implemented by the Bank, and testing the information produced by the Bank's IT systems. • We tested the design and operating effectiveness of the Bank's IT access controls over the key information systems that are related to financial reporting. • We tested IT general controls in the nature of controls over logical access, changes management, and other aspects of IT operational controls. These included testing that requests for access to systems were reviewed and authorized. • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition, we tested the key application controls to evaluate their operating effectiveness. • If deficiencies were identified, we tested compensating controls or performed alternate procedures.

Other Information

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated October 1, 2018, we report that:

   a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 22 branches for the purpose of our audit.

3. As required by Section 143(3) of the Act, we report that:

   a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

   c. The Balance Sheet, the Profit and Loss Account, the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   e. On the basis of the written representations received from the directors as on March

31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;

g. In our opinion, the entity being a banking company, remuneration to the whole time director during the year ended March 31, 2019 has been paid / provided by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act 1949; and

h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 12 and Note 20 to the financial statements;

ii. The Bank did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
Firm's Registration No.: 101049W/E300004

per Aniruddh Sankaran
Partner
Membership No.: 211107
Place: Chennai
Date: May 09, 2019

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF EQUITAS SMALL FINANCE BANK LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of **Equitas Small Finance Bank Limited**

We have audited the internal financial controls over financial reporting of **Equitas Small Finance Bank Limited** (the "Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorisations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per Aniruddh Sankaran
Partner
Membership Number: 211107
Place of Signature: Chennai
Date: May 09, 2019

Balance Sheet As at March 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

Particulars	Schedule	As at March 31, 2019	As at March 31, 2018
CAPITAL AND LIABILITIES			
Capital	1	10,059,434	10,059,434
Reserves and Surplus	2	12,483,751	10,378,092
Deposits	3	90,067,363	56,039,727
Borrowings	4	39,730,261	51,772,081
Other Liabilities and Provisions	5	5,286,100	4,850,249
TOTAL		**157,626,909**	**133,099,583**
ASSETS			
Cash and Balances With Reserve Bank of India	6	4,027,037	3,860,813
Balances With Banks and Money At Call and Short Notice	7	8,579,115	8,250,843
Investments	8	23,444,540	38,568,415
Advances	9	115,950,045	77,066,926
Fixed Assets	10	2,373,362	2,808,826
Other Assets	11	3,252,810	2,543,760
TOTAL		**157,626,909**	**133,099,583**
Contingent Liabilities	12	327,223	331,451
Summary of significant accounting policies	17		
Notes forming part of financial statements	18		
The accompanying notes are an integral part of the financial statements			

As per our report of even date
For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

For on behalf of Board of Directors of
Equitas Small Finance Bank Limited

per Aniruddh Sankaran
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN: 00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN: 01550885

Arun Kumar Verma
Director
DIN: 03220124

Place: Chennai
Date: May 09, 2019

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Profit and Loss account for the year ended March 31 , 2019

(All amounts in 000's of ₹, unless otherwise specified)

	Particulars	Schedule	Year ended March 31, 2019	Year ended March 31, 2018
I	**INCOME**			
	Interest earned	13	21,206,252	15,427,124
	Other income	14	2,828,975	2,412,151
	TOTAL		**24,035,227**	**17,839,275**
II	**EXPENDITURE**			
	Interest expended	15	9,688,913	6,821,720
	Operating expenses	16	10,084,865	8,811,119
	Provisions and contingencies		2,155,788	1,888,122
	TOTAL		**21,929,566**	**17,520,961**
III	**PROFIT**			
	Net Profit for the year		2,105,661	318,314
	TOTAL		**2,105,661**	**318,314**
IV	**APPROPRIATIONS**			
	Transfer to Statutory reserves		526,416	79,578
	Transfer to Special reserve account		26,375	6,652
	Transfer to Investment Reserve		-	23,000
	Transfer to Investment Fluctuation Reserve		84,300	-
	Balance carried over to Balance Sheet		1,468,570	209,084
	Total		**2,105,661**	**318,314**
	Summary of significant accounting policies	17		
	Notes forming part of financial statements	18		
	Earning per share (Basic) (in ₹)	18.10.4	2.09	0.32
	Earning per share (Diluted) (in ₹)	18.10.4	2.09	0.32
	Face Value per share (in ₹)		10	10
The accompanying notes are an integral part of the financial statements				

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

For on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Aniruddh Sankaran
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN: 00308848

Vasudevan PN
Managing Director and Chief Executive Officer
DIN: 01550885

Arun Kumar Verma
Director
DIN: 03220124

Place: Chennai

Date: May 09, 2019

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

Cash Flow Statement for the year ended March 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
A. Cash Flow from Operating activities		
Profit Before Tax	**3,237,367**	**485,148**
Adjustments for:		
Depreciation on fixed assets	917,767	875,061
Depreciation on investments	-	(46,588)
Amortization on Held to Maturity securities	51,623	50,658
Provision for standard assets	98,887	53,660
Bad debts written off	607,743	1,902,248
Provision for Non performing assets	282,597	(204,966)
Other Provision and Contingencies	34,890	16,912
Loss on sale of fixed assets	1,113	1,511
Interest expenses on borrowings	4,591,902	4,380,018
Interest expenses on bank balances not considered as cash and cash equivalents	20,319	70,937
	9,844,208	**7,584,599**
Adjustments for:		
(Increase)/Decrease in investments	15,072,252	(19,667,530)
(Increase)/Decrease in advances	(39,773,459)	(21,745,868)
Increase/(Decrease) in deposits	34,027,636	36,826,407
(Increase)/Decrease in other assets	(426,829)	146,232
Increase/(Decrease) in other liabilities and provisions	730,864	(692,397)
Direct taxes paid	(1,441,030)	(323,955)
Net cash flow from operating activities (A)	**18,033,642**	**2,127,488**
Cash flow from investing activities		
Purchase of fixed assets	(516,363)	(812,842)
Proceeds from sale of fixed assets	32,946	10,943
(Increase)/Decrease in bank balances not considered as cash and cash equivalents	369,816	759,874
Interest received from bank balances not considered as cash and cash equivalents	6,784	(70,937)
Net cash used in investing activities (B)	**(106,817)**	**(112,962)**

Cash Flow Statement for the year ended March 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Cash flow from financing activities		
Increase/(decrease) in borrowings (net)	(12,041,820)	3,983,119
Interest paid on borrowings	(5,020,693)	(4,266,850)
Net cash from financing activities (C)	**(17,062,513)**	**(283,731)**
Net increase in cash and cash equivalents (A)+(B)+(C)	**864,312**	**1,730,795**
Cash and Cash equivalents at beginning of the year (Refer Notes below)	**11,688,885**	**9,958,090**
Cash and Cash equivalents at end of the year (Refer Notes below)	**12,553,197**	**11,688,885**
Notes to cash flow statement :		
Cash and Cash equivalents include the following		
Cash and Balances With Reserve Bank of India (As per Schedule 6)	4,027,037	3,860,813
Balances With Banks And Money At Call And Short Notice (As per Schedule 7)	8,579,115	8,250,843
Balances not considered as part of cash and cash equivalents:		
Bank deposits with an original maturity of more than three months or Bank deposits under lien	(52,955)	(422,771)
Cash and Cash equivalents at end of the year	**12,553,197**	**11,688,885**
The accompanying notes are an integral part of the financial statements		

As per our report of even date
For S.R.Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

For on behalf of Board of Directors of Equitas Small Finance Bank Limited

per Aniruddh Sankaran
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN: 00308848

Vasudevan PN
Managing Director and Chief Executive Officer
DIN: 01550885

Arun Kumar Verma
Director
DIN: 03220124

Place: Chennai
Date: May 09, 2019

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 1 - CAPITAL	As at March 31, 2019	As at March 31, 2018
Authorised capital		
2500,000,000 (Previous Year: 1,155,000,000) Equity Shares of ₹ 10 each	25,000,000	11,550,000
Issued, subscribed and paid-up capital		
1,005,943,363 (Previous year: 1,005,943,363) Equity Shares of ₹ 10 each (Refer note)	10,059,434	10,059,434
TOTAL	**10,059,434**	**10,059,434**

Note: Includes 420,344,289 and 43,393,774 equity shares issued to the shareholders of Equitas Micro Finance Limited ("EMFL") and Equitas Housing Finance Limited ("EHFL") respectively, as part of the Scheme of merger approved by the Hon'ble High Court of Madras and effected in FY2016-17.

	SCHEDULE 2 - RESERVES AND SURPLUS	As at March 31, 2019	As at March 31, 2018
I	**Statutory reserve**		
	Opening Balance	1,241,162	1,161,584
	Add: Transfer from Profit and Loss account	526,416	79,578
	Deductions during the year	-	-
	Total - (A)	**1,767,578**	**1,241,162**
II	**Capital reserve**		
	Opening Balance	**132,798**	**132,798**
	Additions during the year	-	-
	Deductions during the year	-	-
	Total - (B)	**132,798**	**132,798**
III	**Share premium account**		
	Opening Balance	5,482,616	5,482,616
	Received during the year		
	Deductions during the year	-	-
	Total - (C)	**5,482,616**	**5,482,616**
IV	**Special reserve account u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	**32,596**	**25,944**
	Add: Transfer from Profit and Loss account	26,375	6,652
	Deductions during the year	-	-
	Total - (D)	**58,971**	**32,596**

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

	SCHEDULE 2 - RESERVES AND SURPLUS	**As at March 31, 2019**	**As at March 31, 2018**
V	**Revenue and Other reserves**		
	Opening Balance	254,400	254,400
	Additions during the year	-	
	Deductions during the year	-	-
	Total - (E)	**254,400**	**254,400**
VI	**Investment Reserve**		
	Opening Balance	23,000	-
	Additions during the year	-	23,000
	Deductions during the year	-	-
	Total - (F)	**23,000**	**23,000**
VII	**Investment Fluctuation Reserve**		
	Opening Balance	-	-
	Additions during the year	84,300	-
	Deductions during the year	-	-
	Total - (G)	**84,300**	**-**
VI	**Balance in Surplus in profit and loss account**		
	Opening Balance	3,211,518	3,002,434
	Profits for the year	1,468,570	209,084
	Closing balance in Surplus in profit and loss account (H)	**4,680,088**	**3,211,518**
	TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	**12,483,751**	**10,378,092**

		SCHEDULE 3 - DEPOSITS	**As at March 31, 2019**	**As at March 31, 2018**
A	**I**	**Demand deposits**		
		(i) From banks	460,775	218,686
		(ii) From others	4,362,761	3,672,601
	II	**Savings bank deposits**	17,919,120	12,487,104
	III	**Term deposits**		
		(i) From banks	23,750,878	13,643,319
		(ii) From others	43,573,829	26,018,017
		TOTAL	**90,067,363**	**56,039,727**

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 3 - DEPOSITS		As at March 31, 2019	As at March 31, 2018
B	I Deposits of branches in India	90,067,363	56,039,727
	II Deposits of branches outside India	-	-
	TOTAL	**90,067,363**	**56,039,727**

SCHEDULE 4 - BORROWINGS		As at March 31, 2019	As at March 31, 2018
I	**Borrowings in India**		
	(i) Reserve Bank of India	-	7,900,000
	(ii) Other banks	800,000	1,800,000
	(iii) Other institutions and agencies	38,930,261	42,072,081
	TOTAL	**39,730,261**	**51,772,081**
II	Borrowings outside India	-	-
	TOTAL	-	-
	TOTAL	**39,730,261**	**51,772,081**
Secured borrowings included in above		1,504,761	17,189,581

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		As at March 31, 2019	As at March 31, 2018
I	Bills payable	626,222	67,055
II	Interest accrued	1,484,617	1,691,287
III	Provision for Tax (net of advance tax)	-	26,981
IV	Others (including provisions)*	3,175,261	3,064,926
	TOTAL	**5,286,100**	**4,850,249**

*Includes :-

Provision for standard assets ₹309,654 (Previous year: ₹210,767)

Floating provision of ₹190,000 (Previous year: ₹190,000)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		As at March 31, 2019	As at March 31, 2018
I	**Cash in hand**	1,158,596	1,159,262
II	**Balances with Reserve Bank of India :**		
	(a) In current accounts	2,868,441	2,701,551
	(b) In other accounts	-	-
	TOTAL	**4,027,037**	**3,860,813**

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		As at March 31, 2019	As at March 31, 2018
I	**In India**		
	(i) Balances with banks :		
	(a) In current accounts	689,070	612,622
	(b) In other deposit accounts	52,955	608,221
	(ii) Money at call and short notice :		
	(a) With banks	-	2,300,000
	(b) With other institutions	2,298,258	500,000
	(c) Lending under Reverse Repo	5,538,832	4,230,000
II	**Outside India**		
	(i) In current accounts	-	-
	(ii) In deposit accounts	-	-
	(iii) Money at call and short notice	-	-
	TOTAL	**8,579,115**	**8,250,843**

Note : Other deposits include deposits under lien amounting ₹ 52,955 (Previous year ₹ 422,771)

SCHEDULE 8 - INVESTMENTS		As at March 31, 2019	As at March 31, 2018
I	Investments in India (Net of provision)		
	(i) Government securities	22,442,540	28,402,361
	(ii) Other Approved securities	-	-
	(iii) Shares	2,000	2,000
	(iv) Debentures and Bonds	1,000,000	1,250,000
	(v) Subsidiaries and / or Joint Ventures	-	-
	(vi) Others	-	8,914,054
		23,444,540	**38,568,415**
	Gross Investments	23,444,540	38,568,415
	Less: Depreciation	-	-
	Net Investments	**23,444,540**	**38,568,415**
II	Investments outside India	-	-
	TOTAL	**23,444,540**	**38,568,415**

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 9 - ADVANCES (Net of provision)		As at March 31, 2019	As at March 31, 2018
A	(i) Bills purchased and discounted	-	-
	(ii) Cash credits, overdrafts and loans repayable on demand	2,789,992	1,316,703
	(iii) Term loans	113,160,053	75,750,223
	TOTAL	**115,950,045**	**77,066,926**
B	(i) Secured by tangible assets	81,946,787	49,918,605
	(ii) Covered by bank / government guarantees	-	-
	(iii) Unsecured	34,003,258	27,148,321
	TOTAL	**115,950,045**	**77,066,926**
C	I Advances in India		
	(i) Priority sector	76,734,059	54,044,162
	(ii) Public sector	-	-
	(iii) Banks	700,387	600,838
	(iv) Others	38,515,599	22,421,926
	Total Advances in India	**115,950,045**	**77,066,926**
	II Advances outside India		
	(i) Due from banks	-	-
	(ii) Due from others	-	-
	(a) Bills purchased and discounted	-	-
	(b) Syndicated loans	-	-
	(c) Others	-	-
	Total Advances Outside India	-	-
	TOTAL	**115,950,045**	**77,066,926**

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

	SCHEDULE 10 - FIXED ASSETS	As at March 31, 2019	As at March 31, 2018
A	**Premises**		
	Cost		
	As at beginning of the year	**1,049,826**	**745,188**
	Additions during the year	84,496	305,282
	Deductions during the year	(2,388)	(644)
		1,131,934	**1,049,826**
	Depreciation		
	As at beginning of the year	**220,932**	**83,351**
	Additions during the year	142,848	138,210
	Deductions during the year	(2,382)	(629)
	Depreciation to date	**361,398**	**220,932**
	Net block	**770,536**	**828,894**
B	**Other fixed assets (including furniture and fixtures)**		
	Cost		
	As at beginning of the year	3,396,927	2,781,018
	Additions during the year	427,127	643,502
	Deductions during the year	(84,599)	(27,593)
		3,739,455	**3,396,927**
	Depreciation		
	As at beginning of the year	1,428,487	706,790
	Additions during the year	774,919	736,851
	Deductions during the year	(50,546)	(15,154)
	Depreciation to date	**2,152,860**	**1,428,487**
	Net block	**1,586,595**	**1,968,440**
C	**Capital work-in-progress**	**16,231**	**11,492**
	TOTAL	**2,373,362**	**2,808,826**

	SCHEDULE 11 - OTHER ASSETS	As at March 31, 2019	As at March 31, 2018
I	Interest accrued	1,462,847	1,155,392
II	Tax paid in advance (Net of provision for tax)	56,841	21,357
III	Deferred tax asset	875,604	628,765
IV	Stationery and stamps	247	-
V	Others	857,271	738,246
	TOTAL	**3,252,810**	**2,543,760**

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

	SCHEDULE 12 - CONTINGENT LIABILITIES	As at March 31, 2019	As at March 31, 2018
I	Claims against the bank not acknowledged as debts		
	(a) Service tax	8,660	8,660
	(b) Provident Fund (Refer Note b below)	-	18,822
	(c) Income tax	1,137	1,372
	(d) Others	10,460	9,761
II	Guarantees given on behalf of constituents		
	In India	306,966	292,836
	TOTAL	**327,223**	**331,451**

Notes

a) i. Matters wherein management has concluded the Bank's liability to be probable have accordingly been provided for in the books (included under Others in Schedule 5).

ii. Matters wherein management has concluded the Bank's liability to be possible have accordingly been disclosed under Schedule 12 Contingent liabilities.

iii. Matters wherein management is confident of succeeding in these litigations and have concluded the Bank's liability to be remote. This is based on the relevant facts of judicial precedents and as advised by legal counsel which involves various legal proceedings and claims, in different stages of process.

b) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated 28th February, 2019. As a matter of caution, the Bank has made a provision on a retrospective basis from the date of inception of the company. Accordingly, based on internal computation, the Bank has provided ₹ 5.50 crores towards provident fund and interest theron @ simple rate of interest in terms of the provisions of section 7Q of the The Employees' Provident Funds and Miscellaneous provisions Act, 1952. The Bank will update its provision, on receiving further clarity on the subject.

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

(All amounts in 000's of ₹, unless otherwise specified)

SCHEDULE 13 - INTEREST EARNED		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest on advances	18,323,467	13,422,409
II	Income from investments	2,579,612	1,812,423
III	Interest on balance with RBI and other inter-bank funds	303,173	192,292
IV	Others	-	-
	TOTAL	**21,206,252**	**15,427,124**

SCHEDULE 14 - OTHER INCOME		Year ended March 31, 2019	Year ended March 31, 2018
I	Commission, exchange and brokerage	186,008	101,708
II	Profit / (loss) on sale of investments (net)	32,731	(102,986)
III	Profit / (loss) on sale of building and other assets (net)	(1,113)	(1,511)
IV	Miscellaneous income*	2,611,349	2,414,940
	TOTAL	**2,828,975**	**2,412,151**

* During the year FY2018-19, the bank has recognised PSLC fee income of ₹28.15 crores (Previous year ₹60.72 crores) on account of sale of PSL certificates, included in Miscellaneous Income above.

SCHEDULE 15 - INTEREST EXPENDED		Year ended March 31, 2019	Year ended March 31, 2018
I	Interest on deposits	5,097,011	2,441,701
II	Interest on RBI / inter-bank borrowings	529,299	472,612
III	Other interest	4,062,603	3,907,407
	TOTAL	**9,688,913**	**6,821,720**

SCHEDULE 16 - OPERATING EXPENSES		Year ended March 31, 2019	Year ended March 31, 2018
I	Payments to and provisions for employees	5,513,063	5,154,105
II	Rent, taxes and lighting	906,143	814,830
III	Printing and stationery	96,861	109,536
IV	Advertisement and publicity	162,477	107,377
V	Depreciation on bank's property	917,767	875,061
VI	Directors' fees, allowances and expenses	8,833	8,457
VII	Auditors' fees and expenses	8,731	6,142
VIII	Legal and Professional Fees	158,386	117,046
IX	Postage, telegram, telephone etc.	208,424	262,503
X	Repairs and maintenance	193,506	173,259
XI	Insurance	62,554	34,761
XII	Commission and Brokerage	184,761	176,320
XIII	Information Technology Expenses	377,331	360,609
XIV	Travel & Conveyance	400,398	349,868
XV	Bank and Other finance charges	42,962	20,494
XVI	Cash handling charges	51,656	43,268
XVII	CSR contributions	87,490	23,908
XVIII	Other expenditure*	703,522	173,575
	TOTAL	**10,084,865**	**8,811,119**

* During the year FY2018-19, the bank has paid PSLC fees of ₹ 29.41 crores (previous year : Nil) towards purchase of PSL certificates, included in Other expenditure above.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Corporate information

1(a). Background

Equitas Small Finance Bank Limited ("ESFBL" or the "Bank", or the "Company") was incorporated in 1993 as V.A.P Finance Private Limited, later renamed as Equitas Finance Private Limited in August 2011. In 2011, the Company was acquired by Equitas Holdings Limited. The Company's name was subsequently changed to Equitas Finance Limited in September 2015 consequent to it becoming a Public Limited Company. Pursuant to a scheme of amalgamation approved by the Hon'ble High Court of Judicature at Madras (the 'Scheme'), and upon fulfilment of all conditions specified under the said Scheme, Equitas Micro Finance Limited and Equitas Housing Finance Limited amalgamated with the Company, and the Company was renamed ESFBL. ESFBL commenced its banking operations after the receipt of final banking license from the Reserve Bank of India on September 5, 2016. Consequent to the above amalgamation the microfinance and housing finance businesses of the erstwhile EMFL and EHFL were transferred to the Company effective September 5, 2016.

The Bank has a network of 392 banking outlets and 595 asset branches in India is engaged in retail banking business with focus on micro-finance, commercial vehicle finance, home finance, loan against-property finance, corporate finance, and providing financing solutions for individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels while providing a comprehensive banking and digital platform for all.

2. Basis of Preparation

The Financial Statements have been prepared and presented under the historical cost convention and on accrual basis of accounting in accordance with the requirements prescribed under the "Third Schedule" of the Banking Regulation Act, 1949. The accounting policies of the Bank used in preparation of these financial statements confirm in all material aspects to Generally Accepted Accounting Principles in India (Indian GAAP), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards specified under Section 133 of the Companies Act, 2013, (as amended) and practices prevailing within the banking industry in India, as applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

As a precondition to small finance bank licensing guidelines issued by the Reserve Bank of India, amongst other conditions, the Bank is required to be listed within 3 years from the date of commencement of operations (i.e 5th September 2016). Accordingly, the Board of Directors of the Bank have approved a Composite Scheme of arrangement under the provisions of Section 230 read with Section 52 and other applicable provisions of the Companies Act 2013 (the "Proposed Scheme"), between Equitas Holdings Limited, Equitas Small Finance Bank Limited and their respective shareholders, for issuance and allotment of fully paid up equity shares of Equitas Small Finance Bank Limited to the shareholders of Equitas Holdings Limited, and consequent reduction in the securities premium, revenue and other reserves and the surplus in profit and loss account of Equitas Small Finance Bank Limited. The Proposed Scheme is subject to the approval of the Reserve Bank of India ('RBI'), the Securities Exchange Board of India ('SEBI'), the respective shareholders and creditors of each of the entities and the National Company Law Tribunal ('NCLT'). The appointed date and effective date of the Proposed Scheme is based on the receipt of the aforesaid approvals. Pending the same, the Proposed Scheme does not have any impact on the current financial results or the financial position of the Bank as at March 31, 2019. Considering the same, the Management is confident of meeting the conditions as per licensing guidelines and does not foresee any

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

material uncertainty with regard to compliance with the guidelines and going concern assumption.

3. Significant accounting policies

3.1. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

3.2. Investments

Classification:

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories (hereinafter called "categories") as below:

i) Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity

ii) Held for Trading (HFT) – Securities acquired with the intention to trade

iii) Available for Sale (AFS) – Securities which do not fall within the above two categories

Subsequent shifting amongst the categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups (hereinafter called "groups") – Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and Other Investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification:

Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which the Bank intends to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries / joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost:

The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission etc., paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories

Transfer between categories is done at the lower of the acquisition cost/book value/market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation:

Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value.

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Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted Investments are valued based on the trades / quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Pvt. Ltd. [FBIL], based on relevant RBI circular.

The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FBIL.

The valuation of other unquoted fixed income securities (viz., state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the YTM rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹ 1 as per the RBI guidelines.

Units of mutual funds are valued at the latest repurchase price / net asset value declared by the mutual fund.

Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

Security receipts, if any, are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions (including transactions under Liquid Adjustment Facility [LAF] and Marginal Standing Facility [MSF]) with RBI are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in Repo and Reverse Repo account as at the Balance Sheet date is shown as part of Borrowings and Money at Call and at Short Notice respectively and the accrued expenditure and income till the Balance Sheet date is recognised in the Profit and Loss account.

Disposal of investments:

Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account.

Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

3.3. Advances

Classification:

Advances are classified as Performing Assets (Standard) and Non-performing Assets (NPAs) in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

The Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any etc. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

The bank transfers advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out the Bank is reduced from advances; and participations transferred in to the Bank are classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning:

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of non-performing assets are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the Profit and Loss Account and included under Provisions and Contingencies. Advances are disclosed, net of provisions in the Balance Sheet (Also refer Note 11.1)

Provisions made in excess of the Bank's policy for specific loan loss provisions for non-performing assets and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by the Bank up to a level approved by the Board of Directors. In accordance with the RBI guidelines, Floating Provisions are utilised up to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts. Floating Provisions have been included under 'Other Liabilities'.

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The Bank considers restructured account, if any, as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, amongst others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level.

Non-performing advances are written-off in accordance with the Bank's policies Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

Recording and Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off / settlement of the account.

Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

3.4. Securitisation transactions and direct assignments

The Bank transfers its loan receivables both through Direct Assignment route as well as transfers to Special Purpose Vehicles (SPV).

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit / premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortized over the life of the securities issued by the Special Purpose Vehicles (SPV). Any loss arising on account of the sale is recognized in the Profit and Loss Account in the period in which the sale occurs.

3.5. Fixed Assets (Property, Plant and Equipment [PPE]) and depreciation

Property, Plant and Equipment, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, the Bank depreciates them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc.,

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act 2013
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 years
Furniture and Fixtures	3 Years	10 years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the Balance Sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the Profit and Loss Account.

3.6. Intangible Assets and amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Bank uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of 5 years or license period, whichever is lower.

The amortization period and the amortization method are reviewed at least at the Balance Sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Profit and Loss Account when the asset is derecognized.

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3.7. Impairment of Assets

The carrying values of assets / cash generating units at the Balance Sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account.

3.8. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

3.9. Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on Non-performing Assets is recognized upon realisation as per RBI norms.

Fee and Commission income are recognised as income when due, except in cases where the Bank is uncertain of its ultimate collection.

Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight- line basis over the period of contract.Interest Income on deposits / investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight line basis.

Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on Securitisation Transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the Profit and Loss Account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

3.10. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

The Bank accrues the liability for compensated absences based on the actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

3.11. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the lease term.

3.12. Accounting of Priority Sector Lending Certificate (PSLC)

The purpose of PSLCs is to enable banks to achieve the priority sector lending target and sub-targets by trading these instruments in the event of shortfall. The Bank trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLC is treated as 'Other Income'.

3.13. Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

3.14. Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.15. Proposed Dividend

Proposed dividend / declared after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is declared.

3.16. Segment reporting

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. In accordance with guidelines issued by RBI, the bank has adopted segment reporting as under:

Treasury includes all investment portfolios, Profit/ Loss on sale of investments, PSLC Fee, Profit/Loss on foreign exchange transaction, equities, income from derivatives and money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation/amortisation of premium on HTM category investments.

Corporate / Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under ‘Retail Banking’.

Retail Banking includes lending to and deposits, from retail customers and identified earnings and expenses of the segment.

SCHEDULE 17 - Basis of Preparation and Significant Accounting Policies

Other Banking Operations includes all other operations not covered under Treasury, Corporate / Wholesale Banking and Retail Banking.

Unallocated includes Capital and reserves and other unallocable assets, liabilities, income and expenditure.

Geographic segment

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

3.17. Provisions and Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements.

3.18. Cash and Cash Equivalents

Cash and cash equivalents comprises of Cash in Hand and Balances with RBI and Balances with Banks and Money at Call and Short Notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

3.19. Short sale transactions

In respect of the short sale transactions in Central Government dated securities, the short position is covered by outright purchase of an equivalent amount of the same security within a maximum period of three months including the day of trade. The short position is reflected as the amount received on sale in a separate account and is classified under 'Other Liabilities'. The short position is marked to market and loss, if any, is charged to the Profit and Loss account, while gain, if any, is not recognised. Profit or loss on settlement of the short position is recognised in the Profit and Loss account.

3.20. Reward Points

The Bank runs a loyalty program which seeks to recognize and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing an independent actuary. Provision for the said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

1 Capital adequacy

The Capital Adequacy Ratio [CRAR] of the Bank, calculated as per the Standardised approach for Credit Risk under Basel II regulation is set out below. Market Risk and Operational Risk are not considered for computation of Risk Weighted Assets in the current year as per Guidelines applicable for Small Finance Banks.

S.No	Particulars	As at March 31, 2019	As at March 31, 2018
1	Common Equity Tier 1 capital ratio	20.92%	27.09%
2	Tier 1 capital ratio	20.92%	27.09%
3	Tier 2 capital ratio	1.52%	2.54%
4	Total Capital Ratio (CRAR)	22.44%	29.63%
5	Amount of equity capital raised during the year	-	-
6	Amount of Additional Tier 1 capital raised; of which Perpetual Non Cumulative Preference Shares (PNCPS): Perpetual Debt Instruments (PDI) :	-	-
7	Amount of Tier 2 capital raised; of which Debt capital instruments: Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

2 Business Ratio

S.no	Ratio	As at March 31, 2019	As at March 31, 2018
(i)	Interest Income as a percentage to Working Funds *	14.39%	14.61%
(ii)	Non interest income as a percentage to Working Funds *	1.92%	2.28%
(iii)	Operating Profit as a percentage to Working Funds *	2.89%	2.09%
(iv)	Return on Assets @	1.43%	0.30%
(v)	Business (deposits plus advances) per employee # & (` in crore)	1.32	0.89
(vi)	Profit per employee & (` in crore)	0.015	0.002

* Working funds represents average of total assets as reported to the RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

@ Return represents net profit after tax. Return on assets is computed with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).

Business is the total of net advances and deposits (net of inter-bank deposits)

& Productivity ratios are based on average employee numbers, which excludes contract staff, intern etc.

^ Operating profit is profit for the year before provisions and contingencies.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

3 Investments

3.1 Category-wise details of Investments (Net of provision for depreciation):

S.No	Particulars	As at March 31, 2019			As at March 31, 2018		
		HTM	AFS	HFT	HTM	AFS	HFT
i)	Government securities	1,080.70	1,163.55	-	957.01	1,883.22	-
ii)	Other approved securities	-	-	-	-	-	-
iii)	Shares	-	0.20	-	-	0.20	-
iv)	Debentures and bonds	-	100.00	-	-	125.00	-
v)	Subsidiaries and/ or Joint Ventures	-	-	-	-	-	-
vi)	Other Deposits under RIDF scheme with NABARD, Security Receipts/Pass through Certificates, investments in Mutual funds, Commercial papers, etc.,	-	-	-	-	891.41	-
	Total	**1,080.70**	**1,263.75**	**-**	**957.01**	**2,899.83**	**-**

3.2 Details of investments

S.No	Particulars	As at March 31, 2019	As at March 31, 2018
1	(1) Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	2,344.45	3,856.84
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	2,344.45	3,856.84
	(b) Outside India	-	-
2	(2) Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	4.66
	(ii) Add: Provisions made during the year	3.76	6.77
	(iii) Less: Write off / write back of excess provisions during the year	3.76	11.43
	(iv) Closing balance	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

3.3 Details of Repo / Reverse Repo including under Liquidity Adjustment Facility (LAF) transactions (in face value terms):

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31 2019 #
1	**Securities sold under repo**				
	i. Government securities	-	1,198.81	359.86	-
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	-	1,330.00	152.52	783.71
	ii. Corporate debt securities	-	-	-	-

Tri party repo transactions have been reported in Deal Value terms. LAF and Market repo transactions have been reported in Face Value terms.

Sl.no	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31 2018
1	**Securities sold under repo**				
	i. Government securities	-	790.00	103.43	790.00
	ii. Corporate debt securities	-	-	-	-
2	**Securities purchased under reverse repo**				
	i. Government securities	-	423.00	32.40	423.00
	ii. Corporate debt securities	-	-	-	-

3.4 a) Issuer composition of Non SLR investments as at March 31, 2019 :

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	100.20	100.20	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	-	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**100.20**	**100.20**	**-**	**0.20**	**0.20**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

b) Issuer composition of Non SLR investments as at March 31, 2018 :

S.No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
1	2	3	4	5	6	7
1	PSUs	-	-	-	-	-
2	FIs	-	-	-	-	-
3	Banks	-	-	-	-	-
4	Private Corporates	991.61	793.14	-	0.20	0.20
5	Subsidiaries / Joint Ventures	-	-	-	-	-
6	Others	25.00	-	-	-	-
7	Provision held towards depreciation	-	-	-	-	-
	Total	**1,016.61**	**793.14**	**-**	**0.20**	**0.20**

Columns 4, 5 6 and 7 are not mutually exclusive.

3.5 b) Non performing Non-SLR investments

The Bank does not have any non performing non SLR investments in the current year and in the previous year.

3.6 Sale and transfer of securities to / from HTM category

The Bank has not sold or transferred any security to/from HTM category in the current year and in the previous year.

4 Derivatives/ Exchange traded interest derivatives/ Risk exposures in derivatives

The Bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. The Bank does not have any Forward Rate Agreement or Interest rate swaps.

5 Asset Quality

5.1 Non-Performing Assets

S.no	Particulars	As at March 31, 2019	As at March 31, 2018
(i)	Net NPAs to Net Advances (%)	1.44%	1.46%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	212.53	206.48
	(b) Additions during the year	317.30	344.27
	(c) Reductions during the year	234.12	338.22
	(d) Closing balance	**295.71**	**212.53**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

S.no	Particulars	As at March 31, 2019	As at March 31, 2018
(iii)	Movement of Net NPAs		
	(a) Opening balance	131.50	104.95
	(b) Additions during the year	206.78	154.36
	(c) Reductions during the year	151.86	127.81
	(d) Closing balance	**186.42**	**131.50**
(iv)	Movement of provisions for NPAs		
	(excluding provisions on standard assets)		
	(a) Opening balance	81.03	101.53
	(b) Additions during the year	110.52	189.91
	(c) Reductions during the year	82.26	210.41
	(d) Closing balance	**109.29**	**81.03**

5.1.1 Movement of NPAs

Particulars	As at March 31, 2019	As at March 31, 2018
Gross NPAs as at April 1	212.53	206.48
Additions during the year	317.30	344.27
Subtotal - (A)	**529.83**	**550.75**
Less:		
(i) Upgradations	81.28	53.43
(ii) Recoveries (excluding recoveries made from upgraded accounts)	92.07	94.56
(iii) Technical or Prudential write offs	31.76	142.11
(iv) Write offs other than those under (iii) above	29.01	48.12
Subtotal - (B)	**234.12**	**338.22**
Gross NPAs as at March 31	**295.71**	**212.53**

5.1.2 Movement in technical/prudential written off accounts is set out below:

Particulars	As at March 31, 2019	As at March 31, 2018
Opening balance of Technical / Prudential written off accounts as at April 1	142.11	-
Add : Technical / Prudential write offs during the year	31.76	142.11
Subtotal - (A)	**173.87**	**142.11**
Less: Recoveries made from previously technical / prudential written off accounts during the year **(B)**	4.64	-
Closing balance as at March 31 (A-B)	**169.23**	**142.11**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

5.2 Divergence in the asset classification and provisioning

The divergence observed by RBI for the financial year 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provision is below the regulatory threshold requirement for the disclosure and hence the disclosure requirement under RBI circular No. RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 April 18, 2017 read with circular No. RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 are not made in the financial statements.

5.3 (a) Details of financial assets purchased/sold

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year Nil)

(b) Details of book value of investment in security receipts:

The Bank has not invested in security receipts during the year. (Previous year Nil).

5.4 Details of Non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year. Assets repossessed / hypothecated to bank are not considered as non banking assets of the bank.

5.5 Provision on Standard Assets

Particulars	As at March 31, 2019	As at March 31, 2018
Provision towards standard assets	30.71	21.08
Provisions for restructured standard advances	0.26	-
Total	**30.97**	**21.08**

5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2019

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	1.65	-	-	1.65	-	1.65	-	-	1.65
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.41	-	-	0.41	-	0.41	-	-	0.41
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,265	135	287	-	2,687	2,265	135	287	-	2,687
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.19	0.05	0.21	-	5.45	5.19	0.05	0.21	-	5.45
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.21	-	0.48	0.26	0.01	0.21	-	0.48
3	Upgradations to restructured standard category during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	699	(699)	-	-	-	699	(699)	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.75	(0.75)	-	-	-	0.75	(0.75)	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.04	(0.19)	-	-	(0.15)	0.04	(0.19)	-	-	(0.15)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2018-19 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2018-19*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(9)	(17)	-	-	(26)	(9)	(17)	-	-	(26)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.79)	(0.89)	(0.03)	-	(1.71)	(0.79)	(0.89)	(0.03)	-	(1.71)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.04)	(0.22)	(0.03)	-	(0.29)	(0.04)	(0.22)	(0.03)	-	(0.29)
7	Restructured Accounts as on March 31 of the FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2,955	143	287	-	3,385	2,955	143	287	-	3,385
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	5.15	0.06	0.18	-	5.39	5.15	0.06	0.18	-	5.39
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.26	0.01	0.18	-	0.45	0.26	0.01	0.18	-	0.45

* Write-off of restructured accounts includes recoveries in existing balances.

The figures under Sr No 2 includes ₹.5.45 Crore of additional sanction (2,687 accounts and ₹.0.48 Crore Provision there on)

5.6 Details of Loan Assets subjected to Restructuring as on March 31, 2018

Sl No	Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	1.83	-	-	1.83	-	1.83	-	-	1.83
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.46	-	-	0.46	-	0.46	-	-	0.46
3	Upgradations to restructured standard category during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY 2017-18 and hence need not be shown as restructured standard advances at the beginning of the next FY 2018-19	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY 2017-18*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.18)	-	-	(0.18)	-	(0.18)	-	-	(0.18)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.05)	-	-	(0.05)	-	(0.05)	-	-	(0.05)
7	Restructured Accounts as on March 31 of the FY 2017-18	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	724	-	-	724	-	724	-	-	724
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	1.65	-	-	1.65	-	1.65	-	-	1.65
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.41	-	-	0.41	-	0.41	-	-	0.41

* Write-off of restructured accounts includes recoveries in existing balances.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

6 Asset Liability Management

6.1 Maturity pattern of certain items of assets and liabilities

a) As at March 31, 2019

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	35.41	327.96	286.36	757.07	376.79	546.82	801.81	2,339.33	3,532.07	2.44	0.68	9,006.74
Advances	11.76	129.91	149.09	109.85	538.05	369.84	1,070.74	1,995.20	4,290.64	1,460.38	1,469.54	11,595.00
Investments	617.54	-	-	120.82	217.62	97.13	206.76	394.84	631.85	44.37	13.52	2,344.45
Borrowings	-	10.00	15.00	-	231.45	83.66	617.22	641.46	1,916.92	454.25	3.07	3,973.03
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

b) As at March 31, 2018

Particulars	Day 1	2-7 days	8-14 days	15 to 30 days	31 days to 2 Months	2 Months to 3 Months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	184.35	62.31	8.46	270.36	496.73	930.37	767.50	989.67	1,892.29	0.52	1.37	5,603.93
Advances	19.76	101.50	100.04	100.03	315.11	142.60	838.34	1,393.90	3,094.53	900.55	700.33	7,706.69
Investments	755.27	554.72	89.87	289.65	-	24.58	362.53	723.01	255.85	307.93	493.43	3,856.84
Borrowings	-	877.76	66.18	239.84	26.18	106.94	1,170.71	670.13	1,625.40	389.46	4.61	5,177.21
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by management of the Bank, which has been relied upon by the auditors.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

7 Exposures to sensitive sectors

7.1 Exposures to Real Estate Sector

Sl No	Particulars	As at March 31, 2019	As at March 31, 2018
(a)	**Direct Exposures**		
	(i) Residential Mortgages	1,449.79	940.75
	- of which housing loans eligible for inclusion in priority sector advances are rendered	276.71	222.57
	(ii) Commercial Real Estate	33.12	11.24
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	-	-
	a. Residential	-	-
	b. Commercial Real Estate	-	-
(b)	**Indirect Exposures**		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	122.50	333.00
	Total exposure to Real Estate Sector	**1,605.41**	**1,284.99**

Exposure represents the higher of the sanctioned or outstanding to Real estate sector.

Commercial Real estate exposure classification is based on RBI circular DBOD.BP.BC.No. 42/08.12.015/2009-10 dated September 9, 2009.

Exposure on account of loans given to micro and small enterprises for business purposes with the additional security of residential property, aggregating to ₹.3058.24 Crore (Previous year ₹.1671.44 Crore) are not included in the above disclosure.

7.2 Exposures to Capital Market

Sl No	Particulars	As at March 31, 2019	As at March 31, 2018
i	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	0.20	0.20
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;	0.21	0.26
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;	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

Sl No	Particulars	As at March 31, 2019	As at March 31, 2018
iv	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
vi	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii	Bridge loans to companies against expected equity flows / issues	-	-
viii	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
ix	Financing to stockbrokers for margin trading;	-	-
x	Venture Capital Funds (both registered and unregistered)	-	-
	Total exposure to Capital market	**0.41**	**0.46**

7.3 Risk Category-wise exposure to country risk

The Bank does not have any country risk exposure other than "home country" exposures and accordingly, no provision is maintained with regard to country risk exposure. (Previous year Nil)

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank.

During the year, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers (Previous year Nil).

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc., (Previous year Nil). The unsecured advances of ₹ 3,400.33 crores (Previous year: ₹ 2,714.83 crores) as disclosed in Schedule 9 are without any collateral security.

8 Disclosures relating to Penalties imposed by RBI

During the year ended March 31, 2019, RBI had not imposed any penalties on the Bank. (During the previous year 2017-18, the Bank had paid monetary penalty of ₹ 10 lacs for its lapse in getting approval for distribution of third party product from RBI).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

9 Disclosure on remuneration

Qualitative disclosures

The Remuneration and Nomination Committee is chaired by an Independent Director and comprises of four (4) Independent Directors and one (1) Non-Executive Non-Independent Director.

(a) Remuneration Policy of the bank covers remuneration payable for directors and employees of the bank and all aspects of the compensation structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan and gratuity.

The functions of the committee include: recommendation of appointment of Directors to the board, evaluation of performance of the Directors, approval of the policy for bonus payable to the employees, including senior management and key management personnel, framing guidelines for the Employee Stock Option Scheme (ESOS) and deciding on the grant of stock options to the employees and Whole Time Directors of the Bank.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

The bank believes in a sound compensation practice that ensures effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement. This policy is framed in accordance with the guidelines laid down by Reserve Bank of India (RBI) vide their Master Circular Reference no DBOD No.BC.72 /29.67.001/2011-12 dated 31, January 2012.

(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.

The Board of Directors through the Nomination and Remuneration Committee (NRC) shall be responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Persons (KMP) and Senior Executives of the Bank from time to time. The NRC may consider different aspects like risk-return alignment, cost to income ratio in framing the remuneration.

The Non-Executive Directors (NED) including Independent Directors of the Bank shall be paid remuneration as a percentage of the net profits of the Bank for the financial year as may be fixed by the Board from time to time, calculated as per the provisions of the Companies Act, 2013 and subject to the limits fixed by the Reserve Bank of India, from time to time.

Further, within the above ceiling, the remuneration payable to the Chairman of the Board shall be two times the amount payable to other Non-Executive Directors and Independent Directors and further subject to approval of RBI and the remuneration payable to the Chairman of the Audit & Risk Management Committee shall be 1.5 times the amount payable to other Non-Executive Directors and Independent Directors.

NEDs are to be paid such Sitting Fee for each meeting of the Board/ Committees of the Board attended by them, as may be approved by the Board pursuant to provisions of Section 197 of the Companies Act, 2013 read with Sec.35B (1) of the Banking Regulation Act 1989.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

NEDs including Independent Directors shall be reimbursed any out of pocket expenses incurred by them for the purpose of the Bank.

The remuneration payable to Managing Director (MD)/Chief Executive Officer (CEO) shall be based on the scope and responsibility that goes with such positions, shall be comparable to the compensations of MD/CEO of similar profiles in similar organizations and would be performance linked. From time to time, the Nomination and Remuneration Committee (NRC) may fix a maximum ceiling on the fixed/variable component of compensation, subject the approval of Reserve Bank of India.

The MD/CEO would also be eligible for Employee Stock Options of the Holding Company, which would be as determined from time to time by the NRC of the Holding Company, subject the approval of Reserve Bank of India.

For the other categories of staff, the compensation is structured taking into account all relevant factors such as the level of the position, roles and responsibilities and the prevailing compensation structure in the industry for the similar role.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration

The bank follows Annual Performance Review (12 months period) to link performance and remuneration is fixed based on the grade and merit rating for all the employees. Individual performances are assessed in line with business or individual deliveries of the Key Result Areas (KRA), top priorities of business, budgets etc.

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting

Currently the bank does not follow any deferred remuneration.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

A variable component would also be made available for specific employees as agreed and included as a part of compensation. The percentage of variable component may be fixed upto 25% of remuneration.

As on the reporting date, the Bank does not have any form of variable remuneration other than as stated above. Employees above a defined grade are eligible for Employee Stock Options issued by the Holding Company determined by the Nomination, Remuneration & Governance Committee of the Holding Company.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Quantitative disclosures

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Number of meetings held by the Remuneration Committee during the financial year	6	5
Remuneration paid to its members	0.03	0.03
(i) Number of employees having received a variable remuneration award during the financial year.	-	-
(ii) Number and total amount of sign on awards made during the financial year.	-	-
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	-	-
(iv) Details of severance pay, in addition to accrued benefits, if any.	-	-
(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	-	-
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred:		
(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	-	-
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	-	-
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	-	-

The quantitative disclosures are provided in respect of Whole Time Directors / Chief Executive Officer/ Other Risk Takers.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

10. Disclosures- Accounting Standards

10.1 Segment Reporting (AS 17)

The business of the Bank is divided into three segments: Treasury, Wholesale Banking and Retail Banking business. These segments have been identified and reported taking into account the target customer profile, the nature of products and services, the different risks and returns, and the guidelines prescribed by RBI.

FY 2018-19

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**319.79**	**2,009.59**	**45.31**	**28.83**	**2,403.52**
Segment Results	112.47	258.11	2.77	10.15	383.50
Unallocated income/(expenses)					59.77
Operating profit					323.74
Income taxes					113.17
Net Profit					**210.57**
Other information					
Segment assets	2,747.16	12,178.57	645.98	-	15,571.71
Unallocated assets					190.98
Total assets					**15,762.69**
Segment liabilities	2,376.13	10,562.03	561.41	-	13,499.57
Unallocated liabilities					8.80
Total liabilities					**13,508.37**
Net assets / Capital employed	371.03	1,616.54	84.57	-	**2,072.14**
Additional information					
Capital expenditure	**-**	51.64	**-**	**-**	**51.64**

FY 2017-18

Business Segments	Treasury	Retail Banking	Corporate / Wholesale Banking	Other Banking Business	Total
Segment Revenue	**250.92**	**1,511.65**	**1.81**	**19.55**	**1,783.93**
Segment Results	29.13	80.72	(19.93)	2.41	92.33
Unallocated income/(expenses)					(43.82)
Operating profit					48.51
Income taxes					16.68
Net Profit					**31.83**
Other information					
Segment assets	4,242.92	8,600.32	401.71	**-**	13,244.95
Unallocated assets					65.01
Total assets					**13,309.96**
Segment liabilities	3,608.18	7,313.71	341.62	**-**	11,263.51
Unallocated liabilities					2.70
Total liabilities					**11,266.21**
Net assets / Capital employed	634.74	1,286.61	60.09	-	**1,981.44**
Additional information					
Capital expenditure	**-**	81.28	**-**	**-**	**81.28**

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

Geographic segments

The Bank's operations are confined to one geography (India).

Segmental information is provided as per the MIS/reports maintained for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

10.2 Related Party Transactions (AS 18)

i. **Names of Related Parties and Nature of Relationship**

Holding Company	Equitas Holdings Limited
Fellow Subsidiaries	Equitas Technologies Private Limited
Key Management Personnel	Vasudevan PN, MD & CEO N Sridharan, Chief Financial Officer Sampathkumar KR, Company Secretary
Entities under the same Management	Equitas Development Initiatives Trust Equitas Dhanyakosha India Equitas Healthcare Foundation

ii. **Transactions with the Related Parties**

Transaction	Name of the Related Party	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenses			
CSR Contribution	Equitas Development Initiatives Trust	8.65	2.39
	Equitas Healthcare Foundation	0.30	-
Deposits			
Term deposits received	Equitas Holdings Limited	207.59	27.56
	Equitas Technologies Private Limited	-	9.35
	Equitas Development Initiatives Trust	0.04	0.04
	Key Managerial Personnel	0.20	0.01
Term deposits closed	Equitas Holdings Limited	76.58	17.11
	Equitas Technologies Private Limited	3.53	5.85
	Key Managerial Personnel	-	0.59
Interest on Term Deposits	Equitas Holdings Limited	11.05	3.46
	Equitas Development Initiatives Trust	0.00	0.00
	Key Managerial Personnel	0.01	0.02
	Equitas Technologies Private Limited	0.05	0.07
Savings Deposits and Interest	Equitas Development Initiatives Trust	23.30	15.73
	Equitas Healthcare Foundation	0.00	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

Transaction	Name of the Related Party	For the year ended March 31, 2019	For the year ended March 31, 2018
	Key Managerial Personnel	1.44	1.64
Demand Deposits	Equitas Technologies Private Limited	5.76	17.65
	Equitas Holdings Limited	224.12	70.73
	Equitas Dhanyakosha India	0.00	0.52
Withdrawals and fund transfers from Savings Deposits	Equitas Development Initiatives Trust	19.78	15.51
	Key Managerial Personnel	1.38	1.35
	Equitas Healthcare Foundation	-	
Withdrawals and fund transfers from Demand Deposits	Equitas Holdings Limited	226.02	68.16
	Equitas Dhanyakosha India	0.00	0.52
	Equitas Technologies Private Limited	5.86	17.19
Borrowings			
Borrowings Repaid	Equitas Holdings Limited	121.70	-
Interest on Borrowings	Equitas Holdings Limited	2.65	9.74
Other Transactions			
Reimbursement of Expenses	Equitas Development Initiatives Trust	0.22	-
	Equitas Technologies Private Limited	0.02	-
	Equitas Holdings Limited	0.00	-
Staff Loan transferred in	Equitas Technologies Private Limited	-	0.00
	Equitas Dhanyakosha India	-	0.01
Staff Loan transferred out	Equitas Technologies Private Limited	-	0.00
	Equitas Development Initiatives Trust	-	0.00
Guarantees issued / (released) during the Year (net)	Equitas Holdings Limited	(150.00)	(223.00)
Remuneration paid to Key Management Personnel (excludes employer's share of contribution to various funds and non-monetary perquisites)	Vasudevan PN, MD & CEO	1.11	0.49
	N Sridharan, Chief Financial Officer	0.79	0.71
	Sampathkumar KR, Company Secretary	0.18	0.15

Under the Employee Stock Option Scheme (ESOS) 2015 of the Holding company, Equitas Holdings Limited, the Key Managerial Personnel were allotted 6,594 shares during the year (Previous year 11,574 shares).

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

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

iii. Balances outstanding at the end of the year

Particulars	Name of the Related Party	As at March 31, 2019	As at March 31, 2018
Payables			
Borrowings outstanding	Equitas Holdings Limited	-	121.70
Term Deposit outstanding	Equitas Holdings Limited	176.48	45.47
	Equitas Technologies Private Limited	-	3.50
	Equitas Development Initiatives Trust	0.08	0.04
	Key Managerial Personnel	0.20	-
Interest Payable on term deposits	Equitas Holdings Limited	2.03	0.19
	Equitas Technologies Private Limited	-	0.06
	Equitas Development Initiatives Trust	0.00	0.00
	Key Managerial Personnel	0.00	-
Demand Deposits	Equitas Holdings Limited	1.43	3.33
	Equitas Dhanyakosha India	0.02	0.02
	Equitas Technologies Private Limited	0.37	0.47
Savings Deposit	Equitas Development Initiatives Trust	3.83	0.32
	Equitas Healthcare Foundation	0.01	-
	Key Managerial Personnel	0.50	0.44
Others			
Corporate Guarantees	Equitas Holdings Limited	52.00	202.00

10.3 Operating leases (AS 19)

The Bank has taken a number of premises on operating leases for branches, offices, ATMs and residential premises for staffs. The Bank has not given any assets on operating lease. The details of maturity profile of future operating lease payments are given below:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Future lease rentals payable at the end of the year		
- Not later than one year	44.95	47.21
- Later than one year but not later than five years	197.31	183.24
- Later than five years	88.81	126.23
Total minimum lease payments recognised in the Profit and loss account	58.99	56.91
Total of future minimum sub lease payments expected to be received under non-cancellable sub-lease	-	-

The Bank has not sub-leased any of the properties taken on lease. There are no provisions relating to contingent rent.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

10.4 Earnings per Share (AS 20)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit after tax	210.57	31.83
Basic weighted average number of equity shares	1,005,943,363	1,005,943,363
Diluted weighted average number of equity shares	1,005,943,363	1,005,943,363
Nominal value of Equity shares (₹)	10.00	10.00
Basic Earnings per share (₹)	2.09	0.32
Diluted Earnings per share (₹)	2.09	0.32

10.5 Deferred Taxes (AS 22)

The major components of deferred tax assets/liabilities are as follows:

Particulars	31-Mar-19		31-Mar-18	
Timing difference on account of:	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Impact of difference between tax depreciation and depreciation/amortization for financial reporting	10.44	-	-	2.29
Expenditure charged to the profit and loss account in the current year but allowed for tax purposes on payment basis	24.25	-	25.24	-
Difference between Provisions for doubtful debts and advances and amount allowable under section 36 (1) (viia) of Income Tax Act, 1961	29.64	-	21.73	-
Provision for advances	17.46	-	14.00	-
Others	7.83	-	5.34	-
Provision for special reserve u/s 36(i)(viii) of Income Tax Act, 1961	-	2.06	-	1.14
Net closing balance carried to the Balance Sheet (included in Schedule 11 - Others)	**89.62**	**2.06**	**66.31**	**3.43**

10.6 Employee Benefits (AS 15)

Defined Contribution Plan

Provident Fund

The Bank makes Provident Fund contributions to State administered fund for qualifying employees. The Bank is required to contribute a specified percentage of the payroll costs to the Fund. The Company recognised ₹ 28.73 Crores (Previous Year: ₹ 27.36 Crores) towards Provident Fund contributions in the Profit and Loss Account. The contributions payable to the fund by the Bank is at rates specified in the rules of the scheme.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Defined Benefit Plans

Gratuity

The Bank has a funded gratuity scheme for its employees and the Gratuity liability has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the Independent Actuary is as follows:

Particulars	March 31, 2019	March 31, 2018
Change in defined benefit obligations during the Year		
Present value of defined benefit obligation at beginning of the year	17.88	13.53
Current service cost	7.38	6.37
Interest cost	1.56	0.87
Benefits paid	(1.61)	(1.39)
Actuarial (gains)	(1.71)	(1.50)
Present value of Defined Benefit Obligation at End of the Year	**23.50**	**17.88**
Change in Fair Value of Assets during the Year		
Plan Assets at beginning of the year	11.85	10.49
Add: Adjustments to the opening balance	0.00	1.36
Expected return on plan assets	1.18	0.95
Actual company contributions	8.78	0.00
Benefits paid out of the asset	0.00	0.00
Actuarial gain / (loss)	(1.18)	(0.95)
Plan Assets at End of the Year	**20.63**	**11.85**
Liability Recognised in the Balance Sheet		
Present value of defined benefit obligation	(23.50)	(17.88)
Fair value of plan assets	20.63	11.85
Unrecognized actuarial (gain) / loss	0.00	0.00
Net Liability Recognised in the Balance Sheet	**(2.87)**	**(6.03)**
Cost of Defined Benefit Plan for the Year		
Current service cost	7.38	6.37
Interest cost	1.56	0.87
Expected return on plan assets	(1.18)	(0.95)
Net actuarial gains	(0.53)	(0.55)
Net Cost Recognized in the Profit and Loss account	**7.23**	**5.74**
Return on Plan Assets	1.18	0.95
Assumptions		
Discount rate (Refer Note (b))	7.01%	7.28%
Interest rate (Estimated rate of return on assets)	8.05%	8.05%
Future salary increase (Refer Note (a))	10.00%	10.00%
Attrition rate (Refer Note (a))	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Notes:

a) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors. Further, the Management revisits the assumptions such as attrition rate, salary escalation etc., taking into account, the business conditions, various external/internal factors affecting the Bank.

b) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

c) Experience Adjustments:

Particulars	For the Year Ended 31 March 2019	For the Year Ended 31 March 2018	For the Year Ended 31 March 2017	For the Year Ended 31 March 2016	For the Year Ended 31 March 2015
Projected benefit obligation	23.50	17.88	13.53	2.19	1.17
Fair value of plan assets	20.63	11.85	10.49	2.99	1.63
Surplus / (Deficit)	(2.87)	(6.03)	(3.04)	0.80	0.46
Experience adjustments on plan liabilities - gains	(1.71)	(1.50)	6.64	(0.04)	(0.01)
Experience adjustments on plan assets - gains / (losses)	(1.18)	(0.95)	(1.04)	(0.25)	-

d) Category of Plan Assets

Particulars	% of fair value to total plan assets March 31, 2019	% of fair value to total plan assets March 31, 2018
Government securities	0%	0%
Debenture and bonds	0%	0%
Equity shares	0%	0%
Others	100%	100%

Long-term Compensated Absences and Leave Encashment

The key assumptions used in the computation of provision for long term compensated absences and leave encashment as per the Actuarial Valuation done by an Independent Actuary are as given below:

Particulars	For the Year Ended March 31, 2019	For the Year Ended March 31, 2018
Assumptions:		
Discount Rate	7.01%	7.28%
Future Salary Increase	10.00%	10.00%
Attrition rate	20.00%	20.00%

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

11 Additional disclosures

11.1 Provisions and Contingencies

The breakup of provisions and contingencies debited to profit and loss account is given below:

Particulars	March 31, 2019	March 31, 2018
Provisions for depreciation on Investment	-	(4.66)
Provision for NPA (including write off)	89.03	169.73
Net Provision / (reversal) towards Standard assets	9.89	5.37
Floating provision	-	-
Provision for taxes (net)	137.86	35.87
Deferred tax (net)	(24.69)	(19.18)
Other Provision and Contingencies	3.49	1.68
Total	**215.58**	**188.81**

a) Movement in provision for debit card reward points

Particulars	March 31, 2019	March 31, 2018
Opening provision for reward points	0.08	-
Provision for reward points made during the year	0.33	0.08
Utilisation / Write back of provision for reward points	0.08	-
Effect of change in rate for accrual of reward points	-	-
Effect of change in cost of reward points	-	-
Closing provision for reward points	0.33	0.08

c) Movement in provision for frauds included under Other Liabilities

Particulars	March 31, 2019	March 31, 2018
Opening provision	0.27	0.29
Provision during the year	0.36	0.11
Utilisation/Write back of provision	0.21	0.13
Closing provision	0.42	0.27

11.2 Floating provision

Particulars	March 31, 2019	March 31, 2018
Opening Balance at the beginning of the year	19.00	19.00
Provisions made during the year	-	-
Drawdown made during the year	-	-
Closing Balance at the end of the year	19.00	19.00

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

11.3 Drawdown from reserves

The Bank has not undertaken any drawdown from reserves during the year.

Appropriations to reserve:

Statutory reserve

As mandated by the Banking Regulation Act, 1949, all banking companies incorporated in India shall create a reserve fund, out of the balance of profit of each year as disclosed in the profit and loss account and before any dividend is declared and transfer a sum equivalent to not less than twenty five per cent of such profit. The Bank has transferred ₹ 52.64 Crore (Previous year ₹ 7.96 crore) to Statutory Reserve for the year.

Special reserve

As per the provisions under Section 36(1)(viii) of Income Tax Act, 1961, the specified entity is allowed the deduction in respect of any special reserve created and maintained by it, i.e. an amount not exceeding twenty per cent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause). This would be applicable till the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital (excluding the amounts capitalized from reserves) of the entity. During the year, the Bank has transferred an amount of ₹ 2.64 crore (Previous year ₹ 0.67 crore) to Special Reserve.

Investment reserve

In accordance with Reserve Bank of India guidelines, reversal of excess depreciation on Investments to the profit and loss account, net off taxes and transfer to Statutory reserve is transferred to investment reserve. The total amount required to be transferred to the investment reserve in FY2018-19 is Nil (Previous year : ₹ 2.30 crore).

Investment Fluctuation Reserve

During the year, the bank has apportioned ₹ 8.43 crore (Previous year : Nil) to Investment Fluctuation Reserve, based on net profit on sale of investment and the value of investments in HFT and AFS category, to protect against future increase in yield, in accordance RBI guidelines.

11.4 Disclosure relating to Complaints

A a) Customer complaints [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	81	63
No. of complaints received during the year	3,452	2,826
No. of complaints redressed during the year	3,526	2,808
No. of complaints pending at the end of the year	7	81

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

b) ATM transaction disputes relating to the Bank's customers on the Bank's ATMs [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	4	0
No. of complaints received during the year	748	523
No. of complaints redressed during the year	746	519
No. of complaints pending at the end of the year	6	4

c) ATM transaction disputes relating to the Bank's customers on other banks' ATMs Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	12	0
No. of complaints received during the year	6,373	2,210
No. of complaints redressed during the year	6,366	2,198
No. of complaints pending at the end of the year	19	12

d) Total customer complaints and ATM transaction disputes [total of tables (A), (B) and (C) above] [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	97	63
No. of complaints received during the year	10,573	5,559
No. of complaints redressed during the year	10,638	5,525
No. of complaints pending at the end of the year	32	97

B Awards Passed by the Banking Ombudsman [Nos.]

Particulars	March 31, 2019	March 31, 2018
No. of unimplemented Awards at the beginning of the year	NIL	NIL
No. of Awards passed by the Banking Ombudsmen during the year	NIL	NIL
No. of Awards implemented during the year	NIL	NIL
No. of unimplemented Awards at the end of the year	NIL	NIL

The above details are as furnished by the Management and relied upon by the Auditors.

11.5 Letters of Comfort

The Bank has not issued any letters of comfort. (Previous year Nil)

11.6 Provision Coverage ratio

Provision coverage ratio as at March 31, 2019 is 43.38% (as at March 31, 2018 is 47.07%). The Provision Coverage ratio is computed on the advances as at respective year end.

11.7 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Particulars	As at March 31, 2019	As at March 31, 2018
On Insurance products	16.60	8.92
On Mutual Fund products	1.93	1.22
Total	**18.53**	**10.14**

11.8 Concentration of Deposits, Advances, Exposures and NPAs

11.8.1 Concentration of Deposits

Particulars	As at March 31, 2019	As at March 31, 2018
Total Deposits of twenty largest depositors *	2,941.14	2,077.86
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	32.65%	37.08%

* excludes Certificate of Deposits issued.

11.8.2 Concentration of Advances*

Particulars	As at March 31, 2019	As at March 31, 2018
Total advances of twenty largest borrowers	556.59	421.20
Percentage of advances of twenty largest borrowers to Total advances of the bank	4.76%	5.41%

*Advances represents Credit Exposure including derivatives furnished in RBI's Master Circular on Exposure Norms.

11.8.3 Concentration of Exposures *

Particulars	As at March 31, 2019	As at March 31, 2018
Total Exposure of twenty largest borrowers/customers	654.51	424.20
Percentage of Exposures of twenty largest borrowers/customers to Total exposures of the bank on borrowers/customers	5.51%	5.32%

*Exposure is based on Credit and investment Exposure as prescribed in RBI's Master Circular on Exposure Norms.

11.8.4 Concentration of NPA

Particulars	As at March 31, 2019	As at March 31, 2018
Total exposure of top four NPA accounts	4.77	2.89

11.8.5 Inter-bank participation with risk sharing

The aggregate amount of participation issued by the Bank and reduced from advances as per regulatory guidelines as at March 31, 2019 ₹ Nil crore (Previous year - ₹ 150 crore).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

11.8.6 Priority Sector Lending Certificate (PSLCs)

Particulars	Fy 2018-19	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	394.00	-
Small and Marginal Farmers	416.00	975.00
Micro Enterprises	-	1,543.75
General	4,665.00	1,057.50
Total	**5,475.00**	**3,576.25**

Particulars	FY 2017-18	
	PSLCs bought during the year	PSLCs sold during the year
Agriculture	-	-
Small and Marginal Farmers	-	950.00
Micro Enterprises	-	1,474.25
General	-	1,781.25
Total	**-**	**4,205.50**

11.8.7. Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not done restructuring in Micro, Small and Medium Enterprises (MSME) sector as per the RBI guidelines RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019.

Particulars	FY 2018-19	FY 2017-18
No of accounts Restructured	Nil	Nil

11.8.8. Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

The Bank does not have any exposure (advances/investments) to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities.

Position as on 31st March 2019

Amount outstanding	Of (1), total amount of exposures which are NPAs as per IRAC norms and not classified as NPA.	Provisions required to be made as per IRAC norms.	Provisions actually held
Nil	Nil	Nil	Nil

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

12 Sector-wise advances

Sector	As at March 31, 2019			As at March 31, 2018		
	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances	Outstanding Advances	Gross NPAs	% of Gross NPAs to Total advances
A. Priority sector	**7,768.97**	**246.22**	**3.17%**	**5,459.58**	**188.77**	**3.46%**
(i) Agriculture	2,424.55	14.68	0.61%	1,604.84	6.70	0.42%
(ii) Micro, Small and Medium Enterprises	5,080.78	218.19	4.29%	3,642.95	171.63	4.71%
(iii) Export Credit	-	-	0.00%	-	-	0.00%
(iv) Education	-	-	0.00%	-	-	0.00%
(v) Housing	263.64	13.35	5.06%	211.79	10.44	4.93%
(vi) Social Infrastructure	-	-	0.00%	-	-	0.00%
(vii) Renewable Energy	-	-	0.00%	-	-	0.00%
(viii) Others	-	-	0.00%	-	-	0.00%
B. Non-priority sector	**3,935.32**	**49.49**	**1.26%**	**2,328.13**	**23.76**	**1.02%**
Total	**11,704.29**	**295.71**	**2.53%**	**7,787.71**	**212.53**	**2.73%**

The Bank has compiled and furnished the data for the purpose of this disclosure from its internal MIS system / reports, which has been relied upon by the Auditors.

13 Securitisation/Assignment

13.1 Securitisation

The information on securitisation and direct assignment activity of the Bank as an originator as per RBI guidelines “Revisions to the Guidelines on Securitisation Transactions” is given below.

Particulars	As at March 31, 2019	As at March 31, 2018
No of SPVs sponsored by the bank for securitisation transactions	5	5
Total amount of securitised assets as per books of the SPVs sponsored by the Bank	487.28	487.28
Total amount of exposures retained by the Bank to comply with	-	-
Minimum Retention Requirement (MRR) as on the Date of Balance Sheet	-	-
a) Off-balance sheet exposures	-	-
First loss (Corporate Guarantee)	28.89	28.89
Others (Corporate Guarantee)	-	-
b) On-balance sheet exposures	-	-
First loss (Cash Collateral & Retained Assets)	30.19	31.78
Others	-	-
Amount of exposure to securtisation transactions other than MRR	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

Particulars	As at March 31, 2019	As at March 31, 2018
a) Off-balance sheet exposures	-	-
i) Exposure to own securtisation	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party securtisation	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own securtisation	-	-
First loss	1.26	2.78
Others	-	-
ii) Exposure to third party securtisation	-	-
First loss	-	-
Others	-	-

13.2Assignment

The information on Direct assignment activity of the Bank as an originator as per RBI guidelines "Revisions to the Guidelines on Securitisation Transactions" is given below.

Particulars	As at March 31, 2019	As at March 31, 2018
Number of Direct Assignements	1	1
Total amount of Loans directly transferred / Assigned	111.11	111.11
Total amount of exposures retained by the Bank to comply with	-	-
Minimum Retention Requirement (MRR) as on the Date of Balance Sheet	-	-
a) Off-balance sheet exposures	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
First loss	-	-
Others	1.12	3.82
Amount of exposure to Assignement transactions other than MRR	-	-
a) Off-balance sheet exposures	-	-
i) Exposure to own Assignement	-	-
First loss	-	-
Others	-	-

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Particulars	As at March 31, 2019	As at March 31, 2018
ii) Exposure to third party Assignement	-	-
First loss	-	-
Others	-	-
b) On-balance sheet exposures	-	-
i) Exposure to own Assignement	-	-
First loss	-	-
Others	-	-
ii) Exposure to third party Assignement	-	-
First loss	-	-
Others	-	-

14 Credit Default Swaps

The Bank has not undertaken any Credit Default Swaps (CDS) during the year (PY: Nil).

15 Intra-Group Exposure

The Bank does not have any exposure (advances/investments) within the group (PY: Nil).

16 Delay in transferring to Depositor Education and Awareness Fund (DEAF):

There were no amounts that were required to be transferred to Depositor Education and Awareness Fund during the year (PY: Nil).

17 Unhedged foreign currency exposure

As of March 31, 2019, the Bank has made a provision of ₹.003 crore for unhedged foreign currency exposure as required by RBI guidelines(Previous year Nil).

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR)

Quantitative information on Liquidity coverage ratio (LCR) is given below:

Particulars	Quarter ended June 30, 2018		Quarter ended September 30, 2018		Quarter ended December 31, 2018		Quarter ended March 31, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		2,292.83		2,360.10		2,212.87		2,737.12
Cash Outflows								
2 **Retail deposits and deposits from small business customers, of which:**								
(i) Stable deposits	437.32	21.87	484.47	24.22	463.67	23.18	503.33	25.17
(ii) Less stable deposits	1,380.45	138.04	1,510.15	151.02	1,797.13	179.71	2,391.24	239.12
3 **Unsecured wholesale funding, of which:**								
(i) Operational deposits (all counterparties)								
(ii) Non-operational deposits (all counterparties)	1,517.09	1,223.73	2,054.28	1,629.38	2,186.47	1,649.42	2,717.80	2,248.50
(iii) Unsecured debt								
4 **Secured wholesale funding**								
5 **Additional requirements, of which**								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6 **Other contractual funding obligations**					141.47	141.47	55.14	55.14
7 **Other contingent funding obligations**	393.22	184.70	272.30	80.88	158.38	29.46	164.06	18.90
8 TOTAL CASH OUTFLOWS		**1,568.34**		**1,885.50**		**2,023.25**		**2,586.82**
Cash Inflows								
9 Secured lending (e.g. reverse repos)	88.14	0.00	32.67	0.00	46.66	0.00	697.88	0.00
10 Inflows from fully performing exposures	321.02	160.51	333.57	166.78	347.56	173.78	361.19	180.60
11 Other cash inflows	345.31	345.31	372.17	372.17	187.55	187.55	97.87	77.80
12 **TOTAL CASH INFLOWS**	**754.48**	**505.82**	**738.40**	**538.95**	**581.77**	**361.33**	**1,156.95**	**258.40**
13 TOTAL HQLA		2,292.83		2,360.10		2,212.87		2,737.12
14 TOTAL NET CASH OUTFLOWS		1,062.52		1,346.54		1,661.92		2,328.42
15 LIQUIDITY COVERAGE RATIO (%)		215.79		175.27		133.15		117.55

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI, and has been relied upon by the auditors.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Qualitative disclosure around LCR

"The Liquidity Coverage Ratio (LCR) is a global minimum standard for bank liquidity. It aims to ensure that a bank has a adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash immediately to meet its liquidity needs for a 30 calendar day liquidity under stress scenario.

The LCR is calculated by dividing the amount of high quality liquid unencumbered assets (HQLA) by the estimated net outflows over 30 calendar day period. The net cash outflows are calculated by applying RBI prescribed outflow factors to the various categories of liabilities (deposits, unsecured and secured wholesale borrowings), as well as to undrawn commitments and derivatives-related exposures, partially offset by inflows from assets maturing within 30 days. "

"Liquidity management of the Bank is undertaken by the Treasury department under the central oversight of the Asset Liability Management Committee (ALCO) in accordance with the Board approved policies and ALCO approved funding plans.

The mandated regulatory threshold as per the transition plan is embedded in the board approved ALM policy of the Bank, with appropriate cushion to ensure maintenance of adequate liquidity buffers. Risk Management Department computes the LCR and monitors the same as per the Operating guidelines for small finance banks. The Bank has been submitting LCR reports to RBI from December 2016."

Currently the Liquidity Coverage Ratio is significantly higher than minimum regulatory threshold. As a strategy, the Bank is highly invested into GOI Bonds which has resulted in a high level of HQLA. The Bank follows the criteria laid down by the RBI for month-end calculation of High Quality Liquid Assets (HQLA), gross outflows and inflows within the next 30-days period. HQLA predominantly comprises Government securities in excess of minimum SLR requirement viz. Treasury Bills, Central and State Government securities.

The Bank is predominantly funded through long term borrowings viz Non-Convertible Debentures and Customer Deposits. All significant outflows and inflows determined in accordance with RBI guidelines are included in the prescribed LCR computation. Bank expects the LCR to reduce in the coming quarters primarily on account of growth in advances and increased focus on garnering retail deposits. The Risk Management Department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios. The Bank assesses the impact on short term liquidity gaps dynamically under various scenarios covering business projections under normal as well as varying market conditions. Periodical reports are placed before the Bank’s ALCO for perusal and review.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

18 Liquidity Coverage Ratio (LCR) Continued

Quantitative information on Liquidity coverage ratio (LCR) is given below:

		Quarter ended June 30, 2017		Quarter ended September 30, 2017		Quarter ended December 31, 2017		Quarter ended March 31, 2018	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	1,551.77	1,551.77	1,534.00	1,534.00	1,485.79	1,485.79	1,660.79	1,660.79
	Cash Outflows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	**Retail deposits and deposits from small business customers, of which:**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i)	Stable deposits	166.99	8.35	244.70	12.23	326.21	16.31	364.86	18.24
(ii)	Less stable deposits	586.06	58.61	772.61	77.26	917.72	91.77	1,042.28	104.23
3	**Unsecured wholesale funding, of which:**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i)	Operational deposits (all counterparties)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	64.73	49.09	224.59	159.07	351.70	237.71	942.89	605.69
(iii)	Unsecured debt	329.93	329.93	391.14	391.14	343.00	343.00	423.68	423.68
4	**Secured wholesale funding**	0.00	0.00	0.00	0.00	523.18	0.00	815.76	0.00
5	**Additional requirements, of which**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(i)	Outflows related to derivative exposures and other collateral requirements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	**Other contractual funding obligations**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	**Other contingent funding obligations**	134.94	5.78	104.90	4.30	109.89	4.63	211.02	9.78
8	**TOTAL CASH OUTFLOWS**	**1,282.65**	**451.76**	**1,737.94**	**644.00**	**2,571.71**	**693.42**	**3,800.49**	**1,161.62**
	Cash Inflows								
9	Secured lending (e.g. reverse repos)	0.00	0.00	0.00	0.00	40.00	0.00	156.00	0.00
10	Inflows from fully performing exposures	263.64	131.82	280.11	140.06	202.47	101.24	312.71	156.35
11	Other cash inflows	232.54	232.54	125.67	125.67	168.03	168.03	225.90	225.90
12	**TOTAL CASH INFLOWS**	**496.18**	**364.36**	**405.78**	**265.73**	**410.50**	**269.27**	**694.61**	**382.25**
13	**TOTAL HQLA**		1,551.77		1,534.00		1,485.79		1,660.79
14	**TOTAL NET CASH OUTFLOWS**	786.47	87.39	1,332.16	378.28	2,161.20	424.15	3,105.88	779.36
15	**LIQUIDITY COVERAGE RATIO (%)**		1,373.99		405.52		350.30		213.10

The disclosures relating to quarters disclosed above are based on Quarterly LCR return filed with RBI, and has been relied upon by the auditors.

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019
(All amounts in crore of ₹, unless otherwise specified)

Qualitative disclosure around LCR

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SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

19. Fixed Assets - details of software

Particulars	As at March 31, 2019	As at March 31, 2018
Opening cost	66.24	73.44
Additions during the year	22.04	11.90
Less: Deletions	-	-
Less: Amortization to date	21.61	19.10
Closing balance	**66.67**	**66.24**

20. Contingent liabilities

Claims against the Bank not acknowledged as debts includes liability on account of Service tax, and other legal cases filed against the bank. The Bank is a party to various legal proceedings in the ordinary course of business which are contested by the Bank and are therefore subjudice. The Bank does not expect the outcome of these proceedings to have a material adverse impact on the Bank's financial position.

Guarantees represent irrevocable assurances given by the Bank on securitized assets, to make payments in the event of customers failing to fulfil their financial obligations.

As a part of banking activities, the Bank issues Letter of Guarantees on behalf of its customers, with a view to augment the customer's credit standing. Through these instruments, the Bank undertakes to make payments for its customers obligations either directly or incase the customer fails to fulfill their financial or performance obligations.

21. Corporate Social Responsibility Activities

Operating expenses include ₹ 8.75 crore (Previous year ₹ 2.39 crore) for the year ended March 31, 2019 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013. The Bank has spent 7.46% (Previous Year 2%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2019.

Details of CSR expenditure	As at March 31, 2019	As at March 31, 2018
a) Gross amount required to be spent by the Bank during the year	2.35	2.39
b) Amount spent during the year		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	8.75	2.39

SCHEDULE 18 - Notes forming part of the financial statements for the year ended March 31, 2019

(All amounts in crore of ₹, unless otherwise specified)

22 Dues to Micro, Small and Medium Enterprises

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. Based on the information available with the Company, there are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 as at the Balance Sheet date. Further, the Bank has not paid any interest to any Micro and Small Enterprises during the current and previous year.

23 Employees Stock Option Scheme

Under the Employee Stock Option Scheme (ESOS) - 2015 of the Holding Company, Equitas Holdings Limited, 12,614,538 options (As at 31 March 2018 - 17,942,970 options) granted to some of the employees of the Bank are outstanding as at March 31, 2019. As the administrator of the Employee Stock Option Scheme, EHL has informed the Bank that there are no costs to be transferred to the Bank with respect to the options granted and outstanding as at March 31, 2019.

As per our report of even date

For S.R.Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration No.: 101049W/E300004

For on behalf of Board of Directors of
Equitas Small Finance Bank Limited

per Aniruddh Sankaran
Partner
Membership No.211107

Arun Ramanathan
Chairman
DIN: 00308848

Vasudevan PN
Managing Director and
Chief Executive Officer
DIN: 01550885

Arun Kumar Verma
Director
DIN: 03220124

Place: Chennai
Date: May 09, 2019

N Sridharan
Chief Financial Officer

Sampathkumar KR
Company Secretary
M.No: A27466

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Financial Information on page 81. The Financial Information comprise Audited Financial Statements prepared in accordance with Indian GAAP for Fiscal 2019, 2020 and 2021, and Unaudited Condensed Interim Financial Statements and Unaudited Interim Financial Results for the nine months ended December 31, 2020 and December 31, 2021.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as Ind AS, U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition" on page 67.

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also read "Risk Factors" and "– Factors Affecting our Results of Operations and Financial Condition" on pages 38 and 278, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Equitas Small Finance Bank Limited. Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Financial Information included in this Preliminary Placement Document.

OVERVIEW

We are a SFB that transitioned from a diversified NBFC. We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, with our group beginning operations in 2007 as an NBFC providing microfinance loans through EMFL. We have been providing housing finance since 2011 through EHFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

Our focus customer segments include individuals with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We offer a range of financial products and services that address the specific requirements of these customer segments by taking into account their income profile, nature of business and type of security available. Our asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising LAPs, housing loans, and agriculture loans to micro-entrepreneurs, microfinance to JLGs predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs typically engaged in logistics, MSE loans to proprietorships, and NBFC financing. On the liability side, our target customers comprise mass and mass-affluent individuals to whom we offer current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, 3-in-1 Account, ASBA facility and issuance of FASTags.

Our Gross Advances (including IBPC issued) have grown from ₹11,704.29 crores as of March 31, 2019 to ₹15,366.95 crores as of March 31, 2020, and to ₹17,924.55 crores as of March 31, 2021 and were ₹19,687.30 crores as of December 31, 2021. Of our Gross Advances (including IBPC issued), secured advances constituted 70.72% as of March 31, 2019, and increased to 75.39% as of March 31, 2020 and further increased to 81.37% as of March 31, 2021 and was 80.83% as of December 31, 2021.

As of December 31, 2021, our CASA ratio and retail deposits to overall total deposits ratio was 50.80% and 79.56%, respectively. Further, our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and subordinated debt have both been rated CRISIL A+/ Stable. We believe our widespread and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.13%, 7.97%, 7.43%

and 6.91% (annualized)/ 5.18% (unannualized) as of March 31, 2019, 2020 and 2021 and as of December 31, 2021, respectively.

As of December 31, 2021, our distribution channels comprised 860 Banking Outlets and 336 ATMs across 17 states and union territories in India.

We also distribute products through digital channels, and leverage technology to identify opportunities to better serve our target customer segment. In order to increase our digital footprint, we have set-up a separate digital banking unit and going forward we will focus on partnering with neo banks, collaboration with fintech programs, building digital assets, and will also focus on internal digitization projects for process efficiency and enhancements.

The table below sets forth certain performance metrics of our Bank for the periods and as of the dates indicated:

Metric	**As of and for the year ended March 31,**			**As of and for the nine months ended December 31,**
	2019	**2020**	**2021**	**2021**
	(₹crores, except percentages)			
Total Disbursements	8,578.31	9,911.07	7,463.50	7,269.89
Retail Deposits	1,636.25	3,811.29	5,868.84	7,000.06
CASA[(1)]	2,274.26	2,208.22	5,613.83	9,084.83
CASA Ratio[(2)]	25.25%	20.47%	34.25%	50.80%
Net profit for the period / year	210.56	243.63	384.22	161.22
Net Interest Income[(3)]	1,151.73	1,495.30	1,797.96	1,485.68
Net Interest Margin[(4)]	8.55%	9.12%	8.45%	8.39% [6.29%]*
Cost to Income Ratio[(5)]	70.30%	66.38%	59.99%	68.65%
Debt Equity Ratio	5.76	5.80	6.05	5.77
CRAR	22.44%	23.61%	24.18%	21.91%
Common Equity Tier 1 Capital Ratio	20.92%	22.44%	23.23%	20.66%
Net worth[(6)]	2,254.32	2,744.15	3,396.34	3,582.68
GNPA Ratio[(7)]	2.53%	2.72%	3.59%	4.39%
Net NPA to net Advance (%)	1.44%	1.67%	1.58%	2.51%
Provision coverage ratio[(8)]	43.38%	45.22%	58.59%	46.81%
Return on Assets[(9)]	1.45%	1.39%	1.70%	0.85% [0.64%]*
Net Profit as a Percentage of Average Shareholders' Equity	9.85%	9.84%	12.70%	6.20% [4.65%]*

annualized, and figures in square brackets represent unannualized figures

1. *Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits.*
2. *CASA ratio is the ratio of CASA to total deposits.*
3. *Net Interest Income is difference of interest earned and interest expended.*
4. *Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average.*
5. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total operating is net of net interest income and non-interest income).*
6. *Net Worth represent sum of capital and reserve excluding capital reserve.*
7. *GNPA Ratio is calculated by dividing Gross NPA by Gross Advances (including IBPC issued).*
8. *Provision held as a percentage of Gross Advances.*
9. *Return on Assets is calculated as a ratio of net profit divided by the total average assets of the relevant period. .*

We sponsor social initiatives in specific regions and communities. We believe these initiatives, while carried out for the benefit of the communities, tend to foster customer loyalty and improve our visibility in these regions, thereby increasing the likelihood that customers will approach us for their general banking and financial needs. We will continue to build our brand and develop a wide range of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. To achieve this, we intend to increase the use of technology in our operations, by monetizing our back-end banking capabilities and applying data analytics to gather a deeper understanding of the segments we serve. We believe this will supplement our ongoing efforts to reduce costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The impact of COVID-19 on our results of operations and financial condition

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

The Government of India initiated a nation-wide lockdown from March 25, 2020 for three weeks which was extended to May 31, 2020. In compliance with the lockdown orders announced by the Indian Government, as applicable to banks that were declared essential services, we temporarily closed certain of our Banking Outlets and initiated remote working for some of our employees. India also experienced a severe second wave of COVID-19 between March 2021 and June 2021, which resulted in partial or full lockdown in some of the states where our Bank is operating. Additionally, many of our customers and service providers temporarily ceased operating their respective enterprises. As a result, we experienced a decline in collections, reduced disbursements and deposit mobilization, and increased provisioning due to the impact of COVID-19 and various regulatory measures in response to COVID-19, including moratoriums availed by customers. The impact of the pandemic on our business, operations and future financial performance have included and may include the following:

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

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

- There may be a significant increase in our NPA levels due to possible deterioration in the credit quality of our customers. While most of these borrowers have opted for the moratoriums available, there can be no assurance that our customers will be able to make timely repayments after the moratorium was lifted. As a result, we may experience higher NPAs than anticipated due to our borrower’s reduced ability to make timely repayments.

  As a result, we may be required to recognise higher loan loss provisions in future periods, on account of the uncertainty in the external environment due to COVID-19, which may adversely impact our asset quality and profitability in future periods.
- We may witness adverse impacts to our income and growth rates – particularly if operating expenses do not decrease at the same pace as revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as employee benefit expenses, depreciation and other costs associated with operating and maintaining our Banking Outlets. While we are in the process of implementing certain cost control measures such as re-negotiation of rental arrangements, we may not be able to decrease them significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on long-term outlook and investment opportunities.

- The rapid shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. The extent and/ or duration of ongoing workforce restrictions and limitations may result in us adopting alternative modes of introducing and growing our new products and services. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

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

In addition, the RBI issued guidelines as part of a COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020. In terms of these guidelines, we have granted a moratorium of up to six months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning (“**IRAC**”) norms).

We also maintained provisions as on September 30, 2020 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as required under the IRAC norms and based on management's assessment, we made provision of ₹99.63 crores in the three months ended March 31, 2020 (including ₹2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020). Further, we made a general provision of ₹71.00 crores for Fiscal 2021 and nil for the nine months ended December, 2020. This accumulated provision of ₹170.63 crores was fully utilised in March 2021 as per the extant guidelines of RBI.

Further, pursuant to the RBI notification titled *'Resolution Framework for COVID-19-related Stress*' dated August 6, 2020 ("**Resolution Framework 1.0**"), we have extended viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. In addition, in terms of the RBI circular titled '*Micro, Small and Medium Enterprises sector – Restructuring of Advances*', dated August 6, 2020, some of our MSE loans were restructured without a downgrade in the asset classification. We have restructured ₹434.33 crores of advances under this resolution frame work. The RBI further announced the Resolution of COVID-19 related to individual and small business ("**Resolution Framework 2.0**") on May 5, 2021. RBI has also extended the restructuring of advance to MSME borrowers under Resolution Framework 2.0 for MSMEs. As per these guidelines, the request for restructuring of the borrowers account were accepted till September 30, 2021. Such restructuring of advances to be implemented within 90 days from the date of invocation. Our Bank has implemented the restructuring of advances in line with these guidelines and restructured ₹1,484.11 crores till December 31, 2021. Resolution Framework 2.0 also permitted further restructuring of advances implemented under Resolution Framework 1.0 for individual and small business loans, subject to certain conditions. Our Bank has restructured ₹140.41 crores of advances which were already restructured under Resolution Framework 1.0.

Any unexpected or onerous requirements or regulations resulting from the pandemic or any changes in laws, or the promulgation of new laws, rules and regulations relating to our operations as a response to the pandemic may have a material adverse effect on our business, financial condition and results of operations.

The global health and economic implications of this pandemic could continue to have significant impact on our business, operations and future financial performance. As a result of the scale of the pandemic and the speed at which the global community has been impacted, and the uncertainty related to the same, our quarterly and annual revenue growth rates and expenses as a percentage of our revenues may differ significantly from our historical rates, and our future operating results may fall below expectations. We are still assessing our business operations and system supports and the impact COVID-19 may have on our results and financial condition, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally or in our sector in particular. Existing insurance coverage may not provide protection for all costs that may arise from all such possible events. The extent to which the COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken globally to contain the coronavirus or treat its impact, among others.

Regulatory Developments

Our results of operations and continued growth depend on stable government policies and regulation. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As an SFB, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition.

Under the Operating Guidelines for Small Finance Bank dated October 6, 2016 issued by the RBI (**"SFB Operating Guidelines"**), we are required to maintain a minimum capital adequacy ratio of 15% of the credit risk weighted assets ("**CRWAs**") on a continuous basis, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of at least 7.5% of the CRWAs, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. Our total capital to risk weighted asset ratio (CRAR) (as a percentage of credit RWA) was 22.44%, 23.61% and 24.18% as of March 31, 2019, March 31, 2020, and March 31, 2021, respectively, and was 21.58% and 21.91% as of December 31, 2020 and December 31, 2021, respectively. Further, currently, we are required to maintain a cash reserve ratio (**"CRR"**) of 4.00% of our net demand and time liabilities (**"NDTL"**) with the RBI, on which no interest is paid. In addition, we are also required to maintain, under the current requirements, a SLR equivalent to 18.00% of our NDTL, to be invested in state or central Government or other RBI-approved securities. We are also required to extend 75% of our ANBC to the sectors eligible for classification as priority sector lending by the RBI. In addition, under the SFB Operating Guidelines, at least 25% of our total Banking Outlets have to be located in unbanked rural centres ("**URCs**") and at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹0.25 crores.

Further, certain requirements that are applicable to SFBs in terms of the SFB Licensing Guidelines, SFB Operating Guidelines, and other banking laws and regulations, are significantly more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to limit our ability to carry out certain businesses and improve our prospects, in order to ensure compliance. In addition, the SFB model is relatively new to India, and uncertainty in the applicability, interpretation or implementation of the governing law, specifically due to the absence of administrative or judicial precedent may be time consuming as well as costly for us to resolve. Our inability to comply with laws and regulations applicable to an SFB may have an adverse effect on our business, results of operations, financial condition and cash flows.

Diversification of Product Offerings

We focus on customer segments that are unserved and underserved by formal financing channels, and believe that diversification of our business with respect to the products we offer is a key component of our success.

We believe that owing to our diversified asset base, we are relatively insulated from counter cyclical impacts across economic cycles. Further, we currently provide products and services to different customer profiles within our target segment with differentiated propositions for their banking and finance needs. Our asset products include provision of small business loans comprising LAPs, affordable housing loans, agriculture loans, microfinance to JLGs, used and new commercial vehicle loans, MSE loans, and NBFC financing. As of December 31, 2021, small business loans, microfinance, vehicle finance, MSE finance, and NBFC financing represented 45.31%, 18.77%, 24.61%, 6.06% and 4.15%, respectively, of our Gross Advances (including IBPC issued) as of such date. Within our credit portfolio, our small business loans (including housing loan) and vehicle finance segments recorded significant growth with a CAGR of 31.97% and 23.90%, respectively, from March 31, 2019 to March 31, 2021.

Further, our group loan customers are gradually meeting eligibility requirements for individual loan products, based on their group loan repayment track records. We intend to capitalize on this development by diversifying our individual loan product, while focusing on growing our secured portfolio. By increasing the proportion of secured to unsecured products, we aim to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. Our secured advances have grown from ₹8,277.35 crores as of March 31, 2019 (which constituted 70.72% of our Gross Advances (including IBPC issued)) to ₹14,585.87 crores as of March 31, 2021 (which constituted 81.37% of our Gross Advances (including IBPC issued)) and were ₹ 15,912.54 crores as of December 31, 2021 (which constituted 80.83% of our Gross Advances (including IBPC issued)). Further, our deposits have also increased from ₹9,006.74 crores as of March 31, 2019 to ₹16,391.97 crores as of March 31, 2021 and was ₹17,883.64 crores as of December 31, 2021. For further information, see "*Business – Strategies – Continue to diversify product offerings and leverage cross-selling opportunities*" on page 341.

Our liability product portfolio comprises deposits, savings and investment options for mass and mass-affluent customers in the urban and semi-urban areas. We also offer customers with ATM-cum-Debit cards and generate fee income from distribution of third party insurance products such as insurance, mutual funds and PMS products. For further information, see "*Our Business – Description of our Business*" on page 344. Our business is dependent on developing and introducing financial products and services relevant to our target customer segment on competitive terms and increasing our customer base for existing products as well as expanding our operations. In order to improve our financial performance, we continue to monitor and align our product mix across our businesses and focus on increasing cross-sales of our products and services. We cannot assure you that such diversification or expansion of operations will in future yield and/or continue to yield favourable or expected results, as our overall profitability and success will be subject to various factors, including, among others, our ability to effectively recruit, retain and motivate appropriate and experienced managerial talent, and ability to compete with scheduled banks, housing finance companies and other NBFCs that are already well established in this market segment. We also expect our new businesses and product offerings to require increasing management attention and capital investments.

Interest Rate Volatility

Our results of operations depend substantially on our Net Interest Income, which is the difference between our interest earned and interest expended. Interest earned is the largest component of our total income, and represented 88.19%, 90.36% and 88.43% of our total income in Fiscal 2019, Fiscal 2020, and Fiscal 2021 respectively, and interest earned represented 90.84% and 86.80% of our total income in the nine months ended December 31, 2020 and December 31, 2021, respectively. Our Net Interest Income is affected by our interest expense, which is largely dependent on our deposits and associated interest rates. In Fiscal 2019, Fiscal 2020, and Fiscal 2021 the total interest expended represented 43.96%, 42.85% and 43.26% of our total expenditure in such periods, respectively, and 51.88% and 45.56% of our total expenditure in the nine months ended December 31, 2020 and December 31, 2021, respectively.

Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative gradient of the rate curves, have a significant impact on our Net Interest Margins and our profitability. Movements in short and long-term interest rates affect our interest earned and interest expended.

Prior to operating as an SFB, we met our funding requirements through a combination of term loans from banks and financial institutions, issuance of non-convertible debentures, refinancing arrangements and securitization/ assignment of receivables. However, upon transitioning into an SFB, our primary source of funding has been deposits, inter-bank borrowings, certificate of deposits, refinancing and bank lines. As of March 31, 2021 and December 31, 2021, a significant portion of our funding consists of retail deposits accounting for 54.45% and 79.56%, respectively, of our total term deposits, with a CASA ratio of 34.25% and 50.80%, respectively, in the same period. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach and enhancing our loan portfolio. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits on suitable interest rates and terms, and in a timely manner. Our Net Interest Income is affected by debt service costs and costs of funds, which depend on external factors such as the status of bank lending rates in India, in particular, interest rate movements, as well as internal factors such as changes in our credit rating based on our growth, performance and profitability. While we believe we have consistently been granted strong credit ratings from various agencies in the past, there can be no assurance that we will continue to be granted such credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Adverse conditions in the global and Indian economy resulting from economic dislocations or liquidity disruptions may adversely affect availability of credit, and decreased liquidity may lead to an increase in interest rates. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Operating Expenses and Productivity Levels

Our ability to continue controlling our operating expenses will directly impact our profitability. In Fiscal 2019, Fiscal 2020 and Fiscal 2021, our total expenditure were ₹2,184.27 crores, ₹2,684.16 crores, ₹3,228.24 crores, respectively, of which operating expenses comprised 42.11%, 40.31%, and 36.80% of our total income, respectively, in the same periods. In the nine months ended December 31, 2020 and 2021, our total expenditure were ₹ 2,344.38 crores and ₹ 2,792.03 crores, respectively, of which operating expenses comprised 36.41% and 43.59% of our total income, respectively, in the same periods. We have incurred significant expenditure on our network of Banking Outlets, building a base of trained employees and information technology platforms for our operations.

Our results of operations are dependent upon the productivity levels of our Banking Outlets and employees and improving our operational efficiencies. Further, our use of handheld devices has reduced our turn-around time to service our customers. The productivity levels of our Banking Outlets network may vary according to the stage of operation of a Banking Outlet and the number of customers that the Banking Outlet is able to serve.

Credit quality and provisioning

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. As the number of our loans that become NPAs increase, the credit quality of our loan portfolio will correspondingly decrease. Our credit quality is dependent upon our recovery mechanisms and credit appraisal processes. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,			As of December 31,	
	2019	**2020**	**2021**	**2020**	**2021**
NPAs					
Percentage of Gross NPAs to Total Advances	2.53%	3.00%	3.73%	2.27%	4.61%
Gross NPA/ Gross Advances (including IBPC issued) (%)	2.53%	2.72%	3.59%	2.23%	4.39%
Net NPAs / Net Advances (%)	1.44%	1.67%	1.58%	0.67%	2.51%

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, central and state government decisions (including agricultural loan waivers) and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provisioning requirements, linked to ageing of NPAs. Our provision coverage ratio was 58.59% and 46.81% in Fiscal 2021 and in the nine months ended December 31, 2021, respectively, and there can be no assurance that our provision cover ratio will continue to increase or that it may not decline in the future. We may need to make further provisions if there is dilution/ deterioration in the quality of our security or down-grading of the account or recoveries with respect to such NPAs do not materialize in time or at all. This increase in provisions may adversely impact our financial performance.

Competition

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

Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, future financial performance and the trading price of the Equity Shares. See *"Risk Factors – The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively."* on page 58.

Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which is also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial information for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks (except regional rural banks) to comply with Ind AS for accounting periods beginning from April 1, 2018 onwards, with comparatives for periods ending March 31, 2018 or thereafter, and also required such entities to be in preparedness to submit proforma Ind AS financial statements to the RBI from the six months ended September 30, 2016. Further, the RBI on October 13, 2017 advised SFBs to be prepared for implementation of the Ind AS accounting standards and instructed SFBs to submit proforma financial statements under Ind AS on a quarterly basis from the quarter ended June 30, 2017, in the format prescribed by them. Pursuant to an email dated August 12, 2021, the RBI has modified the requirement to submit proforma financials under Ind AS on a half yearly basis. In compliance with such regulatory requirements, we have submitted proforma Ind AS financial statements as mandated by the RBI However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS until further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to undertake early adoption of Ind AS. Accordingly, we continue to prepare and present our financial statements under Indian GAAP.

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

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

The Financial Information included in this Preliminary Placement Document comprise Audited Financial Statements for Fiscal 2019, 2020 and 2021, the Unaudited Condensed Interim Financial Statements for the nine months ended December 31, 2020 and 2021 and the Unaudited Interim Financial Results for the nine months ended December 31, 2020 and 2021. To the extent that financial information relating to our Bank can be indirectly derived from the consolidated financial statements of EHL prepared in accordance with accounting policies under Ind AS, as well as related investor presentations and investor interaction information made available publicly in the ordinary course by EHL as a publicly listed entity, on a quarterly or annual basis, or from financial information of EHL included in this Preliminary Placement Document, investors are cautioned against placing reliance on any such financial information relating to our Bank for making an investment decision. Such information is not a part of this Preliminary Placement Document and our Bank, the BRLMs or any other person connected with the Offer do not take responsibility for such information. Any investment decision must be taken only on the basis of the Financial Information included in this Preliminary Placement Document.

SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of our financial statements is set out below:

Accounting impact on account of COVID-19 pandemic and related regulatory guidelines

The RBI further announced Resolution Framework 2.0 on May 5, 2021, and extended the restructuring of advance to MSME borrowers under Resolution Framework 2.0. As per these guidelines, the request for restructuring of the borrowers account were accepted till September 30, 2021. Such restructuring of advances to be implemented within 90 days from the date of invocation. Our Bank has implemented the restructuring of advances in line with these guidelines and restructured ₹ 1,484.11 crores as on December 31, 2021. Resolution Framework 2.0 also permitted further restructuring of advances implemented under Resolution Framework 1.0 for individual and small business loans, subject to certain conditions. Our Bank has restructured ₹ 140.41 crores of advances which were already restructured under Resolution Framework 1.0.

Investments

Classification. In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into three categories: (i) Held to Maturity ("HTM") – Securities acquired with the intention to hold till maturity; (ii) Held for Trading ("HFT") – Securities acquired with the intention to trade; and (iii) available for Sale ("AFS") – Securities which do not fall within the other two categories.

Subsequent shifting among categories is done in accordance with the RBI guidelines. Under each of these categories, investments are further classified under six groups – government securities, other approved securities, shares, debentures and bonds, investments in subsidiaries / joint ventures and other investments. Purchase and sale transactions in securities are recorded under 'Settlement Date' accounting, except in the case of equity shares where 'Trade Date' accounting is followed.

Basis of classification. Investments that are held principally for sale within 90 days from the date of purchase are classified under HFT category. Investments which we intend to hold till maturity are classified as HTM securities. Investments in the equity of subsidiaries/ joint ventures are categorised as HTM in accordance with the RBI guidelines. Investments which are not classified in the above categories are classified under AFS category.

Acquisition cost. The cost of investment is determined on weighted average cost basis. Broken period interest on debt instruments is treated as a revenue item. The transaction cost, including brokerage, commission, paid at the time of acquisition of investments are charged to revenue in accordance with the requirements of valuation norms prescribed by RBI.

Transfer between categories. Transfer between categories is done at the lower of the acquisition cost/ book value/ market value on the date of the transfer and depreciation, if any, on such transfer is fully provided for, in accordance with the RBI guidelines.

Valuation. Investments classified under AFS and HFT categories are 'marked to market' as per the RBI guidelines. The securities are valued scrip wise and depreciation/ appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of the individual securities is not changed consequent to periodic valuation of investments.

Investments classified under HTM category are carried at their acquisition cost or at amortised cost, if acquired at a premium over face value. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines. Any diminution, other than temporary, in the value of investments in subsidiaries / joint ventures, if any, is provided for.

Quoted investments are valued based on the trades/ quotes on the recognised stock exchanges, price list of RBI or prices periodically declared by Financial Benchmark India Private Ltd. ("FBIL"), based on relevant RBI circular. The market value of unquoted government securities which are in the nature of SLR securities included in the AFS and HFT categories is valued as per rates published by FBIL. The valuation of other unquoted fixed income securities (state government securities, other approved securities, bonds and debentures) and preference shares, wherever linked to the Yield to Maturity ("YTM") rates, is done with a mark-up (reflecting associated credit and liquidity risk) over the YTM rates for government securities published by FBIL. In case of unquoted bonds, debentures and preference shares where interest/ dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the YTM for government securities as published by FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FBIL is adopted for this purpose.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at ₹1 as per the RBI guidelines. Units of mutual funds are valued at the latest repurchase price/ net asset value declared by the mutual fund. Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost. Security receipts, if any, are valued as per the net asset value provided by the issuing asset reconstruction company from time to time. Net depreciation in the value, if any, compared to the acquisition cost, in any of the six groups, is charged to the profit and loss account. The net appreciation, if any, in the six groups is not recognised except to the extent of depreciation already provided. The book value of individual securities is not changed after the valuation of investments. Non-performing investments are identified and depreciation/ provision is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised in the profit and loss account until received.

In accordance with RBI Circular, Repurchase (Repo) and Reverse Repurchase (Reverse Repo) transactions, including transactions under Liquid Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI, are accounted for as borrowings and lendings, as the case may be. Accordingly, amounts outstanding in repo and reverse repo account as at the balance sheet date is shown as part of borrowings and money at call and at short notice respectively and the accrued expenditure and income till the balance sheet date is recognised in the profit and loss account.

Disposal of investments. Profit/ loss on sale of investments under AFS and HFT categories are recognised in the profit and loss account. Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to capital reserve account as per RBI guidelines. In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA).

With a view to building up of adequate reserves to protect against increase in yields in future, in accordance with extant RBI circular, an amount not less than the net profit on sale of investments during the year or net profit for the year less mandatory appropriations is created as Investment Fluctuation Reserve (IFR) until the Bank achieve a reserve balance of 2% of the HFT and AFS portfolio.

Advances

Classification. Advances are classified as performing assets (standard) and non-performing assets ("NPA") in accordance with the RBI guidelines on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Advances are stated net of specific provisions made towards NPAs, unrealised interest on NPAs, bills rediscounted, if any. Interest on NPAs is transferred to an interest suspense account and not recognised in the profit and loss account until received. We transfer advances through inter-bank participation with and without risk, which are accounted for in accordance with the RBI guidelines, as follows. In the case of participation with risk, the aggregate amount of participation transferred out of the Bank is reduced from advances; and participations transferred in to the Bank are classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings; and where the Bank is participating in, the aggregate amount of participation is shown as due from banks under advances.

Provisioning. In accordance with RBI guidelines, we have provided general provision on standard assets at levels stipulated by the RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% and for other sectors at 0.40%.

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made at a minimum in accordance with the RBI guidelines. In addition, specific loan loss provisions in respect of NPAs are made based on management's assessment and estimates of the degree of impairment of advances, based on past experience, evaluation of security and other related factors; the nature of product and delinquency levels. Loan loss provisions in respect of non-performing advances are charged to the profit and loss account and included under provisions and contingencies. Advances are disclosed, net of provisions in the balance sheet.

Provisions made in excess of our policy for specific loan loss provisions for NPAs and regulatory general provisions are categorised as floating provision. Creation of floating provision is considered to a level approved by the Board of Directors. In accordance with the RBI guidelines, floating provisions are utilised to a level approved by the Board with prior permission of RBI, only for contingencies under extraordinary circumstances for making specific provisions for impaired accounts.

We consider restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that we would not otherwise consider. Restructuring would normally involve modification of terms of the advance/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the profit and loss account and included under 'Other Income'.

Recording and Presentation. Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in historical financial statements, provision created is netted against gross amount of advance. Provision held against an individual account is adjusted against account balance at individual level only at the time of write-off/ settlement of the account. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under other liabilities and not netted off against Advances.

Securitisation transactions and direct assignments and transfer of assets

We transfer loan receivables both through direct assignment route as well as to special purpose vehicles ("**SPV**"). The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by us. Gains/ losses are recognized only if we surrender the rights to the benefits specified in the loan contracts.

In terms of RBI guidelines, profit/ premium arising on account of sale of standard assets, being the difference between the sale consideration and book value, is amortised over the life of the securities issued by the SPV. Any loss arising on account of the sale is recognized in the profit and loss account in the period in which the sale occurs.

Fixed Assets and Depreciation

Property, plant and equipment ("PPE"), capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities, if any.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, we depreciate them separately based on its specific useful lives. Assets under development as at balance sheet date are shown as capital work in progress. Advance paid towards such development are shown as capital advance.

Depreciation on PPE has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, where the life of the assets has been assessed as per the table below, based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support:

Asset	**Estimated useful life as assessed by the Bank**	**Estimated useful life specified under Schedule II of the Companies Act, 2013**
Office Equipment	3 Years	5 Years
Computer Equipment	3 Years	3 Years
Furniture and Fixtures	3 Years	10 Years
Vehicles	4 Years	8 Years
Automated Teller Machines (ATMs)	7 Years	15 Years
Modems, Routers, switches, servers, network and related IT equipment	5 Years	6 Years

- Leasehold improvements are depreciated over the primary lease period or over the remaining useful life of the asset, whichever is lower.
- Point of Sale terminals are fully depreciated in the year of purchase.

The useful life of an asset class is periodically assessed taking into account various criteria such as changes in technology, changes in business environment, utility and efficacy of an asset class to meet with intended user needs etc. Whenever there is a revision in the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the balance sheet date and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account when the asset is derecognized. PPE held for sale is valued at lower of their carrying amount and net realizable value. Any write-down is recognized in the profit and loss account.

Intangible Assets and Amortisation

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful economic life. We use a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Software with perpetual license and system development expenditure, if any, is amortised over an estimated economic useful life of five years or license period, whichever is lower.

The amortisation period and the amortisation method are reviewed at least at the balance sheet date. If the expected useful life of the asset significantly differs from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, prior period items and changes in accounting policies.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account when the asset is derecognized.

Impairment of Assets

The carrying values of assets/ cash generating units at the balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the profit and loss account, unless the asset is carried at revalued amount, in which case, any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the profit and loss account, to the extent the amount was previously charged to the profit and loss account.

Revenue Recognition

Interest Income on loans, advances and investments (including deposits with banks and other institutions) are recognised on accrual basis. Income on NPAs is recognized upon realisation as per RBI norms. Fee and commission income are recognised as income when due, except in cases where we are uncertain of its ultimate collection. Bank Guarantee commission and commission on letter of credit, and locker rent are recognised on a straight- line basis over the period of contract. Interest income on deposits/ investments is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Income on discounted instruments is recognised over the tenor of the instruments on a straight-line basis. Dividend income, if any, is accounted for, when the right to receive the same is established.

In accordance with the RBI guidelines on securitisation transactions, gains arising from assignment / securitisation are amortised over the life of the underlying portfolio loans. In case of any loss, the same is recognised in the profit and loss account immediately.

Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the profit and loss account.

Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan. Our contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan. For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the profit and loss account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term Employee Benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as follows: (i) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and (ii) in case of non-accumulating compensated absences, when the absences occur.

Long-term Employee Benefits. We accrue the liability for compensated absences based on the actuarial valuation as at the balance sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of our obligation is determined using the projected unit credit method as at the balance sheet date. Actuarial gains/ losses are recognised in the profit and loss account in the year in which they arise.

Employee Stock Compensation Cost

Employee stock compensation cost for stock options is recognised as per the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. We measure compensation cost relating to the employee stock options using the intrinsic value method. The compensation cost, if any, is amortised uniformly over the vesting period of the options.

Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on a straight-line basis over the lease term.

Accounting of Priority Sector Lending Certificate ("PSLC")

We enter into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, we sell the fulfilment of priority sector obligation and in the case of a purchase transaction we buy the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as Other Income and the fee paid for purchase of the PSLCs is recorded as other Expenditure in profit and loss account. These are amortised over the period of the PSLC.

Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Income tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and we have a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

At each reporting date, we re-assess unrecognized deferred tax assets. We recognize unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Earnings per Share

Basic earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

Provisions and Contingencies

A provision is recognized when we have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. We do not recognize a contingent liability but discloses its existence in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents comprises of cash in hand and balances with RBI and balances with banks and money at call and short notice. Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

CHANGES IN ACCOUNTING POLICIES

We enter into transactions for the sale and purchase of PSLCs to achieve the yearly priority sector lending target and sub-targets or to earn revenue on surplus portfolio. Up to March 31, 2018, we had recognised the fee paid for purchase of the PSLC and income from sale of PSLC on an upfront basis. With effect from April 1, 2018, the income and expense are recognised over the tenure of the PSLCs within the respective year. For further information on changes to accounting policies, see "*Audited Financial Statements – Note 3– Significant Accounting Policies – 3.12 Accounting of Priority Sector Lending Certificate*" For Fiscal 2021 on page 123, for Fiscal 2020 on page 177 and for Fiscal 2019 on page 239.

COMPONENTS OF INCOME AND EXPENDITURE

Income

Income Earned

Income earned consists of interest on advances, income from investments, interest on balances with Reserve Bank of India and other inter-bank funds.

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit on sale of land, buildings and other assets (net), and (iv) miscellaneous income, which includes processing fee income, income on account of sale of priority sector lending certificates, portfolio sale income, check bounce charges, loan loss recovery, liability fee income, and pre-closure penalty charges.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India/ inter-bank borrowings, and other interest such as interest on non-bank borrowings, non-convertible debentures, and interest on commercial papers.

Operating Expenses

Our operating expenses includes (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation and amortization, (vi) directors' fees, allowances and expenses, (vii) auditors' fee and expenses, (viii) legal and professional fees, (ix) postage, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, (xii) commission and brokerage, (xiii) information technology expenses, (xiv) travel and conveyance, (xv) bank and other finance charges, (xvi) cash handling charges, (xvii) CSR contribution, and (xviii) other expenditure, including fee paid towards purchase of priority sector lending certificates.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for depreciation on investments, (ii) provision for non-performing assets (including write off), (iii) net provision/ (reversal) towards standard assets, (iv) floating provision, (v) provision for taxes (net), (vi) deferred tax (net), and (vii) other provisions and contingencies.

RESULTS OF OPERATIONS

NINE MONTHS ENDED DECEMBER 31, 2021 COMPARED TO NINE MONTHS ENDED DECEMBER 31, 2020

The following table sets forth certain information with respect to our results of operations for the periods indicated:

Particulars	Nine Months ended December 31, 2020		Nine Months ended December 31, 2021	
	Amount (₹crores)	Percentage of total income (%)	Amount (₹crores)	Percentage of total income (%)
Income				
Interest Earned	2,376.08	90.84%	2,563.44	86.80%
Other Income	239.66	9.16%	389.81	13.20%
Total	**2,615.74**	**100.00%**	**2,953.25**	**100.00%**
Expenditure				
Interest expended	1,026.69	39.25%	1,077.76	36.49%
Operating expenses	952.31	36.41%	1,287.45	43.59%
Total Expenditure (excluding provisions and contingencies)	**1,979.00**	**75.66%**	**2,365.21**	**80.08%**
Provisions and contingencies	365.39	13.97%	426.82	14.45%
Profit				
Net profit for the period	**271.36**	**10.37%**	**161.22**	**5.46%**

Income

Total income increased by 12.90% from ₹2,615.74 crores in the nine months ended December 31, 2020 to ₹2,953.25 crores in the nine months ended December 31, 2021 primarily due to the reasons discussed below.

Interest Earned

Income earned increased by 7.89% from ₹ 2,376.08 crores in the nine months ended December 31, 2020 to ₹ 2,563.44 crores in the nine months ended December 31, 2021, primarily due to due to an increase in interest / discount on advances / bills by 7.55% from ₹ 2,164.45 crores in the nine months ended December 31, 2020 to ₹ 2,327.84 crores in the nine months ended December 31, 2021. Income on investments also increased by 11.98% from ₹ 160.79 crores as of December 31, 2020 to ₹ 180.05 crores as of December 31, 2021. Interest on balances with RBI and other inter-bank funds increased by 9.25% from ₹ 50.84 crores in the nine months ended December 31, 2020 to ₹ 55.54 crores in the nine months ended December 31, 2021.

Other Income

Other income increased by 62.65% from ₹ 239.66 crores in the nine months ended December 31, 2020 to ₹ 389.81 crores in the nine months ended December 31, 2021, primarily due to an increase in miscellaneous income comprising processing fees and documentation fees collected on disbursement of loans, by 76.49% from ₹182.19 crores in the nine months ended December 31, 2020 to ₹321.55 crores in the nine months ended December 31, 2021 as a result of increase in disbursement and also due to an increase in prepaid card fee income and ATM interchange income. Commission, exchange and brokerage income increased by 53.74% from ₹ 15.09 crores in the nine months ended December 31, 2020 to ₹23.20 crores in the nine months ended December 31, 2021 on account of increase in fee-income generated from sale / distribution of third party products. There was an increased in profit on sale of investments (net) by 7.01% from ₹42.36 crores in the nine months ended December 31, 2020 to ₹45.33 crores in the nine months ended December 31, 2021, as a result of as a result of sale of government securities, sale of shares and mutual funds.

The components of other income for the nine months ended December 31, 2020 and December 31, 2021, are as follows:

Particulars	Nine months ended December 31,	
	2020	2021
	(₹crores)	
Commission, exchange and brokerage	15.09	23.20
Profit / (loss) on sale of investments (net)	42.36	45.33
Profit / (loss) on sale of building and other assets (net)	0.02	-0.27
Miscellaneous income*	182.19	321.55
Total	239.66	389.81
* Includes PSLC fee income on account of sale of PSL certificates		5.73

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); and (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure (excluding provisions and contingencies) increased by 19.52% from ₹ 1,978.99 crores in the nine months ended December 31, 2020 to ₹ 2,365.20 crores in the nine months ended December 31, 2021 primarily due to the reasons discussed below.

Interest Expended

Interest expended increased by 4.97% from ₹ 1,026.69 crores in the nine months ended December 31, 2020 to ₹ 1,077.76 crores in the nine months ended December 31, 2021, primarily due to an increase in interest on deposits by 23.64% from ₹ 694.79 crores in the nine months ended December 31, 2020 to ₹ 859.06 crores in the nine months ended December 31, 2021 on account of on account of increase in deposits from ₹ 15,862.09 crores as of December 31, 2020 to ₹ 17,883.64 crores as of December 31, 2021; there was a decrease in other interest by

34.00% from ₹ 319.75 crores in the nine months ended December 31, 2020 to ₹ 211.05 crores in the nine months ended December 31, 2021 due to decrease in non-bank borrowings from ₹ 5,266.44 crores as of December 31, 2020 to ₹ 2,785.30 crores as of December 31, 2021; There was a decrease in interest on RBI/ inter-bank borrowings by 37.04% from ₹ 12.15 crores in the nine months ended December 31, 2020 to ₹ 7.65 crores in the nine months ended December 31, 2021, due to due to reduction of RBI/inter-bank borrowings.

Operating Expenses

Operating expenses increased by 35.19% from ₹ 952.31 crores in the nine months ended December 31, 2020 to ₹ 1,287.45 crores in the nine months ended December 31, 2021 primarily an increase in employees cost by 17.44% from ₹ 587.21 crores in the nine months ended December 31, 2020 to ₹ 689.63 crores in the nine months ended December 31, 2021 on account of an increase in the number of employees from 16,306 employees as of Decmeber 31, 2020 to 17,509 employees as of December 31, 2021.

Other operating expenses increased by 63.75% from ₹ 365.09 crores in the nine months ended December 31, 2020 to ₹ 597.82 crores in the nine months ended December 31, 2021. The increase in other operating expenses was primarily due to the increase in other expenditure was primarily due to an increase in switching expenses of micro ATM and prepaid card, as well as advertisement expenses. Switching fees expenses increased by 357.52% from ₹17.14 crores in the nine months ended December 31, 2020 to ₹78.42 crores in the nine months ended December 31, 2021. Further, rent, taxes and lighting increased by 29.59% from ₹73.80 crores in the nine months ended December 31, 2020 to ₹95.64 crores in the nine months ended December 31, 2021, primarily due to primarily due to increase in GST expenses. Information technology expenses increased by 48.42% from ₹43.58 crores in the nine months ended December 31, 2020 to ₹64.68 crores in the nine months ended December 31, 2021, as a result of incurring annual maintenance charges towards software deployed. Postage, telegram, telephone etc. expenses increased by 49.92% from ₹14.22 crores in the nine months ended December 31, 2020 to ₹21.32 crores in the nine months ended December 31, 2021. Insurance expenses increased by 57.93% from ₹8.51 crores in the nine months ended December 31, 2020 to ₹13.44 crores in the nine months ended December 31, 2021, due to increase in DIGC premium. Travel and conveyance expenses increased / decreased] by 43.46% from ₹24.71 crores in the nine months ended December 31, 2020 to ₹35.45 crores in the nine months ended December 31, 2021, due to increase in travelling from relaxation on COVID-19 restrictions.

Provisions and Contingencies

Provisions (other than tax) and contingencies increased by 33.17% from ₹ 278.33 crores in the nine months ended December 31, 2020 to ₹ 370.66 crores in the nine months ended December 31, 2021, primarily due to restructuring of advance under Resolution Framework 2.0.

This increase in provision was significantly due to increase in provision for NPAs (including write-off) by 54.76% from ₹127.00 crores in the nine months ended December 31, 2020 to ₹196.55 crores in the nine months ended December 31, 2021 due to due to standstill of accounts in terms of asset classification where moratorium was granted in accordance with the COVID-19 Regulatory Package for the period ended December 31,2020, which was not applicable for the period ended December 31, 2021.

In addition, there was an increase in net provision towards standard assets from ₹14.36 crores in the nine months ended December 31, 2020 to ₹173.19 crores in the nine months ended December 31, 2021, as a result of increase in restructured standard asset provision on advance which was restructured under COVID-19 2.0 Framework. There was also a decrease in provision for tax (net) including deferred tax, by 35.49% from ₹87.05 crores in the nine months ended December 31, 2020 to ₹56.15 crores in the nine months ended December 31, 2021, as a result of decrease in profit as compared to December 31, 2020.

Profit

For the reasons discussed above, net profit for the period was ₹ 271.36 crores in the nine months ended December 31, 2020 compared to ₹ 161.22 crores in the nine months ended December 31, 2021.

FISCAL 2021 COMPARED TO FISCAL 2020

The following table sets forth certain information with respect to our results of operations for Fiscal 2021 and 2020:

Particulars	Fiscal 2020		Fiscal 2021	
	(₹crores)	Percentage of total income	(₹crores)	Percentage of total income
Income				
Interest earned	2,645.44	90.36%	3,194.41	88.43%
Other income	282.35	9.64%	418.05	11.57%
Total	**2,927.79**	**100.00%**	**3,612.46**	**100.00%**
Expenditure				
Interest expended	1,150.14	39.28%	1,396.45	38.66%
Operating expenses	1,180.08	40.31%	1,329.43	36.80%
Provisions and contingencies	353.94	12.09%	502.36	13.91%
Total	**2,684.16**	**91.68%**	**3,228.24**	**89.37%**
Profit				
Net profit for the year	**243.63**	**8.32%**	**384.22**	**10.63%**

Key Developments

- In the three months ended March 31, 2021, we witnessed an improved quarter, as collections and disbursements continued to pick up across the product segments. We increased the prudential provisioning standards during the last year significantly more than the regulatory required levels. Accordingly, we carried an overall provision of ₹459.73 crores. We had a provision coverage ratio of 58.59% as of March 31, 2021.

Income

Total income increased by 23.39% from ₹2,927.79 crores in Fiscal 2020 to ₹3,612.46 crores in the Fiscal 2021, primarily due to an increase in interest earned and other income.

Interest Earned

Interest earned increased by 20.75% from ₹2,645.44 crores in Fiscal 2020 to ₹3,194.41 crores in the Fiscal 2021, primarily due to an increase in (i) interest on advances by 19.87% from ₹2,420.00 crores in Fiscal 2020 to ₹2,900.83 crores in the Fiscal 2021 on account of an increase in advance; (ii) interest on balances with RBI and other inter-bank funds by 9.46% from ₹67.79 crores in Fiscal 2020 to ₹74.20 crores in the Fiscal 2021; and (iii) income from investments by 39.16% from ₹157.65 crores in Fiscal 2020 to ₹219.38 crores in the Fiscal 2021.

Other Income

Other income increased by 48.06% from ₹282.35 crores in Fiscal 2020 to ₹418.05 crores in the Fiscal 2021, primarily due to an increase in miscellaneous income by 34.83% from ₹258.19 crores in Fiscal 2020 to ₹348.12 crores in Fiscal 2021. Miscellaneous income, comprising PSLC fee income on account of PSL certificates which increased from ₹22.34 crores in Fiscal 2020 to ₹61.99 crores in the Fiscal 2021 due to increase in value of PSLCs sold. Further, we recorded an increase in loss on sale of investments (net) from ₹3.38 crores in Fiscal 2020 to ₹44.70 crores in the Fiscal 2021. The components of other income for Fiscal 2020 and 2021, are as follows:

Particulars	Fiscal	
	2020	2021
	(₹crores)	
Commission, exchange and brokerage	21.04	25.19
Profit / (loss) on sale of investments (net)	3.38	44.70
Profit / (loss) on sale of building and other assets (net)	(0.26)	0.04
Miscellaneous income*	258.19	348.12
Total	**282.35**	**418.05**
* Includes PSLC fee income on account of sale of PSL certificates	22.34	61.99

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure increased by 20.27% from ₹2,684.16 crores in Fiscal 2020 to ₹3,228.24 crores in the Fiscal 2021 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 21.42% from ₹1,150.14 crores in Fiscal 2020 to ₹1,396.45 crores in the Fiscal 2021, primarily due to an increase in interest on deposits by 31.37% from ₹738.12 crores in Fiscal 2020 to ₹969.67 crores in the Fiscal 2021 on account of increase in deposits. Other interest also increased by 7.44% from ₹384.69 crores in Fiscal 2020 to ₹413.32 crores in the Fiscal 2021, as a result of increase in refinance borrowings. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings that decreased from ₹27.33 crores in Fiscal 2020 to ₹13.46 crores in the Fiscal 2021 due to a reduction in RBI borrowings.

Operating Expenses

Operating expenses increased by 12.66% from ₹1,180.08 crores in Fiscal 2020 to ₹1,329.43 crores in the Fiscal 2021 primarily due to an increase in payments to and provisions for employees by 11.50% from ₹709.79 crores in Fiscal 2020 to ₹791.45 crores in the Fiscal 2021 on account of increase in employees from 16,104 as of March 31, 2020 to 16,556 employees as of March 31, 2021. Rent, taxes and lighting increased by 6.29% from ₹98.09 crores in Fiscal 2020 to ₹104.26 crores in the Fiscal 2021. Information technology expenses also increased by 15.43% from ₹47.52 crores in Fiscal 2020 to ₹54.85 crores in the Fiscal 2021, as a result of incurring annual maintenance charges towards software deployed. Bank and other finance charges significantly increased from ₹5.86 crores in Fiscal 2020 to ₹52.68 crores in the Fiscal 2021, due to switching fees expenses. Other expenditure, primarily comprising micro ATM switching fees, increased significantly from ₹28.89 crores in Fiscal 2020 to ₹72.87 crores in the Fiscal 2021, The increase in other expenditure was due to an increase in micro ATM switching expenses and loss incurred by way of payment to investors in respect of securitised receivables, while repayment from borrowers in respect of such receivables remained unpaid due to the lockdown imposed. Cash handling charges increased by 52.78% from ₹7.73 crores in Fiscal 2020 to ₹11.81 crores in the Fiscal 2021.

This was partially offset by a decrease in advertisement and publicity expenses by 31.61% from ₹18.19 crores in Fiscal 2020 to ₹12.44 crores in the Fiscal 2021 due to due to a decline in field activities such as operation of kiosks and distribution of product brochures on account of the COVID-19 related lockdowns. Depreciation and amortization expenses also decreased by 20.76% from ₹96.45 crores in Fiscal 2020 to ₹76.43 crores in the Fiscal 2021. Travel and conveyance also decreased by 26.96% from ₹48.37 crores in Fiscal 2020 to ₹35.33 crores in the Fiscal 2021.

Provisions and Contingencies

Provisions and contingencies increased by 41.93% from ₹353.94 crores in Fiscal 2020 to ₹502.36 crores in the Fiscal 2021, primarily due to an increase in provision for NPA (including write off) from ₹131.92 crores in Fiscal 2020 to ₹432.64 crores in the Fiscal 2021. Provision for taxes (net) also increased by 25.43% from ₹133.08 crores in Fiscal 2020 to ₹166.92 crores in the Fiscal 2021, due to increase in profit.

This was partially offset by a decrease in deferred tax (net) from ₹(25.78) crores in Fiscal 2020 to ₹(39.88) crores in the Fiscal 2021 and general provision under COVID-19 regulatory package from ₹99.63 crores in Fiscal 2020 to ₹(99.63) crores in the Fiscal 2021 on account of utilisation of general provision created in Fiscal 2020.

Profit

For the reasons discussed above, net profit for the year was ₹384.22 crores in Fiscal 2021 compared to ₹243.63 crores in Fiscal 2020.

FISCAL 2020 COMPARED TO FISCAL 2019

The following table sets forth certain information with respect to our results of operations for Fiscal 2019 and 2020:

Particulars	**Fiscal 2019**		**Fiscal 2020**	
	(₹crores)	**Percentage of total income**	**(₹crores)**	**Percentage of total income**
Income				
Interest earned	2,111.93	88.19%	2,645.44	90.36%
Other income	282.90	11.81%	282.35	9.64%
Total	**2,394.83**	**100.00%**	**2,927.79**	**100.00%**

Particulars	Fiscal 2019		Fiscal 2020	
	(₹crores)	**Percentage of total income**	**(₹crores)**	**Percentage of total income**
Expenditure				
Interest expended	960.20	40.09%	1,150.14	39.28%
Operating expenses	1,008.49	42.12%	1,180.08	40.31%
Provisions and contingencies	215.58	9.00%	353.94	12.09%
Total	**2,184.27**	**91.21%**	**2,684.16**	**91.68%**
Profit				
Net profit for the year	**210.56**	**8.79%**	**243.63**	**8.32%**

Key Developments

- Pursuant to the order of the Supreme Court of India dated February 28, 2019 regarding the applicability of certain provisions of the Employees Provident Fund Act, 1952, we recognised an amount of ₹5.50 crores as additional expenses in the financial statements of Fiscal 2019 towards contribution to provident fund for the period between February 2009 to March 2015.

- Our results of operations for the three months ended June 30, 2020, were impacted due to the COVID-19 pandemic and the related COVID-19 Regulatory Package issued by the RBI in its guidelines dated March 27, 2020, April 17, 2020 and May 23, 2020. In accordance with these guidelines, we have granted a moratorium of up to six months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to all eligible borrowers, in accordance with the policies approved by the Board. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification under the IRAC norms). Further, as required under the IRAC norms and based on our management's assessment, we have made a provision of ₹99.63 crores in the three months ended March 31, 2020 (including ₹2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020).

Income

Total income increased by 22.25% from ₹2,394.83 crores in Fiscal 2019 to ₹2,927.79 crores in Fiscal 2020 primarily due to an increase in interest earned due to the reasons discussed below.

Interest Earned

Interest earned increased by 25.26% from ₹2,111.93 crores in Fiscal 2019 to ₹2,645.44 crores in Fiscal 2020, primarily due to an increase in interest on advances by 32.70% from ₹1,823.66 crores in Fiscal 2019 to ₹2,420.00 crores in Fiscal 2020 on account of an increase in advances. Interest on balances with RBI and other inter-bank funds also increased from ₹30.31 crores in Fiscal 2019 to ₹67.79 crores in Fiscal 2020. This was partially offset by a decrease in income from investments that decreased by 38.89% from ₹257.96 crores in Fiscal 2019 to ₹157.65 crores in Fiscal 2020, as a result of decrease in investments from ₹2,344.45 crores as of March 31, 2019 to ₹2,342.51 crores as of March 31, 2020.

Other Income

Other income decreased marginally by 0.19% from ₹282.90 crores in Fiscal 2019 to ₹282.35 crores in Fiscal 2020, primarily due to decrease in miscellaneous income. Miscellaneous income, comprising PSLC fee income on account of PSL certificates decreased by 1.13% from ₹261.14 crores in Fiscal 2019 to ₹258.19 crores in Fiscal 2020 due to decrease in value of PSLCs sold.

This was partially offset by an increase in commission, exchange and brokerage, that increased by 13.12% from ₹18.60 crores in Fiscal 2019 to ₹21.04 crores in Fiscal 2020 on account of increase in fee-income generated from sale/ distribution of third party products. Further, we recorded an increase in profit on sale of investments (net) by 3.18% from ₹3.27 crores in Fiscal 2019 to ₹3.38 crores in Fiscal 2020. The components of other income for Fiscal 2019 and 2020, are as follows:

Particulars	Fiscal	
	2019	2020
	(₹ crores)	
Commission, exchange and brokerage	18.60	21.04
Profit / (loss) on sale of investments (net)	3.27	3.38
Profit / (loss) on sale of building and other assets (net)	(0.11)	(0.26)
Miscellaneous income*	261.14	258.19
Total	**282.90**	**282.35**
* Includes PSLC fee income on account of sale of PSL certificates	28.15	22.34

Recurring income includes (i) commission, exchange and brokerage; (ii) profit/ (loss) on sale of investments (net); (iii) profit/ (loss) on sale of building and other assets (net); (iv) miscellaneous income (includes PSLC fee income on account of sale of PSL certificates).

Expenditure

Total expenditure increased by 22.89% from ₹2,184.27 crores in Fiscal 2019 to ₹2,684.16 crores in Fiscal 2020 on account of an increase in interest expensed, operating expenses and provisions and contingencies.

Interest Expended

Interest expended increased by 19.78% from ₹960.20 crores in Fiscal 2019 to ₹1,150.14 crores in Fiscal 2020, primarily due to an increase in interest on deposits by 44.81% from ₹509.70 crores in Fiscal 2019 to ₹738.12 crores in Fiscal 2020 on account of increase in deposits. This was partially offset by a decrease in interest on RBI/ inter-bank borrowings that decreased by 48.37% from ₹52.93 crores in Fiscal 2019 to ₹27.33 crores in Fiscal 2020 due to reduced borrowing against surplus investment in securities during Fiscal 2020 as compared to Fiscal 2019. Other interest also decreased by 3.24% from ₹397.57 crores in Fiscal 2019 to ₹384.69 crores in Fiscal 2020, as a result of closure of grandfathered borrowings.

Operating Expenses

Operating expenses increased by 17.01% from ₹1,008.49 crores in Fiscal 2019 to ₹1,180.08 crores in Fiscal 2020 primarily due to an increase in payments to and provisions for employees by 28.75% from ₹551.31 crores in Fiscal 2019 to ₹709.79 crores in Fiscal 2020 on account of increase in employees from 14,608 as of March 31, 2019 to 16,104 employees as of March 31, 2020. Rent, taxes and lighting increased by 8.25% from ₹90.61 crores in Fiscal 2019 to ₹98.09 crores in Fiscal 2020 primarily due to revision in rent on account of renewal of lease agreements. There was also an increase in advertisement and publicity expenses by 11.94% from ₹16.25 crores in Fiscal 2019 to ₹18.19 crores in Fiscal 2020 due to execution of branding activities such as print media and display of hoardings. Depreciation and amortization expenses also increased by 5.09% from ₹91.78 crores in Fiscal 2019 to ₹96.45 crores in Fiscal 2020. Legal and professional fees also increased by 48.68% from ₹15.84 crores in Fiscal 2019 to ₹23.55 crores in Fiscal 2020. Repairs and maintenance expenses increased by 11.42% from ₹19.35 crores in Fiscal 2019 to ₹21.56 crores in Fiscal 2020, due to ageing of the assets in the Banking Outlets. Information technology expenses also increased by 25.95% from ₹37.73 crores in Fiscal 2019 to ₹47.52 crores in Fiscal 2020, as a result of setting up of a 'captive development centre' for in-house product development, including towards IT systems and resources. Travel and conveyance expenses increased by 20.80% from ₹40.04 crores in Fiscal 2019 to ₹48.37 crores in Fiscal 2020.

This was partially offset by a decrease in other expenditure, primarily comprising PSLC fees, that decreased significantly by 58.93% from ₹70.35 crores in Fiscal 2019 to ₹28.89 crores in Fiscal 2020, on account of nil PSLC fee incurred in Fiscal 2020, compared to a PSLC fee of ₹29.41 crores incurred in Fiscal 2019. The decrease in other expenditure was also a result of redemption of non-convertible debentures with a premium on pre-closure in Fiscal 2019 compared to no such expense in Fiscal 2020.

Provisions and Contingencies

Provisions and contingencies increased by 64.18% from ₹215.58 crores in Fiscal 2019 to ₹353.94 crores in Fiscal 2020, primarily due to an increase in general provision from no such provision in Fiscal 2019 to a provision of ₹99.63 crores in Fiscal 2020. The general provision of ₹99.63 crores was made in the three months ended March 31, 2020, in respect of accounts in default but standard against the potential impact of COVID-19 as of March 31, 2020.

Provision for NPAs (including write-off) also increased by 48.18% from ₹89.03 crores in Fiscal 2019 to ₹131.92 crores in Fiscal 2020 as a result of increase in fresh slippages in vehicle finance, small business loans and unsecured business loans. Increase in fresh slippages was a result of deterioration in asset quality, and adverse economic developments including general slowdown in the Indian economy further triggered by the COVID-19 pandemic. Net provision/ (reversal) towards standard assets also increased by 52.98% from ₹9.89 crores in Fiscal 2019 to ₹15.13 crores in Fiscal 2020, due to increase in advances from ₹11,595.00 crores as of March 31, 2019 to ₹13,728.24 crores as of March 31, 2020.

This was partially offset by a decrease in provision for taxes that decreased by 3.46% from ₹137.86 crores in Fiscal 2019 to ₹133.08 crores in Fiscal 2020 on account of write-down in deferred tax assets as a result of adopting the concessional tax regime introduced by way of the Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019.

Profit

For the reasons discussed above, net profit for the year was ₹210.56 crores in Fiscal 2019 compared to ₹243.63 crores in Fiscal 2020.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

Particulars	As of March 31,			As of December 31, 2021
	2019	2020	2021	
	(₹crores)			
Cash and balances with the Reserve Bank of India	402.70	380.86	514.81	765.81
Balance with banks and money at call and short notice	857.91	2,155.98	2,863.90	372.36
Investments	2,344.45	2,342.51	3,705.17	4,922.62
Advances	11,595.00	13,728.24	16,847.95	18,314.91
Fixed assets	237.34	212.77	185.05	185.57
Other assets	325.30	475.19	598.34	700.07
Total	**15,762.70**	**19,295.55**	**24,715.22**	**25,261.34**

Total assets increased by 2.21% from ₹24,715.22 crores as of March 31, 2021 to ₹ 25,261.34 crores as of December 31, 2021. This increase was primarily due to an increase in advances by 8.71% from ₹16,847.95 crores as of March 31, 2021 to ₹18,314.91 crores as of December 31, 2021. And due to increase in Investments by 32.86% from ₹ 3,705.17 crores as of March 31, 2021 to ₹4,922.62 crores as of December 31, 2021.

Total assets increased by 28.09% from ₹19,295.55 crores as of March 31, 2020 to ₹24,715.22 crores as of March 31, 2021. This increase was primarily due to an increase in advances by 22.72% from ₹13,728.24 crores as of March 31, 2020 to ₹16,847.95 crores as of March 31, 2021.

Total assets increased by 22.41% from ₹15,762.70 crores as of March 31, 2019 to ₹19,295.55 crores as of March 31, 2020. This increase was primarily due to an increase in advances by 18.40% from ₹ 11,595.00 crores as of March 31, 2019 to ₹13,728.24 crores as of March 31, 2020.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,			As of December 31, 2021
	2019	2020	2021	
	(₹crores)			
Bills, purchased and discounted	-	-	108.78	169.15
Cash credits, overdrafts and loans repayable on demand	279.00	578.86	778.71	787.30
Term loans	11,316.00	13,149.38	15,960.46	17358.46
Total	**11,595.00**	**13,728.24**	**16,847.95**	**18,314.91**
Secured by tangible assets	8,194.67	10,400.29	13,656.55	14,703.20
Covered by bank/ government guarantees	-	-	-	-

	As of March 31,			As of December 31, 2021
	2019	2020	2021	
	(₹crores)			
Unsecured	3,400.33	3,327.95	3,191.40	3,611.71
Total	**11,595.00**	**13,728.24**	**16,847.95**	**18,314.91**
Advances in India				
Priority sector	7,673.41	9,453.25	9,974.22	12,916.10
Public sector	-	-		-
Banks	70.04	0.00	9.32	0.02
Others	3,851.55	4,274.99	6,864.41	5,398.79
Total	**11,595.00**	**13,728.24**	**16,847.95**	**18,314.91**

Advances comprise small business loans, microfinance, commercial vehicle loans, micro and small enterprise loans, affordable housing loans, and NBFC financing.

Total Advances increased by 8.71% from ₹ 16,847.95 crores as of March 31, 2021 to ₹ 18,314.91 crores as of December 31, 2021, primarily due to primarily due to increase in small business loans, micro finance and commercial vehicle finance.

Total Advances increased by 18.40% from ₹ 11,595.00 crores as of March 31, 2019 to ₹ 13,728.24 crores as of March 31, 2020, and increased by 22.72% from ₹ 13,728.24 crores as of March 31, 2020 to ₹16,847.95 crores as of March 31, 2021, primarily due to increase in loan disbursements.

Investments

Our investments mainly represent investments in government securities.

Investments increased by 32.86% from ₹ 3,705.17 crores as of March 31, 2021 to ₹ 4,922.62 crores as of December 31, 2021, primarily due to increase in investments in government securities. Investment in government securities increased by 34.51% from ₹3,630.72 crores as of March 31, 2021 to ₹4,883.56 crores as of December 31, 2021 primarily due to an increase in investments in government securities.

Investments increased by 58.17% from ₹2,342.51 crores as of March 31, 2020 to ₹3,705.17 crores as of March 31, 2021, primarily due to an increase in investment in government securities, that increased by 58.39% from ₹2,292.31 crores as of March 31, 2020 to ₹3,630.72 crores as of March 31, 2021 primarily due to an increase in deposits.

Investments marginally decreased by 0.08% from ₹2,344.45 crores as of March 31, 2019 to ₹2,342.51 crores as of March 31, 2020, primarily due to a decrease in investments in debentures and bonds. This was partially offset by an increase in investment in government securities, that increased by 2.14% from ₹2,244.25 crores as of March 31, 2019 to ₹2,292.31 crores as of March 31, 2020 primarily due to an increase in deposits.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice was ₹ 372.36 crores as of December 31, 2021 compared to ₹ 2,863.90 crores as of March 31, 2021. The decrease as of December 31, 2021 was primarily driven by decrease in money at call and short notice with lenders under reverse repo which decreased by 89.16% from ₹2,785.00 crores as of March 31, 2021 to ₹302.00 crores as of December 31, 2021.

Balances with banks and money at call and short notice was ₹2,863.90 crores as of March 31, 2021 as compared to ₹2,155.98 crores as of March 31, 2020. The increase as of March 31, 2021 was primarily driven by an increase in money at call and short notice with lenders under reverse repo which increased by 33.89% from ₹2,080.00 crores as of March 31, 2020 to ₹2,785.00 crores as of March 31, 2021.

Balances with banks and money at call and short notice was ₹2,155.98 crores as of March 31, 2020 compared to ₹857.91 crores as of March 31, 2019. The increase as of March 31, 2020 was primarily driven by an increase in money at call and short notice with lenders under reverse repo which increased by 165.40% from ₹783.71 crores as of March 31, 2019 to ₹2,080.00 crores as of March 31, 2020.

Other Assets

Other assets primarily include interest accrued, tax paid in advance (net of provision for tax), deferred tax asset, and others.

Other assets was ₹ 700.07 crores as of December 31, 2021 compared to ₹ 598.35 crores as of March 31, 2021. The increase was primarily driven by the increase was primarily driven by an increase in interest accrued by 8.41% from ₹227.33 crores as of March 31, 2021 to ₹ 246.45 crores as of December 31, 2021.

Other assets was ₹598.35 crores as of March 31, 2021 as compared to ₹475.19 crores as of March 31, 2020. The increase in Fiscal 2020 was primarily driven by an increase in deferred tax asset by 35.19% from ₹113.34 crores as of March 31, 2020 to ₹153.22 crores as of March 31, 2021, and others by 74.85% from ₹124.52 crores as of March 31, 2020 to ₹217.72 crores to March 31, 2021. This was partially offset by a decrease in tax paid in advance (net of provision for tax) from ₹6.68 crores as of March 31, 2020 to nil as of March 31, 2021.

Other assets was ₹475.19 crores as of March 31, 2020 compared to ₹ 325.30 crores as of March 31, 2019. The increase in Fiscal 2020 was primarily driven by an increase in interest accrued by 57.66% from ₹146.29 crores as of March 31, 2019 to ₹230.64 crores as of March 31, 2020.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

	As of March 31,			As of December 31, 2021
	2019	2020	2021	
	(₹crores)			
Capital	1,005.94	1,053.40	1,139.28	1,147.89
Reserves and surplus	1,248.38	1,690.75	2,257.06	2,434.79
Deposits	9,006.74	10,788.41	16,391.97	17,883.64
Borrowings	3,973.03	5,134.87	4,165.32	2,785.30
Other liabilities and provisions	528.61	628.12	761.59	1,009.72
Total	**15,762.70**	**19,295.55**	**24,715.22**	**25,261.34**

Total capital and liabilities amount of ₹ 25,261.34 crores as of December 31, 2021 compared to ₹ 24,715.22 crores as of March 31, 2021. Total capital and liabilities amounted to ₹ 24,715.22 crores as of March 31, 2021 compared to ₹ 19,295.55 crores as of March 31, 2020. Total capital and liabilities amounted to ₹ 19,295.55 crores as of March 31, 2020 compared to ₹ 15,762.70 crores as of March 31, 2019. The increase in Fiscal 2020 was due to capital infusion and increase in deposits and reserves and surplus and the increase in Fiscal 2021 was due to capital infusion and increase in deposits and reserves and surplus. The increase in the nine months ended December 31, 2021 was due to increase in deposits and reserves and surplus.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of December 31, 2021	
	2019		2020		2021			
	Amount (₹crores)	Percentage of total deposits (%)	Amount (₹crores)	Percentage of total deposits (%)	Amount (₹crores)	Percentage of total deposits (%)	Amount (₹crores)	Percentage of total deposits (%)
Demand Deposits								
(i) from banks	46.08	0.51%	33.76	0.31%	52.11	0.32%	23.94	0.13%
(ii) from others	436.27	4.84%	315.88	2.93%	467.96	2.85%	506.64	2.83%
Saving Bank Deposits	**1,791.91**	**19.90%**	**1,858.58**	**17.23%**	**5,093.76**	**31.07%**	8554.25	47.84%
Term Deposits								
(i) from	2,375.10	26.37%	3,539.22	32.81%	4,319.63	26.35%	1953.18	10.92%

banks								
(ii) from others	4,357.38	48.38%	5,040.97	46.73%	6,458.51	39.40%	6845.63	38.28%
Total	**9,006.74**	**100.00%**	**10,788.41**	**100.00%**	**16,391.97**	**100.00%**	**17,883.64**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 9.10% from ₹ 16,391.97 crores as of March 31, 2021 to ₹ 17,883.64 crores as of December 31, 2021, primarily due to repayment of bulk deposit. Deposits increased by 19.78% from ₹9,006.74 crores as of March 31, 2019 to ₹10,788.41 crores as of March 31, 2020 and by 51.94% from ₹10,788.41 crores as of March 31, 2020 to ₹16,391.97 crores as of March 31, 2021 mainly due to operationalisation of our banking outlets, and increase in product and services offerings and increase in deposit rates.

Borrowings

Borrowings primarily comprise borrowings from the RBI, other banks, other institutions and agencies, and tier 2 capital in the form of non-convertible debentures, and bonds and debentures.

Our borrowings decreased by 33.13% from ₹ 4,165.32 crores as of March 31, 2021 to ₹ 2,785.30 crores as of December 31, 2021, primarily attributable to decrease in borrowings from other institutions and agencies.

Our borrowings decreased by 18.88% from ₹5,134.87 crores as of March 31, 2020 to ₹4,165.32 crores as of March 31, 2021, primarily attributable to an increase in borrowings from other institutions and agencies from ₹4,631.87 crores as of March 31, 2020 to ₹3,934.32 crores as of March 31, 2021.

Our borrowings increased by 29.24% from ₹3,973.03 crores as of March 31, 2019 to ₹5,134.87 crores as of March 31, 2020, primarily attributable to an increase in borrowings from other institutions and agencies from ₹3,483.03 crores as of March 31, 2019 to ₹4,631.87 crores as of March 31, 2020.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, interest accrued, others (including provisions), interest payable on our bank's borrowings, insurance payable, statutory dues, and others.

Other liabilities and provisions increased by 32.58% from ₹ 761.59 crores as of March 31, 2021 to ₹ 1,009.72 crores as of December 31, 2021, primarily due to an increase in (i) interest accrued by 21.40% from ₹138.35 crores as of March 31, 2021 to ₹108.74 crores as of December 31, 2021; and increase in (ii) others (including provisions) by 61.32% from ₹485.82 crores as of March 31, 2021 to ₹ 783.72 crores as of December 31, 2021.

Other liabilities and provisions increased by 21.25% from ₹628.12 crores as of March 31, 2020 to ₹761.59 crores as of March 31, 2021, primarily due to an increase in (i) bills payable by 154.66% from ₹51.47 crores as of March 31, 2020 to ₹131.08 crores as of March 31, 2021; (ii) interest accrued by 7.50% from ₹128.70 crores as of March 31, 2020 to ₹138.35 crores as of March 31, 2021; (iii) others (including provisions) by 8.45% from ₹447.95 crores as of March 31, 2020 to ₹485.82 crores as of March 31, 2021; and (iv) income tax payable (net of tax paid in advance) from nil as of March 31, 2020 to ₹6.35 crores as of March 31, 2021.

Other liabilities and provisions increased by 18.82% from ₹528.61 crores as of March 31, 2019 to ₹628.12 crores as of March 31, 2020, primarily due to an increase in others (including provisions) by 41.11% from ₹317.45 crores as of March 31, 2019 to ₹447.95 crores as of March 31, 2020. This was partially offset by a decrease in (i) bills payable by 17.91% from ₹62.70 crores as of March 31, 2019 to ₹51.47 crores as of March 31, 2020; and (ii) interest accrued by 13.31% from ₹148.46 crores as of March 31, 2019 to ₹128.70 crores as of March 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

The purpose of the liquidity management function is to ensure that we have funds available to extend loans to our customers across our various products, to repay principal and interest on our borrowings and to fund our working capital requirements.

We manage our liquidity position by raising funds periodically. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows.*" on page 57.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	**Fiscal**			**Nine months ended December 31,**	
	2019	**2020**	**2021**	**2020**	**2021**
	(₹ crores)				
Net cash generated from/ (used in) operating activities	1,799.30	439.62	2,043.94	1486.94	(574.81)
Net cash generated from/ (used in) investing activities	(6.62)	(71.73)	(42.80)	(27.13)	(56.72)
Net cash generated from/ (used in) financing activities	(1,706.25)	908.28	(1,153.91)	57.24	(1,609.02)
Net increase/ (decrease) in cash and cash equivalents	86.43	1,276.17	847.23	1,517.05	(2,240.54)
Cash and cash equivalents as at the beginning of the period/ year	1,168.89	1,255.32	2,531.48	2,531.48	3,378.71
Cash and cash equivalents at the end of the period/ year	1,255.32	2,531.48	3,378.71	4,048.54	1,138.17

Operating Activities

Nine months ended December 31, 2021

In the nine months ended December 31, 2021, net cash used in operating activities was ₹ 574.81 crores. Profit before tax was ₹ 217.38 crores in the nine months ended December 31, 2021, and adjustments to reconcile profit before tax to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹ 242.11 crores, provision for standard assets of ₹ 173.19 crores, bad debts written-off of ₹ 168.76 crores, depreciation on fixed assets of ₹ 57.82 crores, and provision for non-performing assets of ₹ 27.78 crores. Operating profit before working capital changes was ₹ 905.57 crores in the nine months ended December 31, 2021. The main working capital adjustments in the nine months ended December 31, 2021, included an increase in deposits of ₹ 1,491.67 crores in the nine months ended December 31, 2021, increase in other liabilities and provisions of ₹ 92.10 crores, increasein investments of ₹ 1,236.42 crores, increase in advances of ₹ 1,663.26 crores, and increase in other assets of ₹ 33.42 crores. In the nine months ended December 31, 2021, direct taxes paid amounted to ₹ 131.04 crores.

Nine months ended December 31, 2020

In the nine months ended December 31, 2020, net cash generated from operating activities was ₹ 1,486.94 crores. Profit before tax was ₹358.41 crores in the nine months ended December 31, 2020, and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹ 362.51 crores, general provision under COVID-19 regulatory package of ₹ (42.62) crores, depreciation on fixed assets of ₹ 57.02 crores, provision for non-performing assets of ₹ 87.04 crores and bad debts written-off of ₹ 39.96 crores. Operating profit before working capital changes was ₹ 1063.14 crores in the nine months ended December 31, 2020. The main working capital adjustments in the nine months ended December 31, 2020, included increase in investments of ₹ 1430.13 crores, increase in advances of ₹ 3196.13 crores, increase in other assets of ₹ 60.66 crores, and decrease in deposits of ₹ 5073.68 crores in the nine months ended December 31, 2020. In the nine months ended December 31, 2020, direct taxes paid amounted to ₹ 124.58 crores.

Fiscal 2021

In Fiscal 2021, cash generated from operating activities was ₹2,043.94 crores. Net profit before taxation was ₹511.27 crores in Fiscal 2021 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹459.69 crores, depreciation on fixed assets of ₹76.43 crores, bad debts written off of ₹244.73 crores, and provision for non-performing assets of ₹187.91 crores, which were partially offset by general provision under COVID-19 regulatory package of

₹99.63 crores. Operating profit before working capital changes was ₹1,433.59 crores in Fiscal 2021. The main working capital adjustments in Fiscal 2021 included increase in deposits of ₹5,603.57 crores in Fiscal 2021 and increase in other liabilities and provisions of ₹183.47 crores. This was significantly offset by an increase in advances of ₹3,552.34 crores and increase in other assets of ₹1,374.06 crores. In Fiscal 2021, direct taxes paid amounted to ₹153.90 crores.

Fiscal 2020

In Fiscal 2020, cash generated from operating activities was ₹439.62 crores. Net profit before taxation was ₹350.94 crores in Fiscal 2020 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹436.17 crores, depreciation and amortization on fixed assets of ₹96.45 crores, general provision under COVID-19 regulatory package of ₹99.63 crores, bad debts written off of ₹71.50 crores, and provision for non-performing assets of ₹60.42 crores. Operating profit before working capital changes was ₹1,135.91 crores in Fiscal 2020. The main working capital adjustments in Fiscal 2020 included increase in advances of ₹2,284.16 crores and increase in other assets of ₹123.06 crores. This was significantly offset by an increase in deposits of ₹1,781.67 crores in Fiscal 2020. In Fiscal 2020, cash generated from operations was ₹573.69 crores and direct taxes paid amounted to ₹134.08 crores.

Fiscal 2019

In Fiscal 2019, cash generated from operating activities was ₹1,799.30 crores. Net profit before taxation was ₹323.74 crores in Fiscal 2019 and adjustments to reconcile net profit before taxation to operating profit before working capital changes primarily consisted of interest expenses on borrowings of ₹459.19 crores, depreciation of fixed assets of ₹91.78 crores, bad debts written-off of ₹60.77 crores, provision for non-performing assets of ₹28.26 crores and provision for standard assets of ₹9.89 crores. Operating profit before working capital changes was ₹980.36 crores in Fiscal 2019. The main working capital adjustments in Fiscal 2019, included increase in advances of ₹3,977.34 crores. This was significantly offset by an increase in deposits of ₹3,402.76 crores. In Fiscal 2019, cash generated from operations was ₹1,943.41 crores and direct taxes paid amounted to ₹144.10 crores.

Investing Activities

Nine months ended December 31, 2021

Net cash used in investing activities was ₹ 56.72 crores in the nine months ended December 31, 2021, primarily on account of a purchase of fixed assets amounting to ₹ 59.87 crores, partially offset by proceeds from sale of fixed assets of ₹ 1.27 crores and interest received from bank balances not considered as cash and cash equivalents of ₹ 1.89 crores.

Nine months ended December 31, 2020

Net cash used in investing activities was ₹27.13 crores in the nine months ended December 31, 2020, primarily on account of purchase of fixed assets amounting to ₹32.67 crores, partially offset by decrease in bank balances not considered as cash and cash equivalents of ₹ 4.50 crores.

Fiscal 2021

Net cash used investing activities was ₹42.80 crores in Fiscal 2021 on account of purchase of fixed assets of ₹49.98 crores, which was partially offset by decrease in bank balances not considered as cash and cash equivalents of ₹5.36 crores.

Fiscal 2020

Net cash used investing activities was ₹71.73 crores in Fiscal 2020 on account of purchase of fixed assets of ₹74.37 crores, which was partially offset by proceeds from sale of fixed assets of ₹2.22 crores.

Fiscal 2019

Net cash used in investing activities was ₹6.63 crores in Fiscal 2019, primarily on account of purchase of fixed assets of ₹51.64 crores, partially offset by decrease in bank balances not considered cash and cash equivalents, amounting to ₹36.98 crores.

Financing Activities

Nine months ended December 31, 2021

Net cash used in financing activities was ₹ 1,609.02 crores in the nine months ended December 31, 2021 on account of a decrease in borrowings of ₹ 1,380.02 crores and interest paid on borrowings of ₹ 254.12 crores, partially offset by proceeds from issue of share capital (including share premium) of ₹ 25.12 crores.

Nine months ended December 31, 2020

Net cash generated from financing activities was ₹ 57.24 crores in the nine months ended December 31, 2020 on account of increase in borrowings of ₹ 131.57 crores and proceeds from issue of share capital (including share premium) of ₹ 280 crores, partially offset by interest paid on borrowings of ₹ 339.59 crores.

Fiscal 2021

Net cash used in financing activities was ₹1,153.91 crores in Fiscal 2021 on account of decrease in borrowings (net) of ₹969.55 crores and interest paid on borrowings of ₹452.33 crores, partially offset by proceeds from issue of share capital (net of share issue expenses) of ₹267.97 crores.

Fiscal 2020

Net cash generated from financing activities was ₹908.28 crores in Fiscal 2020 on account of increase in borrowings (net) of ₹1,161.85 crores and proceeds from issue of share capital (net of share issue expenses) of ₹246.19 crores, partially offset by interest paid on borrowings of ₹499.76 crores.

Fiscal 2019

Net cash used in financing activities was ₹1,706.25 crores in Fiscal 2019 on account of decrease in borrowings (net) of ₹1,204.18 crores.

CAPITAL ADEQUACY

Our Bank is subject to the CAR requirements prescribed by the RBI. As of December 31, 2021, we were required to maintain a minimum CAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			**As of and for the nine months ended December 31,**	
	2019	**2020**	**2021**	**2020**	**2021**
	(₹crores, except percentages)				
Tier I Capital	2,076.11	2,526.07	3,150.78	2805.36	3125.54
Tier II Capital	150.38	131.51	128.60	103.95	189.13
Total Capital	**2,226.49**	**2,657.58**	**3,279.38**	**2909.31**	**3314.67**
Total Credit Risk Weighted Assets	**9,918.92**	**11,257.48**	**13,564.70**	**13481.48**	**15130.75**
Capital Adequacy Ratio					
Tier I Capital Ratio (as a Percentage of Credit Risk Weighted Assets (%))	20.92%	22.44%	23.23%	20.81%	20.66%
Tier II Capital Ratio (as a Percentage of Credit Risk Weighted Assets (%))	1.52%	1.17%	0.95%	0.77%	1.25%
Total Capital (as a Percentage of Total Credit Risk Weighted Assets (%))	**22.44%**	**23.61%**	**24.18%**	21.58%	21.91%

CREDIT RATING

The following table sets forth our credit ratings:

Particulars	Amount (₹crores)	Rating	Rating Agency
Long Term Borrowing	600	CRISIL A+/Stable	CRISIL Limited
NCDs/ Subordinated Debt	150	CRISIL A+/Stable	
Certificate of Deposits	1,000	CRISIL A1+	
Short-term Issuer rating	Nil	IND A1+	India Rating

INDEBTEDNESS

As of December 31, 2021, our total borrowings was ₹2,785.30 crores (with long-term borrowings (including current maturity) of ₹2,785.30 crores and short-term borrowings of nil) representing a debt to equity ratio of 0.78. For further information regarding our indebtedness, see "*Financial Information*" on page 81.

The following table sets forth certain information relating to our outstanding indebtedness as of December 31, 2021, and our repayment obligations in the periods indicated:

Particulars	As of December 31, 2021				
	Payment due by period				
	(₹crores)				
	Total	**Not later than 1 year**	**1-3 years**	**3 -5 years**	**More than 5 years**
Long Term Borrowings					
Refinance (unsecured)	2,635.30	1,000.30	1,365.00	270.00	-
Subordinate Debt (unsecured)	150.00	150.00	-	-	-
Total long term borrowings	2,785.30	1,150.30	1,365.00	270.00	2,785.30
Short Term Borrowings					
Total Short Term Borrowings	-	-	-	-	-
Total Borrowings	**5,570.60**	**2,300.60**	**2,730.00**	**270.00**	**2,785.30**

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Some of the corporate actions that require prior consents from certain lenders include, amongst others, altering our capital structure; changing our current ownership/ control, formulating a scheme of amalgamation, compromise or reconstruction, material change in management, implementing a scheme of expansion, declaration of dividend in case of default, and amending constitutional documents. For further information, see "*Risk Factors - We are required to comply with certain restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and suspension of further drawdowns, which may adversely affect our business, results of operations, financial condition and cash flows."* on page 57.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of December 31, 2021, aggregated by type of contractual obligation:

Particulars	As of December 31, 2021				
	Payment due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(₹crores)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	16.54	11.70	4.84	-	-
Total Contractual Obligations	16.54	11.70	4.84	-	-

In addition, we have entered into certain lease agreements for our offices and Banking Outlets. The future minimum lease payments under operating leases are as below. The leases for most of our Banking Outlets are terminable on a short notice, and are not reflected in the table below.

Particulars	As of December 31, 2021			
	Payment due by period			
	Total	Less than 1 year	Later than 1 year but not later than 5 years	More than 5 years
	(₹crores)			
Non-cancellable operating lease obligations	273.19	64.35	186.79	22.05
Total	**273.19**	**64.35**	**186.79**	**22.05**

SECURITISATION AND ASSIGNMENT ARRANGEMENTS

The following table sets forth information regarding our securitization deals outstanding as of March 31, 2021 and December 31, 2021:

Particulars (Securitisation)	As of March 31, 2021	As of December 31, 2021
	(₹crores)	
Number of SPVs sponsored by our Bank for securitisation transactions	-	-
Total amount of securitized assets as per books of the SPVs sponsored by our Bank	-	-
Total amount of exposure retained by our Bank to comply with MRR as on the date of the balance sheet (₹crores)	-	-
Off balance sheet exposure	-	-
First loss	-	-

Particulars (Assignment)	As of March 31, 2021	As of December 31, 2021
	(₹crores)	
Number of Direct Assignments	1	1
Total amount of Loans directly transferred/ Assigned	111.11	111.11
Total amount of exposure retained by our Bank to comply with MRR as on date of the balance sheet (₹crores)	-	-
Off balance sheet exposure	0.00	0.00
First loss	-	-
Others	-	-

For further information, see *"Financial Information"* on page 81.

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth certain information relating to our contingent liabilities which have not been disclosed, as of December 31, 2021, as per AS-29 Provisions, Contingent Liabilities and Contingent Assets specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014:

Particulars	As of December 31, 2021
	(₹crores)
Claims against the Bank not acknowledged as debts	
(a) Service tax	2.70
(b) Provident Fund*	-
(c) Income Tax	-
(d) Others	2.48
Guarantees given on behalf of constituents in India	11.12
Total	16.30

Note:

* *There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund dated February 28, 2019. We have made a provision on a retrospective basis from the date of inception of the Bank. Accordingly, during the year ended March 31, 2019, based on internal computation, we have provided ₹5.50 crores towards provident fund and interest thereon at simple rate of interest in terms*

of the provisions of section 7Q of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. We will update this provision, on receiving further clarity on the subject.

Further, as of December 31, 2021, we did not have any balance sheet exposure for first loss on account of securitization transactions.

Except as disclosed in this Preliminary Placement Document, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE/ ADDITIONS TO FIXED ASSETS

Our capital expenditure consists principally of expenditure relating to Banking Outlets and ATM network expansion as well as investment in technology infrastructure. In Fiscal 2019, Fiscal 2020 and Fiscal 2021 and in the nine months ended December 31, 2021, additions made to fixed assets excluding software amounted to ₹29.12 crores, ₹32.19 crores, ₹29.92 crores and ₹41.73 crores, respectively. In Fiscal 2019, Fiscal 2020 and Fiscal 2021 and in the nine months ended December 31, 2021, additions made to software amounted to ₹22.04 crores, ₹41.53 crores, ₹21.45 crores and ₹8.51 crores, respectively.

AUDITOR'S OBSERVATIONS

Other than as disclosed below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their auditor's reports on the audited financial statements as of and for the years ended March 31, 2019, 2020, and 2021, and the unaudited condensed interim financial statements as of and for the nine months ended December 31, 2020 and December 31, 2021.

The auditor's report on the financial statements for the nine months ended December 31, 2020 and 2021, and the financial statements as of and for the year ended March 31, 2020 and 2021, included matters of emphasis regarding the economic and social disruption the Bank is facing as a result of the COVID-19 pandemic, and its possible consequential implications, if any, on the Bank's operations and financial metrics.

The auditor's report on the financial statements as of and for the year ended March 31, 2019, and 2020, included matters of emphasis: (i) regarding our management's plan relating to compliance by the Bank, with relevant licensing guidelines of the RBI and related regulatory processes and requirements; and (ii) describing the economic and social disruption the Bank is facing as a result of the COVID-19 pandemic, and its possible consequential implications, if any, on the Bank's operations and financial metrics.

Also see "*Risk Factors – We have not complied with paragraph 6 of the SFB Licensing Guidelines. In the event of any continued non-compliance, we may be subject to various sanctions and penalties by the RBI and our business, financial condition, results of operations and cash flows could be adversely impacted.*" on page 44.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks during the normal course of business such as credit risk, interest rate risk, liquidity risk, operational risk, cash management risk, market risk, information security and cyber risk, and reputational risk.

Credit Risk

Credit risk is the risk that a arises when borrower or counterparty fails to meet the obligations in accordance with agreed terms. We manage credit risk both at individual customer level and portfolio level. Credit risk management is a critical component of a comprehensive approach to risk management and is well defined through lending and risk policies that set out the principles and control requirements, under which we extend credit to customers. We have a delegation matrix and committee approach for approval of credit considering the risk and exposure involved in respect of each credit proposal. In the retail loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structures are specified. Given the granular nature of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. For corporate and commercial credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring, Internal and external credit risk rating of the borrowers, and remedial management procedures. Overall portfolio diversification, prudential limits across various dimensions, security structures and periodic reviews facilitate credit risk management. Our credit teams track cases for early signs of stress, so that corrective action is taken in the case of non-starter or early delinquency cases. We have set-up collections management system, which includes a collection control room that centrally manages allocations between collection agents and we use analytics for the optimum allocation of cases to the collections team.

Interest Rate Risk

Interest rate risk is the exposure of our financial condition to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and capital base. Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. We assess and manage interest rate risk in our banking book as well as our trading book. The ALCO governs management of interest rate risk, and sets the risk management strategy and risk limits. As interest rate risk can affect both net interest income and value of capital, it is assessed and managed from both earnings and economic perspectives. See "*Risk Factors – Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.*" on page 45.

Liquidity Risk

Liquidity risk could be due to funding risk and market liquidity risk. Funding liquidity risk is that of sustaining a loss due to an inability to obtain required funds and conduct fund management, due to a deterioration of market conditions or our financial condition, compelling us to raise funds at a higher rate of interest. Market liquidity risk is the risk that we cannot easily offset or eliminate a position at prevailing market prices because of inadequate market depth or market disruption.

The framework for liquidity and interest rate risk management is established in the Asset Liability Management policy and the ALCO defines liquidity risk management strategies and risk thresholds. Funds management team under the treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Liquidity risk is assessed using both structural and dynamic perspectives and we use various approaches to assess it. We have also set prudential internal limits in addition to regulatory limits on liquidity mismatches, borrowings, placements, and so on. We conduct liquidity stress testing to evaluate the impact of stress on the liquidity position. The LCR measures the extent to which high-quality liquid assets are sufficient to cover short-term cash outflows under stress conditions. See "*Risk Factors – We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.*" on page 55.

Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. We have a Board approved operational risk management policy, which is implemented by a dedicated operational risk management function. The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures, and operational risk management framework laid down by the independent operational risk management function. We have a comprehensive framework for approval of new products and processes along with detailed operating guidelines for risk management. We have an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. We have a whistle-blower policy, for employees to raise their concerns, on a confidential basis, on any fraud, malpractice or any other untoward activity or event. Disaster recovery centres and business continuity plans have been established to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness. See "*Risk Factors – Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.*" on page 61.

Cash Management Risk

Our officers collect and deposit a large amount of cash through a high volume of transactions taking place in our network. To address the cash management risks, we have developed cash management checks that we employ at every level to track and tally accounts. We ensure that cash collected up to a certain time is deposited at local Banking Outlets on the same day. Cash that is to be deposited is accounted for at the Banking Outlet level to avoid discrepancies. Moreover, we conduct regular internal audits to monitor compliance with our cash management systems. See "*Risk Factors – Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.*" on page 52.

Market Risk

Market risk is the risk that earnings or capital will be adversely affected by adverse changes in market factors such as interest rates, volatilities, credit spreads, and equity prices. The Board approved Investment Policy and Market Risk Policy sets out the 'investment philosophy' of the Bank and our approach to market risk management. The investment committee and ALCO oversee the investment and market risks and approve the framework for market risk and its thresholds.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our Information and Cyber Risk Committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. Periodical awareness exercise is ensured to update employees on information security practices. We also conduct periodic security awareness for our customers through email and SMS. We have also recently obtained a cyber insurance policy.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by customers, counterparties, investors or regulators. This is particularly relevant as our business involves comforting customers that we are credible and can offer basic, secure services expected by the customers. This risk is typically viewed as a knock-on effect of other risks materializing. It compounds the effect of other risks, such as strategy, fraud and regulatory risk. Reputational risk has not been modelled in isolation but is considered throughout our ongoing risk review process and is built into the assessment of other risks.

TOTAL TURNOVER OF EACH MAJOR INDUSTRY SEGMENT IN WHICH THE BANK OPERATED

We are primarily engaged in the banking business. For further information, see "*Industry Overview*" on page 311, and for information on segment reporting for Fiscal 2019, 2020 and 2021, and the December 31, 2021, as per requirements of AS 17, Segment Reporting, notified under Section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014, see "*Financial Information – Segment Reporting (AS 17)"* for Fiscal 2021 on page 139, for Fiscal 2020 on page 193, for Fiscal 2019 on page 256.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Preliminary Placement Document, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

KNOWN TRENDS OR UNCERTAINTIES

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in " – *Factors Affecting our Results of Operations*" and the uncertainties described in "*Risk Factors*" on pages 278 and 38, respectively. To our knowledge, except as discussed in this Preliminary Placement Document, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

SIGNIFICANT ECONOMIC CHANGES THAT MATERIALLY AFFECT OR ARE LIKELY TO AFFECT INCOME FROM CONTINUING OPERATION

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in " - *Factors Affecting our Results of Operations*" and the uncertainties described in "*Risk Factors*" on pages 278 and 38, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Preliminary Placement Document, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 38, 333 and 277, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

SEASONALITY OF BUSINESS

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

SIGNIFICANT DEPENDENCE ON A SINGLE OR FEW CUSTOMERS OR SUPPLIERS

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

COMPETITIVE CONDITIONS

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors - The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively.*" and "*– Significant Factors Affecting our Results of Operations and Financial Condition – Competition*" on pages 333, 311, 58 and 283, respectively.

SIGNIFICANT DEVELOPMENTS AFTER DECEMBER 31, 2021 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Except as disclosed in this Preliminary Placement Document, to our knowledge no circumstances have arisen since December 31, 2021, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India, the National Payments Corporation of India and the Indian Banks' Association. Wherever the Bank has relied on figures published by the RBI, unless stated otherwise, it has relied on the RBI's Monetary Policy Report, October 2021, Governor's Statement on Monetary Policy Report 2022, February 10, 2022, RBI Report on Trend and Progress of Banking in India, the RBI Financial Stability Report (Issue No. 23), July 2021, RBI Financial Stability Report (Issue No. 24), December 2021, RBI Data on Sectoral Deployment of Bank Credit, RBI Bulletin on Small Finance Banks: Balancing Financial Inclusion and Viability, the Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks published by the RBI and the bank wise ATM/POS/Card Statistics published by the RBI. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information.

Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to materially differ. Please see Forward-Looking Statements on page 13..

The Global Setting

Global trade has rebounded in tandem with global economic activity. The recovery has been swift for goods trade. Services trade has firmed; however, it is still lagging, with travel services particularly subdued. Depressed tourism flows have weighed on activity in tourism-reliant economies, including many small-island developing states. The recovery in global trade has reflected a rotation of global demand toward highly trade-intensive manufactured goods—especially durable goods. The increase in industrial production has been mirrored almost one for one by solid trade growth, in line with historical evidence that they are driven by a common factor (figure 1.4.A). Significant strains in global supply chains emerged in 2021; however, they seem to have originated mostly from factors that are likely to be temporary, including pandemic-related factory and port shutdowns, weather-induced logistics bottlenecks, and an acute shortage of semiconductors and shipping containers. After reaching 9.5 percent in 2021, global trade is expected to slow to 5.8 percent in 2022 and to 4.7 percent in 2023, as demand moderates. International travel is likely to remain subdued in the near term but gradually recover over the forecast horizon, supported by improvements in international mobility as vaccination proceeds. Downside risks to the global trade outlook include, in the near term, worsening supply bottlenecks due to the Omicron-driven pandemic surge, and, in the longer-term, rising protectionism. (*Source: World Bank Global Economic Prospects, January 2022*)

Indian Economy

India is the sixth largest economy in the world, surpassing Italy and France. (Source: *World Bank GDP Ranking 2019, updated on July 1, 2021*). The global recovery has been losing momentum in the second half of 2021, impacted by resurgence of infections in several parts of the world, supply disruptions and bottlenecks, persistent inflationary pressures and shifts in monetary policy stances and actions across systemic advanced economy (AE) central banks as also some emerging market economies (EMEs). Tightening of global financial conditions, superimposed on elevated domestic inflation has roiled EMEs, in particular. The US dollar posted large appreciations vis-a-vis EME currencies, which were also weakened by stubbornly rising energy prices. Capital flows to EME bond markets are showing signs of tapering off and flowing out, while equity flows have turned volatile. Realignment of interest rates in the process of policy normalisation could lead to discretionary shifts in portfolios among banks as well as recalibration of banking sector liabilities. More recently, Omicron has cast a shadow on global economic prospects. (*Source: RBI Financial Stability Report, December 2021*) For Fiscal 2023, the structural model estimates indicate real GDP growth at 7.8%, with quarterly growth rates in the range of 5.0-17.2%, assuming restoration of supply chains, a normal monsoon, no major exogenous or policy shocks, and full vaccination. *(Source: Monetary Policy Report, October 2021)*

Indian Banking Authority

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated, though originally privately owned, since nationalization in 1949, the Reserve Bank is fully owned by the Government of India. The Reserve Bank of India performs this function under the guidance of the Board for Financial Supervision ("**BFS**"). The Board was constituted in November 1994 as a committee of the Central Board of Directors of the Reserve Bank of India. (*Source: RBI available at https://www.rbi.org.in/Scripts/AboutusDisplay.aspx, accessed February 2022*)

Structure of India's Banking Industry

Scheduled Commercial Banks

Scheduled commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. In recent years, they have also focused on increasing long-term financing to sectors like infrastructure. There were 94 scheduled commercial banks in India and 43 regional rural banks. (*Source: https://m.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3657, accessed February 2022*) Scheduled commercial banks are banks that are listed in the second schedule to the RBI Act and are further categorized as public sector banks, private sector banks, small finance banks, payments banks and foreign banks. (*Source: https://www.rbi.org.in/Scripts/AboutusDisplay.aspx, accessed February 2022.*)

Public Sector Banks

Public sector banks are scheduled commercial banks with a significant Government shareholding, and make up the largest category in the Indian banking system. They included the 12 nationalized banks, and the State Bank of India ("**SBI**"), taking into account the amalgamation of certain public sector banks in March 2020. Private sector banks recorded 10.9% and 16.0% year-on-year growth in credit and deposit, respectively, in September 2021; the corresponding growth in public sector banks stood much lower at 3.7% and 7.4%, respectively. (*Source:* https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1257157498369F43447DAB45A6C4B4FBB847.PDF, *accessed February 2022.*)

The SBI is the largest bank in India in terms of deposits, advances, customers and banking outlets. In one of the largest consolidations in the Indian banking industry, the SBI merged with its five associate banks and the Bharatiya Mahila Bank, which merger became effective from April 1, 2017, to form a unified entity. SBI's total deposits grew at 8.83% year on year, their savings bank deposits grew by 10.30% year on year, while current account deposits grew by 7.89% year-on-year. (*Source: SBI Quarterly Report FY22Q3*)

Regional Rural Banks

The regional rural banks were established from 1976 to 1987 by the Government, state governments and sponsoring commercial banks jointly with a view to developing the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. There were 43 regional rural banks in India. Regional rural banks are regulated and supervised by the National Bank for Agriculture and Rural Development ("**NABARD**").

Small Finance Banks:

Small Finance Banks (SFBs) were set up in 2016 to provide basic banking services such as accepting deposits and lending to the unserved and the under-served sections of society, including small businesses, marginal farmers, micro and small industries, and the unorganised sector. Currently, 11 SFBs are operational. (*Source: RBI available at* https://m.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3657, *accessed February 2022*)

Private Sector Banks

Most large banks in India were nationalized in 1969 and 1980, resulting in public sector banks making up the largest portion of Indian banking. The Government's focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted the private sector to enter the banking system. This resulted in the introduction of private sector banks, including the Bank.

There are a total of 22 private banks, 11 small finance banks and four scheduled payments banks operating in India. (Source: https://m.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3657, *accessed February 2022.*) Private sector banks recorded 10.9% and 16.0% year-on-year growth in credit and deposit, respectively, in September 2021; the corresponding growth in public sector banks stood much lower at 3.7% and 7.4%, respectively. (*Source: RBI available at https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1257157498369F43447DAB45A6C4B4FBB847.PDF, accessed February 2022.*)

Foreign Banks

In 2009, as part of the liberalization process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Currently, there are 46 foreign banks in India. (*Source: RBI available at* https://m.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3657*, accessed February 2022*) The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending in sectors such as agriculture and small-scale industries, following an adequate transition period.

Payments Banks:

Payments banks (PBs) were set up as differentiated banks that harness technology to further financial inclusion by providing low-cost banking solutions to small businesses, low-income households and other entities in the unorganised sector. By end-March 2021, six PBs were operational in the country. Unlike commercial banks, PBs are not permitted to undertake lending activities, with restrictions on deposit balances per customer. The Reserve Bank's April 2021 move to enhance the limit of the maximum deposit balance per customer from ₹1 lakh to ₹2 lakh is expected to grant banks more flexibility in their operations. *(Source: Report on Trend and Progress of Banking in India 2020 - 2021)*

Co-operative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. As of January 28, 2022, there were a total of 1,527 urban co-operative banks operating in India. (*Source: RBI, available at* https://rbidocs.rbi.org.in/rdocs/Content/pdfs/schedulecoop.pdf *and* https://rbidocs.rbi.org.in/rdocs/Content/pdfs/nonschedulecoop.pdf, *accessed February 2022*) Currently, the RBI is responsible for the supervision and regulation of urban cooperative banks, and NABARD is responsible for the supervision of state co-operative banks and district central cooperative banks.

All-India Financial Institutions / Development Finance Institutions

Financial Institutions are an important segment of the Indian financial system as they provide medium to long term finance to different sectors of the economy. These institutions have been set up to meet the growing demands of particular sectors, such as export, import, rural, housing and small industries. These institutions have been playing a crucial role in channelizing credit to these sectors and addressing the challenges / issues faced by them. (*Source: RBI, available at:* https://rbidocs.rbi.org.in/rdocs/publicationreport/pdfs/wltfb07042017cae20abf286f4bc0850b64760c3d1e99.pdf *accessed February 2022*)

Non-Banking Financial Companies

The primary activities of the non-banking financial companies are providing consumer credit, including automobile finance, home finance and consumer durable products finance, factoring, microfinance, wholesale finance products such as bill discounting for small and medium companies and infrastructure finance, and fee-based services such as investment banking and underwriting.

All non-banking financial companies are required to register with the RBI. There were 9,507 NBFCs registered with the RBI as at January 31, 2021, of which 49 were deposit accepting ("NBFCs-D") and 316 were systemically important non-deposit accepting NBFCs ("NBFCs-ND-SI"). (*Source: RBI, available at* https://rbi.org.in/Scripts/BS_NBFCList.aspx *accessed on February 2022*)

Housing Finance Companies

Housing finance companies form a distinct sub-group of non-banking financial companies. As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially.

Microfinance Institutions

Microfinance institutions also form a distinct sub-group of non-banking financial companies. They focus on providing access to small-scale financial services, especially to the poor. Microfinance institutions differ from other financial services providers as they do no depend on grants or subsidies to provide unsecured loans to borrowers with low incomes and no access to the mainstream banking system.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include NABARD, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, Industrial Investment Bank of India, North Eastern Development Finance Corporation and India Infrastructure Finance Company.

State-level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote SMEs. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

Insurance Companies

As at September 30, 2021, the insurance industry of India consisted of 57 insurance companies, of which 24 are in the life insurance business and 34 are non-life insurers. Among the life insurers, Life Insurance Corporation is the sole public sector company. In addition to this and as at September 30, 2021, there is a sole national re-insurer, namely General Insurance Corporation of India. The insurance sector in India is regulated by the Insurance Regulatory and Development Authority of India. (*Source: www.irdai.gov.in*)

Mutual Funds

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India at the initiative of the Government and the RBI. The mutual funds industry was opened up to the private sector in 1993. The Indian mutual funds industry is regulated by SEBI. Since 2009, mutual fund units have been traded on recognized stock exchanges in India. The total assets under management of the Indian mutual fund industry s on January 31, 2022 stood at ₹ 38,01,210 crore. The assets under management of the Indian mutual fund industry has grown from ₹ 6.59 trillion as on January 31, 2012 to ₹ 38.01 trillion as on January 31, 2022 with more than five and a half times increase in a span of 10 years. (*Source: (*www.amfiindia.com*)*

Major Features of the Operations of SFBs

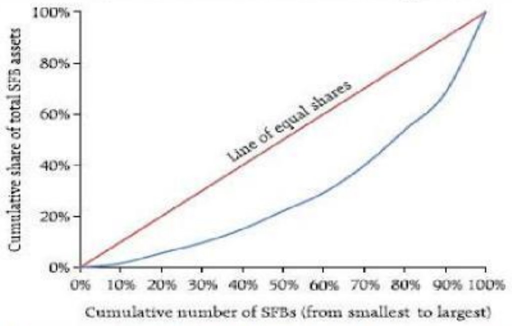
Small finance banks (SFBs), set up in 2016, provide a savings vehicle for underserved sections of the population and also meet credit needs of small borrowers, through high technology low-cost operations. These banks are expected to deploy 75% of their ANBC in priority sectors, with at least 50% below ₹25 lakh. As of November 2021, twelve SFBs were operational in the country, including recently licenced Shivalik Small Finance Bank Ltd. and Unity Small Finance Bank Ltd. (*Source: Report on Trend and Progress of Banking in India 2020 - 2021)*

Structural Features

<u>High degree of concentration within SFBs</u>

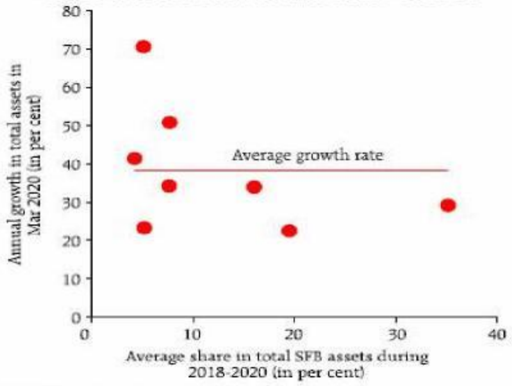
SFBs have shown high asset growth since their inception. Between 2017 and 2020, the average growth of assets of SFBs was about 150% per annum owing to a low base, as most SFBs began their operations in 2017- 2018. The average growth moderated between 2018 and 2020 to about 61%. At present, there is considerable concentration of assets within the SFB group. Top-two SFBs accounted for 46% of total assets of all SFBs in March 2020 with top-three SFBs accounting for 60%.

Chart 3: Asset Concentration among SFBs



Note: Lorenz curve measures the cumulative share of total assets corresponding to a certain per cent of the total number of SFB, when the SFBs are arranged in an ascending order of their assets.
Based on March 2020 data.
Source: Supervisory returns, RBI staff calculations.

Chart 4: Asset Growth and Share of SFBs



Note: Every point represents an SFB.
Source: Supervisory returns, RBI staff calculations.

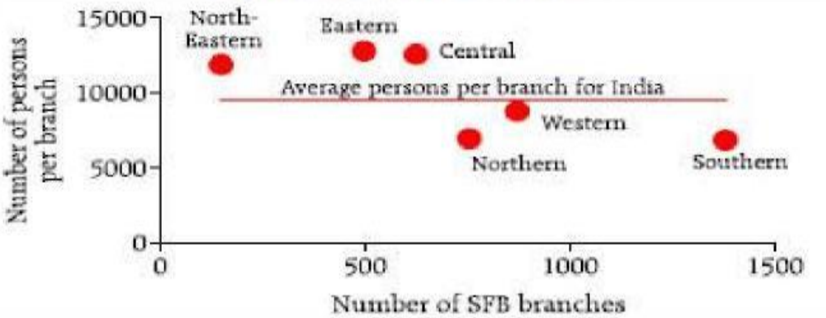
However, the relatively big-sized SFBs have displayed lower growth of assets in more recent years. Hence, the concentration of assets within the SFB group may come down over time. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

Regional and Sectoral Features

Greater concentration of branch network in relatively well-banked states:

While there has been a rapid growth in the branch network of SFBs since their inception, this growth has been markedly concentrated in the southern, western and northern regions, which are known as the relatively well-banked regions in the country. Their penetration in the north-eastern region, which is known to be the least banked region, remains low. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

Chart 5: Region-wise Population Per Branch and Number of SFB Branches



Note: Population per bank branch is worked out taking branches of SCBs (including RRBs) excluding SFBs.
Based on March 2020 data.
Central region-Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Uttarakhand; Eastern region- A and N Islands, Bihar, Jharkhand, Odisha, Sikkim, West Bengal; North-eastern region- Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura; Northern region- Chandigarh, Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, NCT of Delhi, Punjab, Rajasthan; Southern region- Andhra Pradesh, Karnataka, Kerala, Lakshadweep, Puducherry, Tamil Nadu, Telangana; Western region- Dadra and Nagar Haveli and Daman and Diu, Goa, Gujarat and Maharashtra.
Source: Unique Identification Authority of India, Branch Banking Statistics.

At the state level, while SFBs are making their presence felt in some of the under-served states of Madhya Pradesh and Rajasthan, they continue to be concentrated in Tamil Nadu, Maharashtra, Karnataka, Kerala and Punjab - states with some of the lowest population per bank branch in the country. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

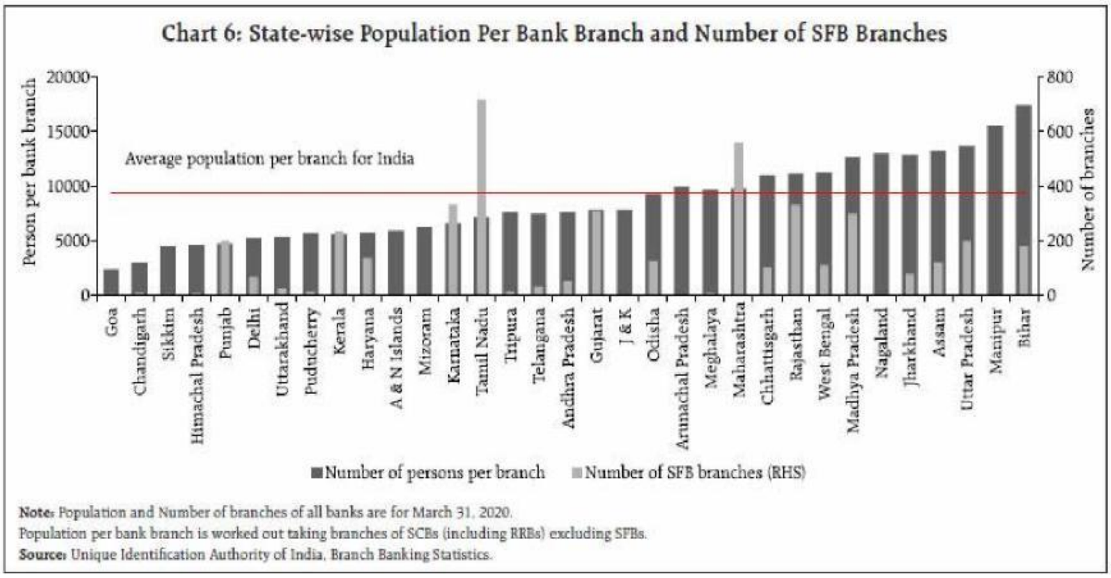


Chart 6: State-wise Population Per Bank Branch and Number of SFB Branches

Note: Population and Number of branches of all banks are for March 31, 2020.
Population per bank branch is worked out taking branches of SCBs (including RRBs) excluding SFBs.
Source: Unique Identification Authority of India, Branch Banking Statistics.

Furthermore, there appears to be some similarity in the branch spread of private sector banks and SFBs, with both showing a greater concentration in the relatively well-banked regions/states.

Appendix Table 1: State-wise Distribution of Bank Branches

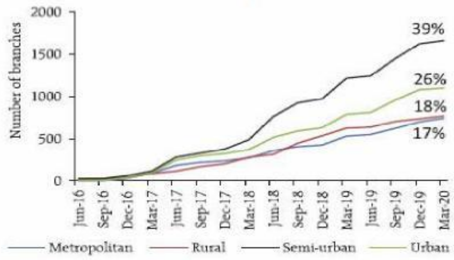
State	Number of branches of			State's share in total branches of		
	PVBs	PSBs	SFBs	PVBs	PSBs	SFBs
Tamil Nadu	3701	6486	716	10.6%	7.4%	16.6%
Maharashtra	3920	7809	563	11.3%	8.9%	13.1%
Rajasthan	1490	4219	343	4.3%	4.8%	8.0%
Karnataka	2488	5913	332	7.1%	6.7%	7.7%
Gujarat	2166	5222	310	6.2%	5.9%	7.2%
Madhya Pradesh	1320	4117	302	3.8%	4.7%	7.0%
Kerala	2334	3393	235	6.7%	3.9%	5.5%
Punjab	1650	4271	204	4.7%	4.9%	4.7%
Uttar Pradesh	2141	10900	199	6.2%	12.4%	4.6%
Bihar	1037	4000	180	3.0%	4.6%	4.2%
Haryana	1409	2861	138	4.0%	3.3%	3.2%
Odisha	922	3087	126	2.6%	3.5%	2.9%
Assam	758	1458	123	2.2%	1.7%	2.9%
West Bengal	2459	5419	112	7.1%	6.2%	2.6%
Chhattisgarh	574	1488	103	1.6%	1.7%	2.4%
Jharkhand	438	2120	77	1.3%	2.4%	1.8%
NCT of Delhi	1226	2290	72	3.5%	2.6%	1.7%
Andhra Pradesh	1199	4627	48	3.4%	5.3%	1.1%
Telangana	1187	3137	31	3.4%	3.6%	0.7%
Uttarakhand	346	1471	24	1.0%	1.7%	0.6%
Puducherry	59	146	14	0.2%	0.2%	0.3%
Tripura	162	236	14	0.5%	0.3%	0.3%
Chandigarh	127	255	10	0.4%	0.3%	0.2%
Himachal Pradesh	175	1170	8	0.5%	1.3%	0.2%
Meghalaya	62	196	8	0.2%	0.2%	0.2%
Goa	199	473	4	0.6%	0.5%	0.1%
Sikkim	49	105	4	0.1%	0.1%	0.1%
Arunachal Pradesh	20	108	3	0.1%	0.1%	0.1%
Manipur	42	131	3	0.1%	0.1%	0.1%
Mizoram	35	77	1	0.1%	0.1%	-
Andaman and Nicobar Islands	13	57	0	0.0%	0.1%	-
Dadra and Nagar Haveli And Daman and Diu	42	69	0	0.1%	0.1%	-
Jammu and Kashmir	958	446	0	2.8%	0.5%	-

Ladakh	46	20	0	0.1%	0.0%	-
Nagaland	43	120	0	0.1%	0.1%	-
Lakshadweep	1	12	0	0.0%	0.0%	-
India	34798	87909	4307	100%	100%	100%
Note: '-' represents nil/negligible. Based on March 2020 data. Source: Branch Banking Statistics.						

Greater focus on semi-urban centres

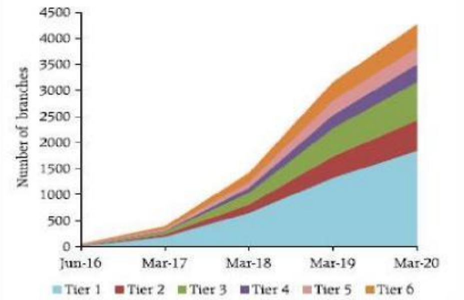
The rapid increase of SFB branches has been in semi-urban and urban centres; in March 2020, about 39% of the total SFB branches were semi-urban in nature followed by 26% in urban centres.

Chart 7: SFB Branch Distribution across Different Centres/Population Groups



Note: 1) Definitions of centres are based on population as follows: Rural is <10,000; Semi-urban is 10,000 to <1 lakh; Urban is 1 lakh to <10 lakh and Metropolitan is >=10 lakh.
2) The percentages represent share of each population group in March 2020.
Source: Branch Banking Statistics.

Chart 8: Tier-wise Branch Distribution of SFBs

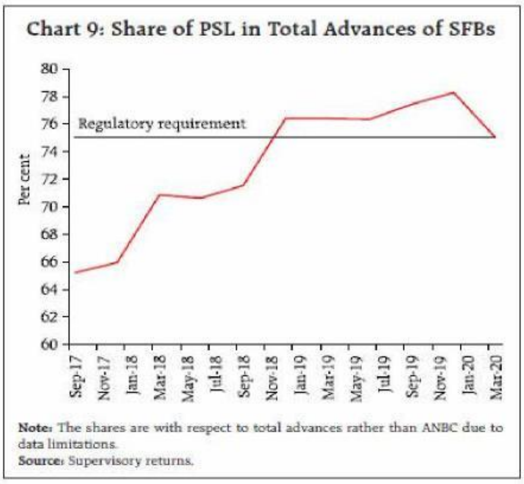


Note: Tier Definitions: Tier 1- 100,000 and above, Tier 2- 50,000 to 99,999, Tier 3- 20,000 to 49,999, Tier 4- 10,000 to 19,999, Tier 5- 5,000 to 9,999, Tier 6- Less than 5,000.
Source: Branch Banking Statistics.

As the semi-urban category covers centres with a population of 10,000 to 100,000, covering a fairly broad spectrum of centres, a tier-wise distribution of branches for SFBs has been attempted. It suggests that about 31% of the branches of SFBs are located in Tier 2 and 3 centres (with population ranging between 20,000 and 100,000), and about 8% of the branches are located at Tier 4 centres (population ranging between 10,000 and 19,999), with Tier 5 and 6 centres (rural) (population less than 10,000) accounting for only 18% of the SFB branches. In the case of only three SFBs, the share of rural branches to total was more than 25% as on March 2020, while for others, the share ranged between 10% and 22%. Considering their small finance focus, the limited spread of SFBs at rural centres and even at smaller semi-urban centres leaves much to be desired. Interestingly again, SFBs show a branch distribution pattern similar to Private Sector Banks (PVBs); semi-urban centres had the highest share of about 32% in total branches of PVBs with rural centres having a share of 21% in March 2020. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

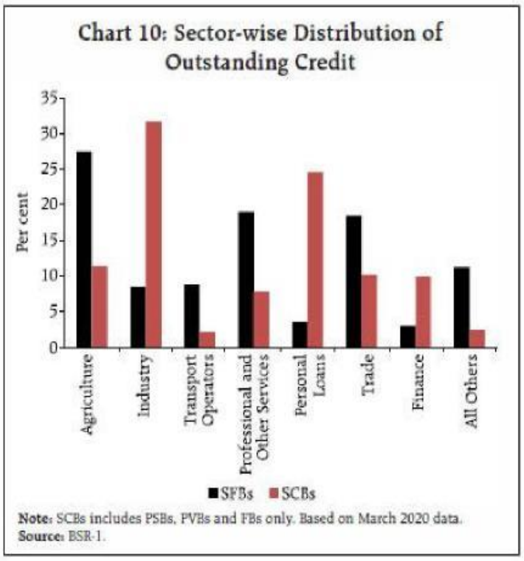
Dominant presence of priority sectors in the lending portfolio

Given their differentiated priority sector lending ("PSL") targets and also the fact that most of them, as MFIs, were serving the under-served economic sectors/sections of the population, SFBs have seen a dominant presence of priority sectors in their lending portfolio. At the systemic level, priority sectors accounted for about 75% of the total credit of SFBs. At the bank level too, there was little variation with most SFBs reporting a share of over 75% of priority sectors. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)



SFBs targeting the sectors relatively under-served by commercial banks

SFBs reported a greater concentration of loans to agriculture, trade and professional services. These three sectors accounted for about 65% of the total credit of SFBs in March 2020 as compared to SCBs which lent about 66% of their credit to industry, personal loans and finance. Considering that SFBs, by design, were expected to extend small-sized loans, it may not be wrong to assume that they financed small agriculturists, small traders and small businesses. In fact, Micro, Small and Medium Enterprises (MSMEs) had a prominent presence in their overall loan portfolio as well as their portfolio of industrial and services sector credit (Table 2). (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)



MSME Share in Total Credit		
Year	SFBs (%)	SCBs (%)
Mar 2018	42 (81)	17
Mar 2019	40 (83)	18
Mar 2020	41 (82)	17

Note: MSME shares in industry plus services sector credit are shown in brackets.

SCBs includes PSBs, PVBs and FBs only.

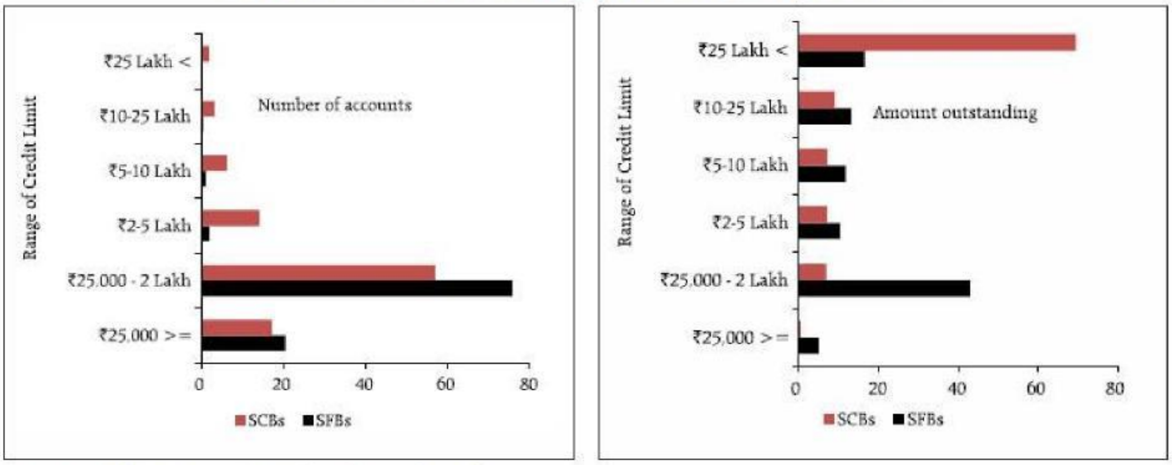
Based on March 2020 data.

Source: Supervisory returns.

Credit portfolio featuring a large share of small-sized loans

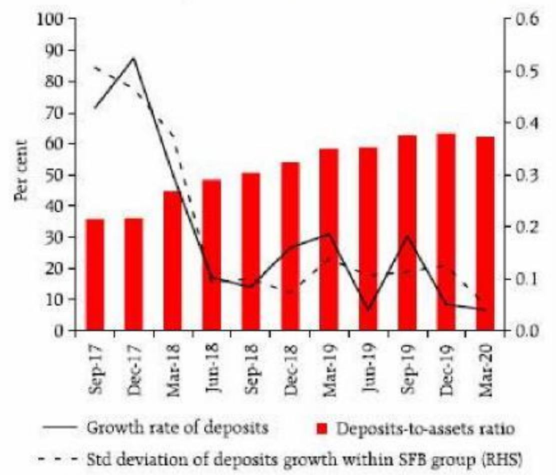
SFBs have been meeting the regulatory requirement relating to the size-wise distribution of their loan portfolio. In March 2020, 99.9% and 83% of their total loan accounts and total loan amount, respectively, had a credit limit of up to ₹ 2,500,000. Even within these, an impressive focus on very small-sized loans by these banks was evident; about 96% and 48% of their total loan accounts and total loan amount, respectively, had a credit limit of ₹ 200,000, or what are called as small borrowal accounts. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

Chart 11: Distribution of Credit of SFBs and SCBs, by Credit Limit



Note: SCBs includes PSBs, PVBs and FBs only. Based on March 2020 data.
Source: BSR-1.

Chart 12: Deposits-to-Assets Ratio of SFBs



Source: Supervisory returns, RBI staff calculations.

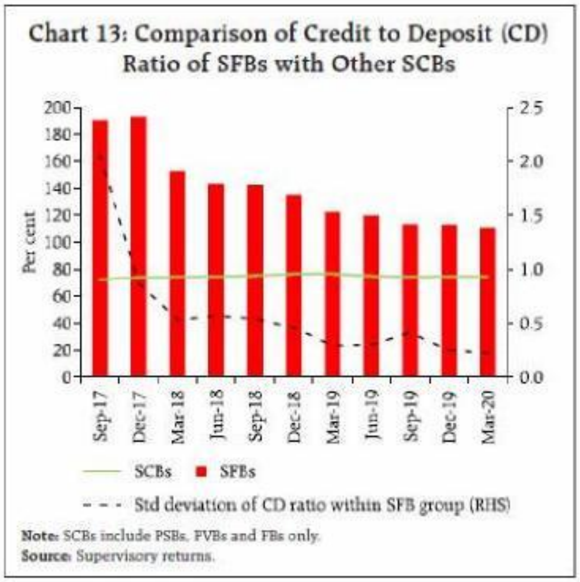
Balance Sheet-related Features

<u>Rapid increase in deposit base</u>

As already noted, most SFBs were originally MFIs and one of the factors that was instrumental in their conversion to SFBs was the access to deposits. Expectedly, their deposits-to-assets ratio has been rising rapidly since inception. Moreover, there is little differential across SFBs in the growth of deposits. While the deposit base of SFBs has been expanding, they still have a long distance to cover as compared to other SCBs in mobilisation of current and savings accounts or CASA. While there has been a pick-up in the share of CASA in total deposits for SFBs, it stood at 15% in March 2020 as compared to 41% for other SCBs. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)

<u>A high credit-to-deposits (CD) ratio</u>

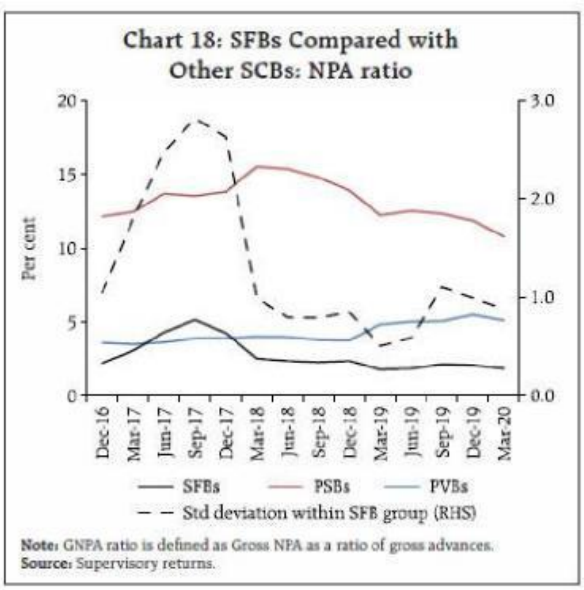
SFBs started with a high CD ratio, which was more than 2.5 times that of other SCBs in the initial years. It fell over time with the growth in deposits but was still high at 111% in March 2020. CD ratio varied widely across SFBs in 2017, after which the dispersion has come down. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion and Viability, January 21, 2021*)



Financial Operations-related Features

<u>Lower NPA ratio</u>

Non-performing assets ("NPAs") affect the profitability and thereby the internal accretion of capital of any financial institution. SFBs, many of which were erstwhile NBFC-MFIs, have reported low NPA ratios. Furthermore, the dispersion in the NPA ratio among SFBs has also declined over time.

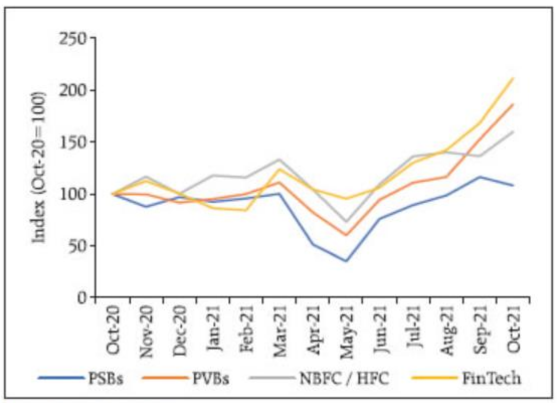


In the near future, the NPA positions in SFBs, as in other SCBs, may be shaped by various regulatory interventions, including the moratorium and Resolution Framework, introduced to address the COVID-related stress. In the case of MSMEs, the COVID-related Resolution Framework has been aligned with the MSME restructuring package announced earlier in January 2019. Effectively, this has ensured a continued regulatory support to MSMEs, which form a major part of the loan portfolio of SFBs. (*Source: RBI, Small Finance Banks: Balancing Financial Inclusion* *and Viability, January 21, 2021*)

Consumer Credit*

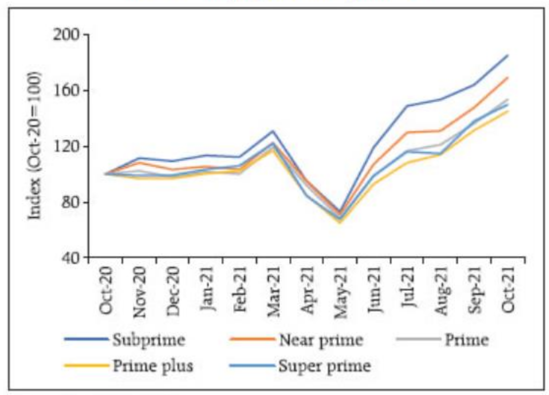
The overall demand in consumer credit, as reflected in inquiry volumes, has recovered following the dip on account of the second wave. The upturn is led by demand for personal loan and credit card segments while demand from other product categories show signs of stabilization. Lending activity across all lender categories, barring PSBs, shows signs of accelerated credit growth after the second wave. Growth in credit active consumers has, however, moderated consistently since September 2020. Inquiry volumes by risk tier show leapfrogging of credit demand from sub-prime consumers, particularly after the second wave. The distribution by risk across lender categories shows particular improvement in customer mix in the NBFC segment. While PSBs show a disproportionate size of below prime borrowers in the consumer credit mix, their recent originations in the segment have shown a bias away from the segment. (*Source: RBI Financial Stability Report (Issue No. 24), December 2021*)

Chart 1.67: Inquiry Volumes by Lender Category



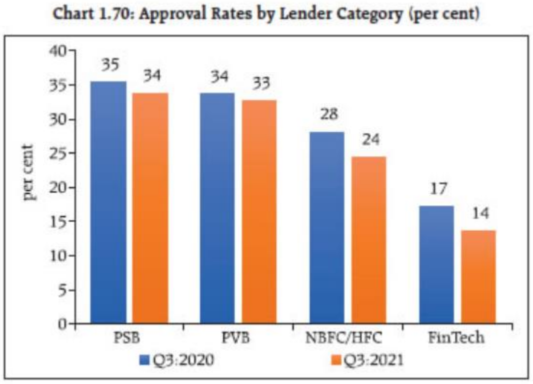
Source: TransUnion CIBIL.

Chart 1.69: Inquiry Volumes by Risk Tier



Source: TransUnion CIBIL.

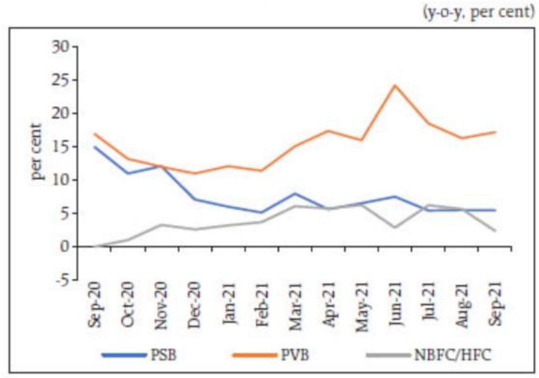
Chart 1.70: Approval Rates by Lender Category (per cent)



Source: TransUnion CIBIL.

Chart 1.71: Growth in Outstanding Balances Across Lender Category

(y-o-y, per cent)



Source: TransUnion CIBIL.

**Consumer credit includes home loans, loans against property, auto loans, two-wheeler loans, commercial vehicle loans, construction equipment loans, personal loans, credit cards, business loans, consumer durable loans, education loans and gold loans.*

Bank Credit to MSME Sector*

Credit to the MSME segment slowed down year-on-year by the end of September 2021 vis-a-vis March 2021. The decline was particularly noticeable in the sub ₹ 25 crore ticket size across major bank groups. Under the Emergency Credit Line Guarantee Scheme ("**ECLGS**"), loans amounting to ₹ 2.82 lakh crore were sanctioned till November 12, 2021, of which ₹ 2.28 lakh crore was disbursed (₹ 1.94 lakh crore by SCBs, forming 20.6% of the incremental credit during the period). The draw down under ECLGS 1.0 and 2.0 comprised over 96% of the total guarantees issued. An analysis of detailed disbursal data reveals that guarantees of value up to ₹ 1 crore formed 51% of the aggregate guarantees. Sixty-six% of the guarantees have been issued to micro, small and medium enterprises. (*Source: RBI Financial Stability Report (Issue No. 24), December 2021*)

Table 1.20 : Bank Credit to MSME Sector

(y-o-y, per cent)

	PSB		PVB		PSB+PVB	
	Mar-21	Sep-21	Mar-21	Sep-21	Mar-21	Sep-21
Exposure < 25 crore	8.08	0.20	8.04	0.38	8.06	0.28
Aggregate MSME Exposure	0.89	1.01	9.23	2.98	4.50	1.90

Source: RBI supervisory returns and staff calculations.

Asset quality

With the asset classification standstill lifted in March 2021, a clearer picture of the quality of banks' balance sheets has emerged. SCBs' gross non-performing assets ("GNPA") and net NPA ("NNPA") as ratios of gross advances settled at 7.5% and 2.4%, respectively at the end of March 2021. Furthermore, banks' resort to restructuring under the COVID-19 resolution framework was not significant and write-offs as a percentage of GNPA at the beginning of the year, fell sharply as compared to 2019-20, except for PVBs. Overall, GNPAs declined by 5.9%, mainly due to a fall of 8.4% in bad loans of PSBs. The annual slippage ratio of all SCBs, measuring new accretions to NPAs as a share of standard advances at the beginning of the year, fell to 2.5% in 2020-21, but rose for FBs. SCBs' overall NPA provisions contracted by 2.2% in March 2021, with the decline being accounted for in varying degrees by all bank groups. The provisioning coverage ratio ("PCR") - the proportion of provisions (without write-offs) held for NPAs to GNPA - increased from 66.2 in March 2020 to 68.9% in March 2021, primarily due to a relatively higher decline in GNPA. The PCR for PSBs increased, but declined for PVBs and FBs during the year. (*Source: RBI Financial Stability Report (Issue No. 23), July 2021*)

Banks were able to bolster their capital positions during 2020 - 2021 by raising equity through various modes, such as preferential allotment, qualified institutions placement (QIP), public issue, and capital infusion by the Government of India as well as through retention of profits. As a result, the CRAR of SCBs increased by 130 bps from 14.7% in March 2020 to 16.0% in March 2021, with PVBs improving their ratios even further. The tier-I leverage ratio, which is the ratio of tier 1 capital to total assets, improved marginally to 7.4% in March 2021 from 6.9% in March 2020, contributed by PVBs and FBs. (*Source: RBI Financial Stability Report (Issue No. 23), July 2021*)

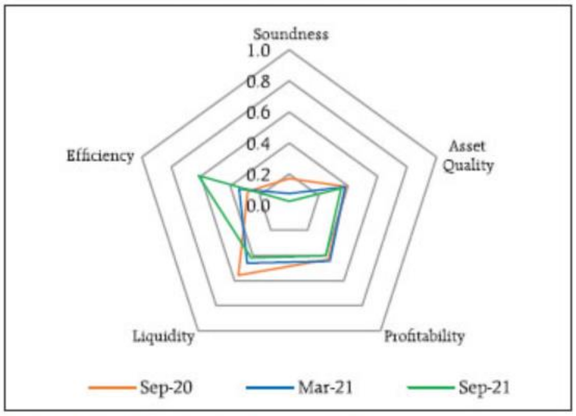
SCBs' GNPA ratios for two major sectors, viz., agriculture and industry declined during 2020-21, but rose for the personal loan sector. Within the industrial sector too, the ratio reduced for all the sub-sectors in March 2021 relative to a year ago. The share of large borrowers in the aggregate loan portfolio of SCBs stood at 52.7% in March 2021, but they accounted for a share of 77.9% of the total GNPAs (73.5% in September 2020). The GNPA ratio for large borrowers declined across all categories of banks from April to September 30, 2019 though there was a sequential uptick in the growth of loans in the SMA-1 category. SMA-2 category loans registered a sharp contraction after a significant chunk was recognised as NPAs following vacation of the freeze on asset classification. Even so, SMA-2 ratios of large borrowers of both PSBs and PVBs were higher vis-à-vis in March 2020 and in September 2020. The share of the top 100 large borrowers in aggregated SCBs' GNPAs declined year-on-year, but with a rising profile during 2020-21. (*Source: RBI Financial Stability Report (Issue No. 23), July 2021*)

SCBs' gross non-performing assets ("**GNPA**") ratio stood at 6.9% at end-September 2021. Concomitantly, their net NPA ("**NNPA**") ratio declined by 10 bps during the first half of Fiscal 2022. The annualised slippage ratio of SCBs inched up, with PVBs exhibiting a higher rate of deterioration in asset quality, and the provisioning coverage ratio ("**PCR**") moved up from 67.6% in March 2021 to 68.1% in September 2021. (*RBI Financial Stability Report (Issue No. 24), December 2021*)

Stability, Income and Profitability

The banking stability indicator (BSI), which indicates the changes in underlying conditions and risk factors of SCBs, showed improvement in soundness, asset quality, liquidity and profitability. The efficiency parameter worsened relative to the position in March 2021. Notably, the risk indicator for soundness was the least due to banks reporting high levels of the capital to risk weighted assets ratio (CRAR) as well as Tier I to Tier II ratios. (*Source: RBI Financial Stability Report (Issue No. 24), December 2021*)

Chart 1.52: Banking Stability Map



Note: Away from the centre signifies increase in risk.
Source: RBI supervisory returns and staff calculations.

Shift towards a Digital and Cashless Economy

The GoI is taking steps to promote a cashless economy such as its flagship 'Digital India' program, which envisions transforming India into a digitally empowered society and knowledge economy. As part of promoting cashless transactions, various modes of digital payment are available, including debit cards, credit cards, mobile banking, point of sale, unified payment interface and forex cards. For instance, the volume of immediate payment service ("**IMPS**"), National Electronic Funds Transfer ("**NEFT**") and Unified Payments Interface ("**UPI**") transfers were 257.92 crore, 274.45 crore, and 1,251.86 crore, respectively, in Fiscal 2020, up from 175.29 crore, 231.89 crore and 539.15 crore, respectively in Fiscal 2019. The value of IMPS, NEFT and UPI transfers were ₹ 23,375.41 crore, ₹ 229,455.80 crore and ₹ 21,317.30 crore, respectively, in Fiscal 2020, compared to ₹ 15,902.57 crore, ₹ 227,936.08 crore and ₹ 8,769.71 crore, respectively, in Fiscal 2019. (*Source: RBI Annual Report - 2019-2020*)

Following the withdrawal of certain bank notes from circulation in India in November 2016, there was a surge in bank deposits with a commensurate fall in currency in circulation. On a macroeconomic level, this demonetization measure had a dampening effect on inflation with a temporary loss of momentum in the growth of real gross value added, a factor in the RBI's decision to revise such growth downwards from 7.6% to 7.1% in Fiscal 2018. Although the impact of demonetization on the Indian economy is unclear, it is ultimately expected to transform the Indian economy in terms of greater intermediation and increasing efficiency gains through the adoption of digital modes of payment.

The Government is taking steps to promote a cashless economy such as its flagship Digital India program, which has a vision of transforming India into a digitally empowered society and knowledge economy. As part of promoting cashless transactions, various modes of digital payment are available, including:

- Debit cards;
- Credit cards;
- Mobile banking;
- Point of Sale;
- Unified Payment Interface; and
- Forex cards.

Future Outlook and Key Trends

Unprecedented policy support has contained the impairment of balance sheets of banks in India despite the dent in economic activity brought on by waves of the pandemic. Banks' performance and balance sheet quality have turned out to be better than anticipated at the beginning of the pandemic in terms of deposit growth, decline in GNPAs, capital adequacy and improved profitability. Stress tests indicate a limited impact of macroeconomic and other shocks on the Indian banking sector. Banks were largely shielded from the mark-to-market losses in their portfolios subject to fair valuation, also aided by the G-SAP of the RBI.

Downside risks nevertheless remain, with stress signals emanating from the build-up in SMA advances. Banks must prepare contingency strategies to deal with segment-specific asset quality pressures, especially when regulatory reliefs are eventually rolled back. Subdued credit growth in a low interest rate scenario could impact net interest income levels adversely.

Network analysis throws light on the dominant positions occupied by mutual funds and insurance companies as purveyors of funds and by NBFCs and HFCs as recipients in the financial system. As the inter-bank market continues to contract, amidst abundant liquidity conditions, contagion risks due to failure of banks have ebbed. On the other hand, contagion risks associated with the failure of NBFCs and HFCs remain significant, pointing to the need for continued vigilance to signs of incipient stress. *(Source: RBI Financial Stability Report (Issue No. 23), July 2021)*

Basel III Implementation

The RBI has issued guidelines based on the Basel III reforms on capital regulation to the extent applicable to banks operating in India. These guidelines require, among other things, higher levels of Tier I capital and common equity, capital conservation buffers, maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I and Tier II capital.

The RBI's Basel III Capital Regulations, which are more stringent than the requirements prescribed by earlier RBI guidelines, have been implemented in India in phases since April 1, 2013. The Basel III Capital Regulations were expected to be fully implemented by March 31, 2019. However, the RBI had deferred the final phase in of the capital conservation buffer ("CCB") of the Basel III Capital Regulations to March 31, 2020, which was further extended until September 30, 2020. Accordingly, in light of the COVID-19 pandemic, the RBI, by way of its notification dated September 29, 2020, deferred the implementation of the last tranche of 0.625% of the CCB from March 31, 2020 to April 1, 2021. In view of the continuing COVID-19-induced stress on the Indian economy and in order to aid the recovery process, the RBI decided, by way of its notification dated February 5, 2021, to defer the implementation of the last tranche of 0.625% of the CCB from April 1, 2021 to October 1, 2021. (*Source: RBI – Basel III Capital Regulations – Review of transitional arrangements dated February 5, 2021*)

In addition, the Basel III liquidity framework introduced the net stable funding ratio ("NFSR"), which measures the ratio between the available stable funding with maturities greater than one year and the required stable funding with maturities greater than one year to support long-term lending and other long-term assets. For banks in India, the RBI had released the final guidelines and prescribed an NSFR of at least 100% from April 1, 2020. However, in view of exceptional conditions due to COVID-19, the RBI, by way of its notifications dated March 27, 2020 and September 29, 2020, deferred its NSFR implementation to April 1, 2021. In view of the ongoing economic stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021. (*Source: RBI – Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR), February 5, 2021*)

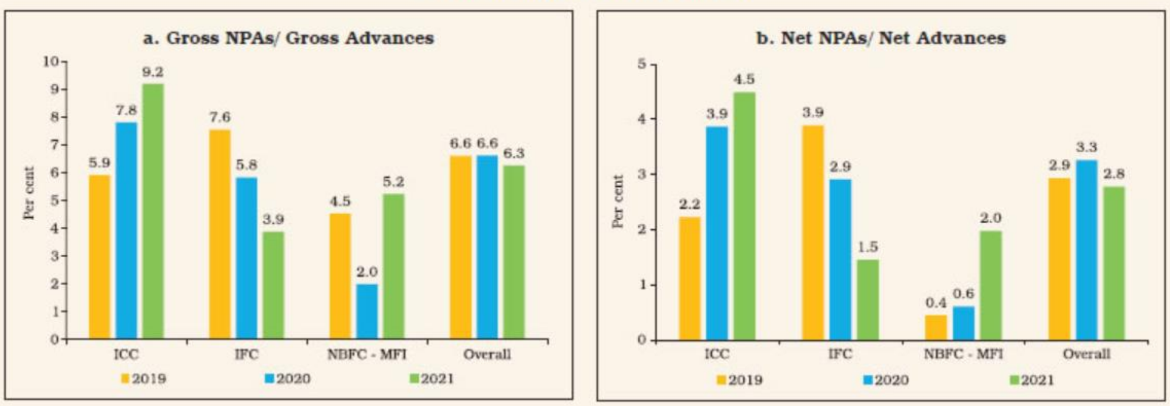
The minimum capital conservation ratios prescribed under the Master Circular - Basel III Capital Regulations dated July 1, 2015, as applicable to Indian banks from March 31, 2018, will also apply for a further period of six months from March 31, 2020 until the capital conservation buffer attains the level of 2.5% on September 30, 2020. (*Source: RBI – Basel III Capital Regulations – Review of transitional arrangements dated February 5, 2021*)

There has been steady progress in the implementation of Basel III norms across jurisdictions, albeit at varying speeds. Banks across systemic AEs and EMEs remained adequately capitalised. Except for Brazil, banks across major emerging market economies improved their capital adequacy in 2019. Banks in Indonesia continued to maintain the highest CRAR. Chinese banks strengthened their capital positions, particularly the small and medium sized ones. The capital adequacy of Russian banks improved in 2019, though they remained the lowest among EMEs. The CRARs of banks in India improved on the back of capital infusion in public sector banks by the Government and capital raising efforts by private sector banks. *(Source: Report on Trend and Progress of Banking in India, 2019-2020)*

Non-Performing Assets

NPAs can be categorised into sub-standard, doubtful and loss assets. In 2020-2021, a part of the sub-standard assets of a large NBFC returned to being standard, which led to a marginal improvement in asset quality. Among performing loans of NBFCs, 87.6% of loans were standard and rest were overdue but not NPAs in March 2021. Loans overdue in the first bucket viz., less than 30 days were the largest, but the position improved in 2021. The share of loans overdue for more than 60 days but less than 90 days doubled. In 2020-21, overall GNPA and NNPA ratios of NBFCs-ND-SI decreased but the quality of assets declined in the ICC and NBFC-MFI categories. On the other hand, asset quality of IFCs has improved with declines in GNPA and NNPA, reflective of better provisioning in the IFC segment. In the first half of Fiscal 2021, the GNPA and NNPA ratios of NBFCs-ND-SI rose. The sectoral distribution of NPAs of NBFCs point to a preponderant share of industry in the overall delinquent assets of the sector. Within the industrial sector, loans to large industry have a predominant share in NPAs. Vehicle loans have the largest share in retail loans. Large borrowal accounts (exposure of ₹5 crore and above) constituted 52.8% of NPAs and 44.9% of total loans of NBFCs at end-March 2021. The large increase in restructured standard advances of NBFCs are indicative of proactive measures to arrest the impact of the pandemic on loan books. *(Source: Report on Trend and Progress of Banking in India, 2020-2021)*

Chart VI.35: NPAs of NBFCs-ND-SI



Note: Data are provisional.
Source: Supervisory Returns, RBI.

Cashless and Digital Platforms

Digital influence in the Indian banking sector has been growing at a faster pace due to India's rising digital footprint. India's digital lending is expected to grow significantly in the near-future and, in response to this trend, Indian banks will increasingly need to develop their digital banking infrastructure to provide mobile and online services to their customers.

Regulatory measures on account of COVID-19

In response to the demand and supply side risks of the COVID-19 pandemic, the RBI has issued circulars, the Statement of Developmental and Regulatory Policies dated May 22, 2020 and Monetary Policy Statement, 2020-2021: Resolution of Monetary Policy Committee dated May 22, 2020 announcing certain regulatory measures set out below, with an aim to revive growth and mitigate the impact of the COVID-19 pandemic on business and financial institutions in India.

Measures to address liquidity concerns

- Liquidity amounting to ₹ 1.37 lakh crore was injected through variable rate repos of maturities ranging from overnight to 16 days in addition to the regular 14-day repos.
- Surplus liquidity of ₹ 284.4 lakh crore was absorbed through reverse repos of maturities ranging from overnight to 63 days during the year.
- RBI also injected durable liquidity of ₹ 1.1 lakh crore through purchase of securities under open market operations (OMOs) during the year. Effective from February 14, 2020, a new liquidity management framework was operationalized that refined the Reserve Bank's liquidity management operation, clearly communicated the objectives thereof and set out toolkit for liquidity management with a view to enhancing transparency, informing and stabilizing market expectations.
- The Reserve Bank conducted a USD/INR buy/sell swap auction of US$ 5 billion (₹ 34,874 crore) for a tenor of 3 years in April 2019 and two OMO purchase auctions in May 2019 amounting to ₹ 25,000 crore in order to inject durable liquidity into the system. In June 2019, the Reserve Bank conducted two OMO purchase auctions amounting to ₹ 27,500 crore.
- RBI expanded its liquidity management toolkit by conducting four longer term reverse repo auctions in November 2019 – two of 21 days and one each of 42 days and 35 days tenor –absorbing ₹ 78,934 crore. Four operation twists i.e., simultaneous purchase and sale of securities under special OMOs were also conducted between December 23, 2019 and January 23, 2020.
- CRR was reduced by 100 bps from 4.0% of net demand time liabilities ("**NDTL**"), to 3.0%, increasing liquidity in the system by ₹ 1.37 lakh crore.
- Widening the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility ("**LAF**") would be 40 bps lower than the policy repo rate. The MSF rate would continue to be 25 bps above the policy repo rate.

Additional measures announced on April 17, 2020

On April 17, 2020, the RBI cut the reverse repo rate to 3.75%, thereby further widening the policy rate corridor to 90 bps and liquidity coverage ratio ("**LCR**") was reduced from 100% to 80%. The RBI, by its circular dated April 17,2020, on the 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)', has stated that while banks are required to maintain LCR of 100% with effect from January 1, 2019, in order to accommodate the burden on the banks' cash flows on account of the COVID-19 pandemic, banks are permitted to maintain LCR as follows: (i) 80% from the date of the circular (being, April 17, 2020) to September 30, 2020, (ii) 90% from October 1, 2020 to March 31, 2021 and (iii) 100% with effect from April 1, 2021.

The RBI also announced additional set of TLTRO measures ("**TLTRO 2.0**") of ₹ 50,000 crores, with focus, among others, on NBFCs by reserving 50% of the amount for NBFCs with asset sizes between ₹ 500 crores and ₹ 5,000 crores, NBFCs with asset sizes less than ₹ 500 crores and Micro Finance Institutions ("**MFIs**").

Monetary Policy Committee ("MPC") Meetings

In its first bi-monthly meeting for Fiscal 2021, the MPC of the RBI announced a 40 basis point cut to the repo rate to 4.00%. Consequently, the reverse repo rate and MSF rate also were reduced to 3.35% and 4.25% respectively, maintaining the policy rate corridor at 90 bps. See "***- Developmental and regulatory policy measures by RBI (May, 2020)"*** below for additional measures announced by the RBI on May 22, 2020.

During April-September 2021, the MPC met thrice. In the April meeting, the MPC noted that supply side pressures on inflation could persist while demand-side pull remains moderate. On the GDP growth outlook, the jump in COVID-19 infections in certain parts of the country and the associated localised lockdowns were seen as dampening the demand for contact-intensive services, restraining growth impulses and prolonging the return to normalcy. In such an environment, the MPC observed that continued policy support remained necessary and unanimously voted to keep the policy repo rate unchanged and to continue with the accommodative stance as long as necessary to sustain growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remained within the target going forward.

In the June 2021 meeting, the MPC observed that the rising trajectory of international commodity prices, especially of crude, together with logistics costs, posed upside risks to the inflation outlook with weak demand conditions tempering the pass-through to core inflation. On the growth outlook, the MPC noted that the second wave of COVID-19 had altered the near-term outlook, and policy support from all sides – fiscal, monetary and sectoral – was required to nurture recovery and expedite return to normalcy. Accordingly, the MPC decided unanimously to maintain status quo on the policy repo rate and continue with the accommodative stance.

When the MPC met in August, headline inflation had breached the upper threshold for the second month in succession in June due to strong momentum in the May print running across all the major subgroups. The MPC assessed that the inflationary pressures were largely driven by transitory supply shocks while stressing that it was conscious of its objective of anchoring inflation expectations. On growth, the MPC noted that the outlook for aggregate demand was improving, but it was still weak and there was a large amount of slack in the economy, with output below its pre-pandemic level. It judged that the nascent and hesitant recovery needed to be nurtured. Accordingly, the MPC decided unanimously to keep the policy repo rate unchanged and on a 5 to 1 majority to continue with the accommodative stance.

The MPC's voting pattern on the policy repo rate setting during the first half of Fiscal 2022 reflected broader unanimity in members' assessments and expectations, mirroring the voting outcomes in a number of other central banks. *(Source: RBI Financial Stability Report (Issue No. 23), July 2021)*

The Monetary Policy Committee ("**MPC**") met on February 8-10, 2022 and based on an assessment of the current macroeconomic situation and the outlook, it voted unanimously to keep the policy repo rate unchanged at 4%. The MPC decided by a majority of 5 to 1 to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. The marginal standing facility ("**MSF**") rate and the Bank Rate remain unchanged at 4.25%. The reverse repo rate also remains unchanged at 3.35%.

The MPC flagged the potential downside risks to economic activity from the highly contagious Omicron variant. There is, however, some loss of momentum in economic activity as reflected in high frequency indicators such as purchasing managers' indices for both manufacturing and services, finished steel consumption and sales of tractors, two wheelers and passenger vehicles. The demand for contact-intensive services is still muted. Going forward, positive impulses for quickening the pace of recovery emanate from buoyant Rabi prospects, robust export demand, accommodative monetary and liquidity conditions, improving credit offtake, and the continued push on capital expenditure and infrastructure in the Union Budget 2022-23.

The MPC also noted that consumer price inflation has edged higher since its last meeting, but largely along anticipated lines. The increase in inflation in December was entirely due to unfavourable base effects despite month-on-month decline in prices. Large buffer stocks of cereals and effective supply side measures augur well for food inflation. Core inflation remains elevated, but demand-pull pressures are still muted. The renewed surge in international crude oil prices, however, needs close monitoring.

On balance, headline inflation is expected to peak in the fourth quarter of Fiscal 2021 within the tolerance band and then moderate closer to target in second half of Fiscal 2022, providing room for monetary policy to remain accommodative. At the same time, output is just barely above its pre-pandemic level, while private consumption is still lagging. Global headwinds are accentuating. Overall, taking into consideration the outlook for inflation and growth, in particular the comfort provided by the improving inflation outlook, the uncertainties related to Omicron and global spillovers, the MPC was of the view that continued policy support is warranted for a durable and broad-based recovery. (*Source: Governor's Statement on Monetary Policy Report 2022, February 10, 2022*)

COVID-19 Regulatory Package

Rescheduling of Payments – Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("**CC/OD**"), lending institutions were permitted to allow a deferment of another three months, from June 1, 2020 to August 31, 2020, for the recovery of interest applied in respect of all such facilities. Lending institutions were permitted, at their discretion, to convert the accumulated interest for the deferment period up to August 31, 2020 into a funded interest term loan ("**FITL**") repayable not later than March 31, 2021. (*Source: RBI Notification no. RBI/2019-20/244 dated May 23, 2020*)

All lending institutions were required to put in place a Board-approved policy to refund or adjust the 'interest on interest' charged to borrowers during the moratorium period, i.e., March 1, 2020 to August 31, 2020 – including borrowers who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. (*Source: RBI Notification no. RBI/2021-22/17 dated April 7, 2021*)

Declaration of dividends by banks (April, 2020)

In order to enable the banks to conserve capital to retain capacity to support the economy and absorb losses caused by the COVID-19 pandemic, and in order to strengthen the banks' balance sheets, while at the same time to support lending to the real economy, RBI has decided that banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. However the RBI circular dated April 22, 2021, commercial banks could pay dividends subject to the quantum of dividend being not more than 50% of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the circular issued by RBI dated May 4, 2005**.** (*Source: RBI Notification no. RBI/2021-22/23 dated April 22, 2021*)

Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets (April 2020)

In terms of paragraph 11 of the Prudential Framework on Resolution of Stressed Assets, lenders are required to implement a resolution plan in respect of entities in default within 180 days from the end of the 30-day Review Period. (*Source: RBI Notification dated June 7, 2019: "Prudential Framework for Resolution of Stressed Assets"*)

On review, the RBI decided that, in respect of accounts which were within the Review Period as on March 1, 2020, the period from March 1, 2020 to May 31, 2020 shall be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period was expected to resume from June 1, 2020, upon expiry of which the lenders would have the usual 180 days for resolution. However, the RBI decided to further, extend the aforesaid timeline of May 31, 2020 to August 31, 2020 and the timeline ending June 1, 2020 to September 1, 2020. (*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets" and RBI Notification dated May 23, 2020: "COVID-19 Regulatory Package - Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets"*)

In respect of accounts where the Review Period was ended but the 180-day resolution period had not expired as on March 1, 2020, the timeline for resolution was extended by 90 days (later extended by 180 days) from the date on which the 180-day period was originally set to expire. (*Source: RBI Notification dated April 17, 2020 (and May 23, 2020): "COVID-19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

Consequently, the requirement of making additional provisions specified in paragraph 17 of the Prudential Framework is to trigger as and when the extended resolution period, as stated above, expires. (*Source: RBI Notification dated May 23, 2020: "COVID-19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

In respect of all other accounts, the provisions of the RBI notification on COVID 19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets dated April 17, 2020 have been in force without any modifications. (*Source: RBI Notification dated May 23, 2020: "COVID-19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets"*)

Further, the lending institutions were required to make the relevant disclosures, in respect of accounts where the resolution period was extended, in the 'Notes to Accounts' while preparing their financial statements for the half year ending September 30, 2020 and Fiscals 2020 and Fiscal 2021. (*Source: RBI Notification dated April 17, 2020: "COVID-19 Regulatory Package - Review of Resolution Timelines Under the Prudential Framework on Resolution of Stressed Assets") COVID-19 Regulatory Package – Asset Classification and Provisioning (April 2020).*

Asset Classification and Provisioning (April, 2020)

Asset Classification under the Prudential norms on Income Recognition, Asset Classification ("IRAC")

In accordance with the RBI guidelines relating to Regulatory Package, the notification dated April 17, 2020 and clarification issued by the RBI through Indian Bankers Association dated May 6, 2020, lending institutions are permitted to exclude the moratorium period wherever granted in respect of term loans as stated above, from the number of days past-due for the purpose of asset classification under the IRAC norms, in respect of accounts classified as standard as on February 29, 2020, even if overdue.

Lending institutions are permitted to exclude deferment period on recovery of the interest applied, wherever granted as stated above, for the determination of out of order status, in respect of working capital facilities sanctioned in the form of CC/OD where the account is classified as standard, including SMA, as on February 29, 2020.

NBFC which are required to comply with Ind AS are required to continue to follow the guidelines duly approved by their board of directors and as prescribed by the ICAI Advisories for recognition of impairments.

Provisioning

In respect of accounts in default but standard, and for which asset classification benefit is extended, lending institutions were required to make general provisions of not less than 10% of the total outstanding of such accounts, to be phased over two quarters as under:

- the quarter ended March 31, 2020 - not less than 5%; or
- the quarter ended June 30, 2020 - not less than 5%.

The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts. (*Source: RBI Notification dated April 17, 2020: "COVID-19 Regulatory Package - Asset Classification and Provisioning"*)

The above provisions shall not be reckoned for arriving at net NPAs until they are adjusted against the actual provisioning requirements as under the paragraph above. Further, until such adjustments are made, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate. (*Source: RBI Notification dated April 17, 2020: "COVID-19 Regulatory Package - Asset Classification and Provisioning"*)

All other provisions required to be maintained by lending institutions, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner. (*Source: RBI Notification dated April 17, 2020: "COVID-19 Regulatory Package - Asset Classification and Provisioning"*)

Other Conditions

Lending institutions are required to disclose the following matters in the 'Notes to Accounts' while preparing their financial statements for the six months ending September 30, 2020 and Fiscals 2020 and 2021:

- amounts in SMA/overdue categories, where the moratorium/deferment was extended;
- amount where asset classification benefits is extended;
- provisions made during the fourth quarter of Fiscal 2020 and the three months ended June 30, 2020; and
- provisions adjusted during the respective accounting periods against slippages and the residual provisions.

(*Source: RBI Notification dated April 17, 2020: "COVID19 Regulatory Package - Asset Classification and Provisioning"*)

'AtmaNirbhar Bharat' Reforms (May, 2020)

During the period from May 12, 2020 to May 17, 2020, the Union Government, announced several measures across sectors as a part of an economic package to mitigate the impact of the COVID-19 pandemic. The relevant measures with respect to banking and credit are set out below:

Collateral free loans for MSMEs

- Small and medium enterprises will be offered collateral-free automatic loans of up to ₹ 3 lakh crores up to 20% of the entire outstanding credit.
- MSME borrowers with ₹ 250,000 outstanding loans and a turnover of ₹ 100 crores will be eligible.
- Loans will have a 4-year tenor and a principal moratorium will be given for 12 months.
- Interest will be capped.
- 100% credit guarantee will be given to banks and NBFCs by the Government on the principal and interest amount of the loans.

Subordinate debt for stressed MSMEs

Liquidity support of up to ₹ 20,000 crores, in the form of subordinate debt is provided for stressed MSMEs. All functioning MSMEs, which are NPA or stressed, will be eligible for such support. Further, support of ₹ 4,000 crores is available to the Credit Guarantee Fund Trust for Micro and Small Enterprises which will then provide partial credit guarantee to banks. The promoters will be given debt by banks, which will then be infused by promoters as equity.

Expansion of partial credit guarantee scheme for NBFCs

The scope of the partial credit guarantee scheme for NBFCs has been widened. First 20% of the loss will be guaranteed by the Government. Instruments with ratings AA and below including unrated instruments are eligible for investment. This scheme is intended to result in liquidity infusion of ₹ 45,000 crores.

Special credit facility for Street Vendors

A special scheme to facilitate easy access to credit for street vendors was launched in May 2020. Under this facility an initial working capital of up to ₹ 10,000 will be provided to the street vendors to restart their businesses which have been adversely impacted by the COVID-19 pandemic related lockdown. This facility aims to support 50 lakh street vendors and will provide liquidity of up to ₹ 5,000 crores. Digital payments will also be incentivized through monetary rewards and enhanced working capital credit will be given for good repayment behavior.

Extension of credit linked subsidy scheme for housing

Credit linked subsidy scheme for those earning between ₹ 600,000 to ₹ 18 lakhs per annum has been extended until March 2021. The scheme provides a subsidy to middle-income earners on affordable home loan interest rates. Approximately 3.3 lakh families have benefitted from this scheme and the extension will benefit another 2.5 lakh middle-income families. This is expected to lead to an investment of over ₹ 70,000 crore in the housing sector.

Credit to farmers

- NABARD to extend ₹ 30,000 crores of additional refinance support for rural cooperative banks and regional rural banks, which is the main source of credit for small and marginal farmers. This support is over and above the amount of ₹ 90,000 crores which is to be provided by NABARD through the normal refinance route in Fiscal 2021. Funding to 33 state cooperative banks, 351 district cooperative banks and 43 regional rural banks is available on tap based lending.
- Concessional credit: Special drive will be undertaken to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. This facility is expected to benefit farmers, with credit flow of approximately ₹ 2 lakh crores. Farmers involved in animal husbandry and fisheries are also eligible for this credit.

Ease of doing business through IBC related measures

In order to benefit the MSMEs, threshold to initiate insolvency proceedings has been increased from ₹ 100,000 to ₹ 1 crore. Fresh initiation of insolvency proceedings may be suspended up to 1 year. COVID-19 related debt is excluded from the definition of default for the purpose of triggering insolvency proceedings *(Source: Government of India, Atmanirbhar Bharat, May 13 to May 17, 2020).*

Announcement of ₹ 50,000 crores Special Liquidity Facility for Mutual Funds (April, 2020)

On April 27, 2020, with a view to easing liquidity pressures on mutual funds, the RBI opened a special liquidity facility for mutual funds. Under such facility, the RBI would conduct repo operations of 90 days' tenor at the fixed repo rate in an on-tap and open-ended manner, starting April 27, 2020 up to May 11, 2020 or up to utilization of the allocated amount, whichever was earlier. Funds availed under this facility are to be used by banks exclusively for meeting the liquidity requirements of mutual funds by extending loans and outright purchase of and/or repos against the collateral of investment grade corporate bonds, commercial papers, debentures and certificates of Deposit CDs held by mutual funds. Liquidity support availed under this facility will be classified as HTM even in excess of 25.0% of total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be considered under the large exposure framework or for computation of adjusted non-food bank credit for determining priority sector targets/sub-targets and will be exempt from banks' capital market exposure limits *(Source: RBI, Press Release, April 27, 2020)*.

Developmental and regulatory policy measures by RBI (May, 2020)

In addition to the measures described above, on May 22, 2020, the RBI announced additional policy measures, including:

- Banks are permitted to increase their exposure to a group of connected counterparties to 30% from 25% of the eligible capital base of the bank, with the increased limit applicable up to June 30, 2021.
- Measures to improve function of markets:
- Re-financing facility for SIDBI of ₹ 15,000 crores to be rolled over for another 90 days to provide greater flexibility to SIDBI in its operations.
- FPIs, for their debt investments under the Voluntary Retention Route, allowed three additional months to fulfil the condition that at least 75% of allotted limits be invested within three months.

Other additional measures included an increase in permissible time period for export credit, extension of a line of credit to the EXIM Bank, extension of time for remittances of imports (excluding gold/ diamonds, precious stones and jewellery) and relaxation of rules for states with respect to their withdrawals from the consolidated sinking fund.

Term Liquidity Facility of ₹50,000 crore (May 2021)

A term liquidity facility of ₹50,000 crore to ease access to emergency health services was rolled out by the RBI to enable for the ramping up of COVID-19 related healthcare infrastructure and services in India. This facility is being opened until March 31, 2022. Banks are incentivised to make advances under the facility through the extension of priority sector classification to such lending. (*Source: RBI Press Release on On-Tap Term Liquidity*

Facility to Ease Access to Emergency Health Services dated May 7, 2021)

Credit to MSME Entrepreneur (May 2021)

Scheduled commercial banks are allowed to deduct the amount equivalent to credit disbursed to 'New MSME borrowers' from their net demand and time liabilities for the calculation of their cash reserve ratio. (*Source: RBI Notification on Credit to MSME Entrepreneurs dated May 5, 2021)*

Resolution Framework 2.0 for COVID Related Stressed Assets of Individuals, Small Businesses and MSMEs (May 2021)

With the objective of alleviating the potential stress to individual borrowers and small businesses, the RBI has further announced set of measures vide a notification dated May 5, 2021 that are broadly in line with the contours of the Resolution Framework - 1.0. The RBI has permitted lending institutions 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 upon implementation of the resolution plan subject to certain conditions. (*RBI Notification on Resolution Framework – 2.0: Resolution of COVID-19-related Stress of Individuals and Small Businesses dated May 5,2021)*

Resolution Framework for COVID-19-related Stress – Financial Parameters – Revised timelines for compliance

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, DSCR

and ADSCR, to October 1, 2022. The key ratios consisted of four operational ratios, viz., Total Debt / EBITDA, Current Ratio, Debt Service Coverage Ratio (DSCR) and Average Debt Service Coverage Ratio, along with the ratio Total Outside Liabilities / Adjusted Tangible Net Worth representing the debt-equity mix of the borrower post implementation of the resolution plan. Further, 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 *(Source: RBI Circular on Resolution Framework for COVID-19-related Stress – Financial Parameters – Revised timelines for compliance dated August 6, 2021).*

Utilisation of Floating Provisions and Countercyclical Provisioning Buffer (May 2021)

Banks are allowed to utilize 100% of the floating provisions/countercyclical provisioning buffer held by them as

on December 31, 2020 for making specific provisions for NPAs with prior approval of their board of directors. Such utilisation is permitted up to March 31, 2022. (*Source: RBI Notification on Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer dated May 5, 2021)*

Outlook

With the ebbing of the second wave of COVID-19, a phased relaxation of the pandemic-related localized restrictions, and improving vaccine coverage, economic activity has been normalising gradually since June 2021. Looking ahead, prospects for the agricultural sector and rural demand look promising, supported by the late revival in kharif sowing. Urban demand is also likely to accelerate with the release of pent-up demand, aided by the significant expansion in the pace of vaccination since July and improving consumer confidence – as of October 6, 2021, nearly 27% of India's adult population has been fully vaccinated, while 71% has received one dose. This augurs well for the sustenance of contact-intensive activities and consumption demand. The government's focus on capital expenditure and continued reform push, large foreign direct investment flows, congenial monetary and financial conditions, and boom in the initial public offerings provide a conducive environment for investment activity. *(Source: Monetary Policy Report, October 2021)*

Going forward, government's thrust on capital expenditure and exports are expected to enhance productive capacity and strengthen aggregate demand. This would also crowd in private investment. The conducive financial conditions engendered by the RBI's policy actions will provide impetus to investment activity. The surveys done by the RBI reveal that capacity utilisation is rising, and the outlook on business and consumer confidence remain in optimistic territory, which should support investment as well as consumption demand. The prospects for agriculture have brightened on good progress of winter crop sowing. Overall, there is some loss of the momentum of near-term growth while global factors are turning adverse. Looking ahead, domestic growth drivers are gradually improving. Accordingly, the emphasis is shifting to targeted containment strategies and a push towards universal vaccination and booster doses. This approach is being complemented by increased adoption of technology in workplaces and in day-to-day lives. The effort is to limit the extent of disruptions to economic activity. *(Source: Governor's Statement on Monetary Policy Report 2022, February 10, 2022)*

OUR BUSINESS

Some of the information in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" on page 13 for a discussion of the risks and uncertainties related to those statements. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Also see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Affecting our Results of Operations and Financial Condition" on pages 38 and 278, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context otherwise requires, the financial information included herein is based on or derived from our Audited Financial Statements and Unaudited Condensed Interim Financial Statements included in this Preliminary Placement Document. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 81 and 277, respectively. Unless the context otherwise requires, in this section, references to "we", "us", "our", "the Bank" or "our Bank" refers to Equitas Small Finance Bank Limited.

Unless otherwise indicated, industry and market data used in this section has been derived from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India, the National Payments Corporation of India and the Indian Banks' Association. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the latest RBI Annual Reports, RBI Monetary Policy Report, RBI Report on Trend and Progress of Banking in India and the accompanying Explanatory Notes, Financial Stability Report and Statistical Tables Relating to Banks in India available at http://www.rbi.org.in. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.

Overview

We are a small finance bank ("**SFB**") that transitioned from a diversified non-banking finance company ("**NBFC**"). We offer a range of banking products and services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, with our group beginning operations in 2007 as an NBFC providing microfinance loans through EMFL. We have been providing housing finance since 2011 through EHFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

Our focus customer segments include individuals with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We offer a range of financial products and services that address the specific requirements of these customer segments by taking into account their income profile, nature of business and type of security available. Our asset products are suited to a range of customers with varying profiles. These include provision of small business loans comprising LAPs, housing loans, and agriculture loans to micro-entrepreneurs, microfinance to JLGs predominantly comprising women, used and new commercial vehicle loans to drivers and micro-entrepreneurs typically engaged in logistics, MSE loans to proprietorships, and NBFC financing. On the liability side, our target customers comprise mass and mass-affluent individuals to whom we offer current accounts, salary accounts, savings accounts, and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, third party insurance, mutual fund products, 3-in-1 Account, ASBA facility and issuance of FASTags.

Our Gross Advances (including IBPC issued) have grown from ₹11,704.29 crores as of March 31, 2019 to ₹15,366.95 crores as of March 31, 2020, and to ₹17,924.55 crores as of March 31, 2021 and were ₹19,687.30 crores as of December 31, 2021. Of our Gross Advances (including IBPC issued), secured advances constituted 70.72% as of March 31, 2019, and increased to 75.39% as of March 31, 2020 and further increased to 81.37% as of March 31, 2021 and was 80.83% as of December 31, 2021.

As of December 31, 2021, our CASA ratio and retail deposits to overall total deposits ratio was 50.80% and 79.56%, respectively. Further, our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and subordinated debt have both been rated CRISIL A+/ Stable. We believe our widespread and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.13%, 7.97%, 7.43% and 6.91% (annualized)/ 5.18% (unannualized) as of March 31, 2019, 2020 and 2021 and as of December 31, 2021, respectively.

As of December 31, 2021, our distribution channels comprised 860 Banking Outlets and 336 ATMs across 17 states and union territories in India.

We also distribute products through digital channels, and leverage technology to identify opportunities to better serve our target customer segment. In order to increase our digital footprint, we have set-up a separate digital banking unit and going forward we will focus on partnering with neo banks, collaboration with fintech programs, building digital assets, and will also focus on internal digitization projects for process efficiency and enhancements.

The table below sets forth certain performance metrics of our Bank for the periods and as of the dates indicated:

Metric	**As of and for the year ended March 31,**			**As of and for the nine months ended December 31,**
	2019	**2020**	**2021**	**2021**
	(₹crores, except percentages)			
Total Disbursements	8,578.31	9,911.07	7,463.50	7,269.89
Retail Deposits	1,636.25	3,811.29	5,868.84	7,000.06
CASA(1)	2,274.26	2,208.22	5,613.83	9,084.83
CASA Ratio(2)	25.25%	20.47%	34.25%	50.80%
Net profit for the period / year	210.56	243.63	384.22	161.22
Net Interest Income(3)	1,151.73	1,495.30	1,797.96	1,485.68
Net Interest Margin(4)	8.55%	9.12%	8.45%	8.39% [6.29%]*
Cost to Income Ratio(5)	70.30%	66.38%	59.99%	68.65%
Debt Equity Ratio	5.76	5.80	6.05	5.77
CRAR	22.44%	23.61%	24.18%	21.91%
Common Equity Tier 1 Capital Ratio	20.92%	22.44%	23.23%	20.66%
Net worth(6)	2,254.32	2,744.15	3,396.34	3,582.68
GNPA Ratio(7)	2.53%	2.72%	3.59%	4.39%
Net NPA to net Advance (%)	1.44%	1.67%	1.58%	2.51%
Provision coverage ratio(8)	43.38%	45.22%	58.59%	46.81%
Return on Assets(9)	1.45%	1.39%	1.70%	0.85% [0.64%]*
Net Profit as a Percentage of Average Shareholders' Equity	9.85%	9.84%	12.70%	6.20% [4.65%]*

**annualized, and figures in square brackets represent unannualized figures*

1. *Current Account and Saving Account (CASA) is the sum of demand deposit and savings bank deposits.*
2. *CASA ratio is the ratio of CASA to total deposits.*
3. *Net Interest Income is difference of interest earned and interest expended.*
4. *Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of quarterly average.*

5. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total operating is net of net interest income and non-interest income).*
6. *Net Worth represent sum of capital and reserve excluding capital reserve.*
7. *GNPA Ratio is calculated by dividing Gross NPA by Gross Advances (including IBPC issued).*
8. *Provision held as a percentage of Gross Advances.*
9. *Return on Assets is calculated as a ratio of net profit divided by the total average assets of the relevant period. .*

We sponsor social initiatives in specific regions and communities. We believe these initiatives, while carried out for the benefit of the communities, tend to foster customer loyalty and improve our visibility in these regions, thereby increasing the likelihood that customers will approach us for their general banking and financial needs. We will continue to build our brand and develop a wide range of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. To achieve this, we intend to increase the use of technology in our operations, by monetizing our back-end banking capabilities and applying data analytics to gather a deeper understanding of the segments we serve. We believe this will supplement our ongoing efforts to reduce costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking.

Strengths

Customer centric organization with a deep understanding of the unserved and underserved customer segments

We are an SFB offering a range of banking services to customers with a focus on serving the financially unserved and underserved customer segments in India. Our strength lies in promoting financial inclusion within these segments, beginning from our operations in 2007 as an NBFC providing microfinance loans through EMFL. We have also been providing vehicle finance and MSE finance through the Erstwhile NBFC that received its asset finance license in 2012, primarily to economically disadvantaged households. While our business model has transitioned over the years, the provision of sustainable credit to unserved and underserved segments has remained our core focus.

We have gained a deep understanding of the market over the years that enables us to meet the financing requirements of potential customers. We believe customers prefer a single source for multiple financial services, and have accordingly customized a range of credit and non-credit products and services to address a variety of financing requirements, including through specialized products such as small-ticket recurring deposits to promote savings within these customer segments, and distribution of insurance policies such as ‘hospital daily cash benefit’, a type of insurance product to cover emergency medical expenses of our customers. We also develop products to match the growth cycle of our target customer base. For instance, our microfinance customers tend to require micro-LAP loans, and as their enterprises mature, will be able to obtain MSE loans/ working capital loans. Our focus on serving the unserved and underserved segments also enables us to comply with RBI’s requirements for SFBs including meeting “priority sector” lending requirements. We undertake research on various segments within these markets to understand their borrowing profile in the absence of formal documentation. For instance, based on our experience in serving the underserved segments we are able to assess the income profile and potential repayment ability of households.

We similarly have a range of savings and investment options for our customers. For instance, our savings options include recurring deposits that can conveniently be encashed to cater to the preferred mode of our customers. Our engagement with our target customer segments and understanding of related socio-economic dynamics allows us to establish effective credit and operational procedures, identify potential market demand, and leverage our existing operating network to introduce new products, increase our customer base, and grow our product portfolio. In particular, our credit analysis and valuation methodology requires market knowledge and practical experience developed over a period of time, which we believe is difficult to replicate.

Comprehensive range of financing solutions across customer segment

We have been able to successfully diversify our loan portfolio and significantly reduce our dependence on our microfinance business.

Our asset products include provision of small business loans comprising LAPs, housing loans, agriculture loans, microfinance to JLGs, used, new commercial vehicle loans and used passenger car loans, gold loans, MSE loans, and

NBFC financing. The table below sets forth our Gross Advances (including IBPC issued) by product as of March 31, 2019, 2020 and 2021 and as of December 31, 2021:

	As of March 31,						As of December 31, 2021	
	2019		2020		2021			
	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total
Small Business Loans (including housing finance)	4,577.13	39.11%	6,279.44	40.86%	7,971.62	44.47%	8,918.91	45.30%
Small Business Loans	3,672.80	31.38%	4,994.91	32.50%	6,228.31	34.75%	6,823.66	34.66%
Housing Finance	376.59	3.22%	604.19	3.93%	958.63	5.35%	1,310.36	6.66%
Agriculture Loans	527.74	4.51%	680.34	4.43%	784.68	4.38%	784.89	3.99%
Micro Finance	3,069.60	26.23%	3,616.16	23.53%	3,235.73	18.05%	3,694.61	18.77%
Vehicle Finance	2,951.20	25.20%	3,759.98	24.47%	4,523.80	25.24%	4,845.61	24.61%
Used Commercial Vehicles[#]	2,259.55	19.31%	2,625.11	17.08%	2,964.30	16.54%	3,126.58	15.88%
New Commercial Vehicles	691.65	5.90%	1,134.87	7.39%	1,559.50	8.70%	1,719.03	8.73%
MSE Finance (Working Capital)	180.86	1.55%	669.41	4.36%	1,179.02	6.58%	1,193.68	6.06%
NBFC Financing	455.96	3.90%	818.12	5.32%	789.22	4.40%	817.38	4.15%
Others[*]	469.54	4.00%	223.84	1.46%	225.16	1.26%	217.11	1.10%
Total Gross Advances (including IBPC issued)	11,704.29	100.00%	15,366.95	100.00%	17,924.55	100.00%	19,687.30	100.00%

[*]Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.
[#]Note: Used Commercial Vehicles includes used passenger vehicle loans.

We assess the track record of our existing customers to advance higher credit to meet their specific financial requirements, thereby further customizing few of our products. For instance, our used commercial vehicle loan customers can avail top-up loans based on their repayment track record to finance repair work or purchase replacement parts.

This approach has also resulted in the growth of our gross secured loan product portfolio, which has grown at a CAGR of 32.75% from ₹8,277.35 crore as of March 31, 2019 to ₹14,585.87 crore as of March 31, 2021, and was ₹15,912.54 crore as of December 31, 2021. We provide funding to sectors identified by the government as ‘priority sectors’ with specific focus on products to the MSE sector. Our priority sector portfolio consists of agriculture, MSE, housing, vehicle finance and micro credit. We believe that owing to our diversified asset base, we are relatively insulated from counter cyclical impacts across economic cycles. We also believe that each of our product lines is well positioned to grow, creating a foundation of stability, sustainability and scalability for our operations.

Strong retail liability portfolio with a strategic distribution network

Our total deposits have grown at a CAGR of 34.91% from ₹9,006.74 crore as of March 31, 2019 to ₹16,391.97 crore as of March 31, 2021, and was ₹ 17,883.64 crores as of December 31, 2021. We offer a variety of demand deposits and savings bank account options including deposits and other services through which our customers can realize their savings goals. These deposits are primarily sourced from mass and mass-affluent customer segments, which has enabled low cost of funding opportunities and has been a source of strength for our liability portfolio. Our retail deposit has grown at a CAGR of 89.39% from ₹1,636.25 crore as of March 31, 2019 to ₹5,868.84 crore as of March 31, 2021 and was ₹7,000.06 crore as of December 31, 2021. The ratio of our retail deposits to total term deposits in Fiscal 2019, 2020 and 2021 and the nine months ended December 31, 2021 was 24.30%, 44.42%, 54.45% and 79.56%, respectively. We believe that retail deposits have significant advantages including greater customer retention and cross-selling opportunities. Demand deposits, savings account and term deposits represented 2.97%, 47.83%, and 49.20% of our total deposits, respectively, as of December 31, 2021. Our CASA has grown at a CAGR of 57.11 % from ₹2,274.26 crore as of March 31, 2019 to ₹5,613.83 crore as of March 31, 2021, and was ₹ 9,084.83 crore as of December 31, 2021. Our CASA ratio was 25.25%, 20.47%, 34.25% and 50.80%, as of March 31, 2019, 2020, 2021 and December 31, 2021. We believe our diversified and stable retail deposit base enables us to access low cost funding, as reflected in our cost of funds (calculated as interest expense divided by average interest-bearing liabilities), which was 8.13%, 7.97%, 7.43% and 6.91% (annualized)/ 5.18% (unannualized) as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively.

Our liability customers predominantly belong to mass and mass-affluent segments. In order to complement the profile of these customers, certain of our Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs and cash deposit machines. As of December 31, 2021, our deposit base was spread across 17 states and union territories in India, through a network of 860 Banking Outlets and 336 ATMs. We believe our strong brand equity associated with our name "Equitas", which we believe translates to fair and transparent, has partially aided the growth of our liability franchise, coupled with our social initiatives and marketing efforts that have improved visibility of our brand. Our distribution network and range of payment and transaction channels, including our network of ATMs and cash recyclers, and digital banking channels enables our mass and mass-affluent customers to use their demand deposits and savings accounts with us as their primary transaction accounts.

Customized credit assessment procedures for effective credit risk management

We apply different credit assessment procedures based on the products we offer. For instance, sanctioning small business loans involves telephonic checks with the potential customer, followed by in-person meetings by the senior loan officer to understand the business, cash flows and other parameters based on which a proposal is prepared. The senior loan officer's proposal is scrutinized and in certain circumstances, reassessed to check for discrepancies, if any. For vehicle loans, we also undertake inspections of the vehicle through an independent expert, to verify registration information, condition of the vehicle and market value. We additionally apply a proprietary discounted cash flow model, which is adjusted based on the income profile of the customer and type of product. For further information on our differentiated credit assessment approach, see " – *Description of our Business*" on page 344.

We also have a risk management framework to identify, measure, monitor and manage credit, market and operational risks including IT security risk. The framework is aimed at protecting our Bank's financial strength and reputation, and ensures that our risk management operations are independent of our business operations, through various policies, procedures and allocation of responsibilities. The framework is monitored by our Board through its Risk Management Committee, and at the management level by the Asset Liability Committee, Review Committee for Identification of Wilful Defaulters, Special Committee for Monitoring High Value Frauds, Credit Risk Management Committee, Operational Risk Management Committee, and the Information and Cyber Security Risk Management Committee, and Executive Risk Management Committee, which are comprised and supported by members of our senior management team.

Our risk management and credit evaluation processes, together with our ability to evaluate risk, have enabled us to contain our level of NPAs, restructured standard asset and special mention accounts category 2 levels. As of December 31, 2021, our Gross NPAs were ₹863.82 crore, or 4.39% of our Gross Advances (including IBPC issued), and Net

NPAs were ₹459.42 crore, or 2.51% of our net Advances. Information on our product-wise Gross NPAs as of December 31, 2021 is set forth in the table below:

	As of December 31, 2021	
	(₹crore)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Small Business Loans (including housing finance)	313.19	3.51%
Small Business Loans	247.99	3.63%
Housing Finance	31.66	2.42%
Agriculture Loans	33.55	4.27%
Micro Finance	223.68	6.05%
Vehicle Finance	206.25	4.26%
Used Commercial Vehicles[#]	170.91	5.47%
New Commercial Vehicles	35.34	2.06%
MSE Finance (Working Capital)	60.99	5.11%
NBFC Financing	4.78	0.58%
Others[*]	54.92	25.29%
Gross NPA	863.82	4.39%

[#]*Note: Used Commercial Vehicles includes used passenger vehicle loans.*
[*]*Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Our certificate of deposits programme has been rated CRISIL A1+ by CRISIL Limited and our long-term borrowings and subordinated debt have both been rated CRISIL A+/ Stable.

Technology as an enabler to drive operating procedures

We leverage technology to identify opportunities, and deliver products and services to our target customer segment. We have created a paperless onboarding process for originating microfinance loans, opening savings bank accounts and fixed deposits. We have introduced 'Pragati Card' a QR code (Quick Response Code) based payment enquiry solution for our microfinance customers for disbursements made subsequent to October 2020 when we first introduced the Pragati card. This empowers the customers to scan and view payment and loan account related information *via* a smart phone instantly without the need to contact branch staff/ call center. 'Pragati Card' has replaced the erstwhile process of collection stickers and is currently seen by customers as a digital passbook that gives real time payment information. It reduces operational cost of printing stickers for the Bank and increases the productivity of the RM since it saves the sticker receipt pasting time which is now utilized in cross selling other banking products offered by us.

We have made significant investments in building technology platforms and in Fiscal 2020, 2021 and in the nine months ended December 31, 2021, we invested ₹41.53 crore, ₹21.45 crore and ₹8.50 crore, respectively, on technology initiatives. To this end, we have introduced facial recognition features for transaction authentication in our mobile banking application. The facial recognition feature eliminates the use of passwords and other accessibility hindrances that are typically challenging for the customers we cater to, while ensuring security of data and supervised use of the application.

Our internet and mobile banking platforms offer an integrated digital wealth management platform with various investment options and added features to track these investments. We offer ASBA facility through internet banking, mobile banking and UPI for our customers. ASBA is a mandatory process required by SEBI for applying to public issues. We also typically install cash recyclers at our Banking Outlets through which customers can withdraw and deposit cash at any time.

Our backend operations including core banking system, customer relationship management systems, anti-money laundering monitoring systems, and loan monitoring systems are also automated and supported by robotic process automation. We have also deployed API integration software to increase operating efficiencies between our various applications. As a result, we have been able to collaborate with fintech companies to enable them to provide their services by monetizing our digital assets and back-end operations.

Professional management, experienced leadership and trained employee base

Our senior management team has significant experience in the financial services industry and has been instrumental in developing and implementing our business strategy and commitment to fair and transparent business practices. Our senior management team has a diversified track record in the financial services industry. Our MD and CEO, Vasudevan Pathangi Narasimhan has over two decades of experience in the financial services sector in various capacities, including as head of consumer banking, and vice president and head of vehicle finance in different financial services entities. He has also held the position of chairman of the managing committee of the South India Hire Purchase Association for Fiscal 2006.

Our Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry. Our Board level committees, viz., Audit Committee, the Risk Management Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Policy Formulation Committee, Business Committee, Outsourcing Committee, IT Strategy Committee, Credit Committee, Customer Service Committee, Special Committee for Monitoring High Value Frauds, and at present, a Committee of Independent Directors , work in tandem. Our Board also comprises experienced Non-Executive Independent Directors who constitute a majority of our Board.

Strategies

Leveraging on our existing network for deepening penetration and driving operational efficiency

We have over the years made significant investments in expanding our network of Banking Outlets and associated support structures, including network of ATMs, technology infrastructure, and employee training activities. These resources have enabled us to gain visibility in certain key regions, establish a trained employee base, and expand our customer base for asset side and liability side products. We now intend to leverage these functions to further grow our banking operations. In order to achieve this, we intend to further cross-sell our liability products such as recurring deposits to our asset side customers primarily comprising microfinance customers. For instance, we offer simplified processes for existing asset side customers to open recurring deposits. We will continue to explore similar incentives to capitalize on such cross-selling opportunities. We also propose to deploy our trained employee base comprising credit, legal and collection teams to support and improve distribution of our recently launched asset products including new commercial vehicle finance loans and working capital loans.

We will primarily focus on improving productivity across all our channels. We seek to improve monthly deposit generation and customer acquisition at our Banking Outlets that we have established with features such as instant account opening, customer service resources, mobile and banking applications with enhanced features and other value added services to attract mass and mass-affluent customers. We also intend to increase distribution of third party products by offering and marketing them across all our channels, including Banking Outlets and digital channels. Our aim is to reduce the Cost to Income ratio which was 59.99% and 68.65% as of March 31, 2021 and December 31, 2021, respectively, by leveraging our existing infrastructure of Banking Outlets and large customer base to cross-sell our range of products. We believe that by deepening penetration in our existing markets, we will be able to cross-sell existing products and launch new products by using limited resources and in relatively short periods, as compared to newer markets.

Strengthen liability franchise and focus on increasing our retail base to further improve cost of funds

We intend to strengthen our liability franchise with a focus on growing our retail deposit and CASA deposit to provide us with a stable and low-cost source of funding. We aim to achieve this by attracting greater retail deposits from our customer segments, and particularly the mass and mass-affluent customer segments. For instance, we have launched differentiated CASA products for various types of customers, such as the 'Wings Account' for mass-affluent depositors and 'Elite Programme' for higher income households. As of December 31, 2021, our deposits of ₹17,883.64 crore represented 86.52% of our overall funding profile. Our retail deposits represented 24.30%, 44.42%, 54.45% and 79.56% of our total term deposits as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively. Our CASA ratio was 25.25%, 20.47%, 34.25% and 50.80% as of March 31, 2019, 2020, 2021 and December 31, 2021, respectively. As a result, our cost of funds were 7.97% and 7.43% in Fiscal 2020 and 2021, respectively, and was 6.91% (annualized)/ 5.18% (unannualized) in the nine months ended December 31, 2021.

We intend to further expand our retail deposit base by carrying out marketing and brand building activities, undertaking measured expansion of our Banking Outlets and by offering digital savings and deposit products through internet and mobile banking. For instance, we introduced an online account called 'Selfie Digital Savings Account', which enables potential customers to open a bank account online. Similar such technology solutions for other deposit products will enable us to acquire new customers and also provide our existing customers with a convenient banking experience to meet the needs of their particular demographics. We believe this shift will enable us to access diversified and low cost funds. We have identified the mass and mass-affluent customer segments as our primary sources of deposits, and have developed a range of saving accounts, current accounts, and recurring deposits along with services such as wealth management for facilitating mutual fund investments. We propose to establish specialized teams for our liability products, such as for current accounts and savings accounts, to specifically focus on different customer profiles within our target segments. We believe this together with our personalized customer services will help us increase wallet share from existing customers and gain further recognition in this space.

We also propose to meet a majority of our funding requirements through CASA deposits and recurring and fixed deposits by building a sticky deposit base and attracting new customers whose primary avenues of savings and capital building currently include the unorganized sector and other high-risk savings schemes. We believe that our existing Banking Outlets, as they mature, will continue to be a source of additional new deposits and lead to a diverse funding base.

Leverage data for analytics to drive operational efficiency

We intend to continue to invest in technology as a means of improving our customers' banking experience and offer them a range of products tailored to their financial needs. We intend to develop such tailored products with the help of data analytics. The data we have collected over the years and continue to collect relating to cash flows, credit and demographic behaviors of our customer segments can be applied to derive a granular understanding of the banking trends of such customer segments. As a large portion of our customers are first-time borrowers, relying solely on credit bureaus for credit decisions is inadequate, and we are mandated by our internal policies to additionally apply our extensive knowledge of the segment. We therefore intend to increase our focus on applying the data we have gathered over the years by creating customized analytical decision models that leverage machine learning to support underwriting and collection procedures.

We propose to capitalize on the opportunity presented, in terms of aggregating data to derive business intelligence including banking trends in various communities, and leverage this to monitor business performance at a unit level with limited manual intervention. We intend to develop digital dashboards and other tools to efficiently track loans and monitor customer history and potential opportunities. We believe these ongoing efforts will enable quick decision making, further refine our credit policies, and improve overall operational efficiency across our various functions.

Continue to focus on digital products and technology to grow operations

We intend to leverage our front-end technology platforms to further improve customer acquisition and transaction management. We propose to implement initiatives to make it easier for customers to manage their accounts, while facilitating significant cross-selling opportunities for a wider range of products on our digital platform, thereby building on our existing relationship with our customers. For instance, we intend to leverage our technological capabilities to access greater number of mass and mass-affluent customers for retail deposits through our mobile banking application. Video banking services were launched in mobile/internet banking. Instead of visiting a branch, customers can place a request on the application, and connect to a 'Video banking' staff, who will cross-check the required documents over a video call and process the request. DIY services were enabled in mobile/internet banking app which eliminated the need to visit the branch to perform activities such as update one's PAN, take a DD, block or unblock an account, obtain balance confirmation certificate or term deposit interest certificates.

We have introduced virtual relationship managers for our MSE finance and certain segments of our savings account holders that will be supported by chatbots and instant messaging applications, for more efficient and personalized customer service. We also offer virtual relationship manager services to our liability customers. Virtual relationship managers ("**VRM**") are based out of key locations and equipped to address customer needs remotely over call. VRM channel is a two way channel and acts as a virtual bank for the customer. VRM does out-bound calling through recorded lines and executes service requests, handle queries and offers financial solutions to customers. Customers can now buy products like FD, RD, HI, LI, MF and 3-in-1 in a wholly paperless manner over a phone call. Non-resident customers are also serviced through VRM basis time zone segregation. This will cater to the global client's comfort and convenience. This facility helps customers bank from the comfort of their home with a human touch.

We intend to consistently develop and update various digital offerings in order to establish ourselves as a modern technology enabled bank. In order to achieve this, we may collaborate with fintech companies including by way of white labelling platforms, and SaaS models of engagement. We believe this would also lead to a more targeted and cost-effective approach towards onboarding newer customers. We continue to focus on increased operational efficiencies by further optimizing our operating platform through technology enhancement and process streamlining, in order to achieve a more efficient operating model and to support new business models and distribution channels.

Continue to diversify product offerings and leverage cross-selling opportunities

Our primary focus is to diversify our product offerings while growing our secured loan portfolio, comprising vehicle finance, agriculture loans, gold-loans, micro-loans against property, working capital loans, and affordable housing loans. We intend to continue to develop and offer a comprehensive range of products anchored around the unserved and underserved customer segments, that will help us attract new customers and deepen our relationship with our existing customer base. In order to achieve this, we conduct qualitative and quantitative research to understand the changing requirements and expectations of our customers which is key to our product and service development. We will continue to focus on the low and moderate income segment in unserved and underserved areas for increasing our credit portfolio. Our group loan customers are gradually meeting eligibility requirements for individual loan products, based on their group loan repayment track records. We intend to capitalize on this development by diversifying our individual loan products, while focusing on growing our secured portfolio.

In particular, we propose to cross-sell our individual loans to MSE customers by targeting proprietors. We have over the years gained access to MSE proprietors which has enabled us to scale our business through the disbursement of working capital loans followed by overdraft facilities. As the sole banker to these customers, we propose to leverage such access by offering them liability products including current accounts, vendor accounts, cash management services, family accounts and generally deepening our engagement with this customer base. We also propose to focus on wholesale agriculture loans, that will be designed to fund capital expenditure as well as working capital requirements in the food and agriculture based industries. As a result, we aim to increase the proportion of secured to unsecured products, to enhance the quality of our credit portfolio and build a scalable, sustainable and stable portfolio. On the liabilities side, we will continue to build our retail liability franchise by offering retail deposits that we believe will further reduce our cost of funding and enable us to introduce more cost effective products for our target segment.

In addition to expanding our product portfolio, we intend to strengthen our alternate delivery channels and increase their adoption by encouraging customers to move from less cash to a cashless environment. We intend to achieve this by focusing on our existing internet banking system and mobile banking platform. We aim to use a combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers. By expanding our range of products and services and by using multiple delivery channels, we endeavor to meet a range of financial needs of our customers which we believe will result in stronger relationships with them.

Increasingly focus on non-interest income sources

An important strategic focus for us is to diversify our fee and non-fund based revenues. We intend to achieve this by further cross-selling existing fee income products like distribution of mutual funds and insurance products, and introducing newer products and services. For instance, we engage with car dealers for issuance of 'FASTag', a self-service application for toll booths. We intend to build on this income source and engage with more number of car dealers across India for issuance of similar products. We intend to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and transfers. For microfinance customers, we aim to market fee and non-fund based products such as health insurance, life insurance and general insurance, and also introduce micro-insurance products. For our MSE and corporate customers, we intend to offer cash management services.

In addition to focusing on our existing commission-based products, we intend to capitalize on our technology infrastructure to introduce new products and services by collaborating with fintech companies. Through API-led banking, we propose to monetize our back-end banking capabilities including our core banking system, performance management system, knowledge database, and regulatory experience, by engaging fintech companies to front new initiatives, on a fee-based model. For instance, we propose to introduce certain prepaid cards for self-employed customers, where the wallet and core banking system will be managed by us, and the functional features of the card will be developed and maintained by the fintech companies.

We also propose to focus on bancassurance channels to distribute various types of insurance products to existing customers, including to families of JLG customers, thereby promoting greater financial inclusion. As of December 31, 2021, we had five bancassurance relationships including with insurance companies offering general insurance, life insurance and health insurance products. We intend to capitalize on these relationships to diversify and distribute our products by leveraging on our existing network of Banking Outlets to promote newer products to multiple customers. We will also seek opportunities to undertake government banking business such as enrollment of Aadhaar, collection and disbursement of gratuity and provident fund, tax collection. On the liability side, we will continue to engage with our mass and mass-affluent customers and promote our wealth management services such as mutual fund investments and PMS products, and strengthen distribution of such products to our existing customer base. We also seek to engage actively with our customer base to drive debit card and online spending behavior through active promotions, in order to drive growth of our transaction fee income.

Impact of COVID-19

An outbreak of COVID-19 was recognized as a pandemic by the WHO on March 11, 2020. In response to the COVID-19 pandemic, the governments of many countries, including India had taken preventive or protective actions, such as imposing country-wide lockdowns, restrictions on travel and business operations. Temporary closures of businesses had been ordered and numerous other businesses had temporarily closed voluntarily. Further, individuals' ability to travel had been curtailed through mandated travel restrictions. Since May 2020 some of these measures have been lifted and travel has been permitted. Further, the COVID-19 pandemic has caused substantial disruption to the global economy and created significant volatility and disruption in financial markets.

In order to address the financial implications of the COVID-19 pandemic, central banks and central governments around the world, including India, have taken monetary, fiscal and administrative measures. We have maintained provisions as on December 31, 2021 in respect of accounts in default but standard against the potential impact of COVID-19. Further, as required under the IRAC norms and based on management's assessment, we have made provision of ₹99.63 crores in the three months ended March 31, 2020 (including ₹2.98 crores representing the minimum provision of entire 10% on standard assets availing moratorium where asset classification benefit is extended as required in the RBI's guidelines dated April 17, 2020). Further, we have made a general provision of ₹71.00 crores for Fiscal 2021 and nil for the nine months ended December 31, 2020. This accumulated provision of ₹170.63 crores was fully utilised in March 2021 as per the extant guidelines of RBI. Further, pursuant to the RBI notification titled 'Resolution Framework for COVID-19-related Stress' dated August 6, 2020 ("**Resolution Framework 1.0**"), we have extended viable resolution framework to our borrowers which were bearing stress on account of the COVID-19. In addition, in terms the RBI circular titled 'Micro, Small and Medium Enterprises sector – Restructuring of Advances', dated August 6, 2020, some of our MSE loans were restructured without a downgrade in the asset classification. We have restructured ₹434.33 crores of advances under this resolution frame work. The RBI further announced the Resolution of COVID-19 related to individual and small business ("**Resolution Framework 2.0**") on May 5, 2021. RBI has also extended the restructuring of advance to MSME borrowers under Resolution Framework 2.0 for MSMEs. As per these guidelines, the request for restructuring of the borrowers account were accepted till September 30, 2021. Such restructuring of advances to be implemented within 90 days from the date of invocation. Our Bank has implemented the restructuring of advances in line with these guidelines and restructured ₹1,484.11 crores till December 31, 2021. Resolution Framework 2.0 also permitted further restructuring of advances implemented under Resolution Framework 1.0 for individual and small business loans, subject to certain conditions. Our Bank has restructured ₹140.41 crores of advances which were already restructured under Resolution Framework 1.0. For further information on the moratorium benefit that has been extended in accordance with the COVID-19 Regulatory Package issued by the RBI, see "*Financial Information*" on page 81.

Actions taken by our Bank

To tackle the COVID-19 pandemic, we planned and implemented business continuity processes well in time to ensure safety of our employees, customers, other stakeholders while ensuring continuity of our operations in accordance with the prescribed guidelines of the Government of India.

We implemented a number of measures for our employees including special leave of 30 days for all affected employees, Donate Your Leave scheme to employees with insufficient leave balance, COVID-19 test reimbursement for employees to the extent of ₹4,500 and for their immediate families to the extent of ₹2,500, supplementary benefits in addition to hospitalisation benefits directly provided by the Bank, waiver of co-pay in case of parents' hospitalisation for COVID-19, post-hospitalisation benefits of up to ₹10,000 to enable junior employees to supplement their diets and well-being suitably, interest-free employee loan assistance amounting to six times the monthly salary to help them tide over any financial hardships.

The measures adopted have been successful in ensuring business continuity and none of our critical functions suffered any major disruption during the pandemic.

Moratorium

Pursuant to the RBI's COVID-19 Regulatory Packages, lending institutions, including us, were permitted to grant a moratorium of six months on the payment of all instalments and interest on term loans falling due between March 1, 2020 and August 31, 2020. In respect of accounts classified as standard as at February 29, 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the RBI's Income Recognition and Asset Classification norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

In addition, the Supreme Court has directed that there shall be a waiver of interest on interest/ compound interest/ penal interest for the period during the moratorium for borrowers for lending institutions. Pursuant to the judgment, whatever amounts were recovered by way of interest on interest/ compound interest/ penal interest for the moratorium period, such amounts shall be refunded and adjusted in the next instalment of the loan account.

Collections

The nationwide lockdown and social distancing measures restrained the ability of our Bank to carry out collections, which had impacted recovery of our Bank's dues. However, our Bank is focused on providing alternate ways to ensure customer convenience and accordingly, set up additional digital channels for payments and payment links for customers to make it convenient for them to make the required payment. We also continue to make 'awareness calls' to our customers to inform them of the terms of the moratorium.

Provisions

As of December 31, 2021, our Bank had a provision coverage ratio (excluding technical write-offs) of 46.81% on NPAs. To mitigate the impact of the COVID-19 pandemic, our Bank adopted a prudent and conservative approach towards provisioning.

Restructuring under COVID-19 1.0 and COVID-19 2.0

Product Segments	Gross Advances restructured due to COVID-19 2.0 (₹ crores)	Gross Advances restructured due to COVID-19 1.0 (₹ crores)
Small Business Loans	407.96	25.66
Vehicle Finance	626.06	392.84
Micro Finance	403.57	2.90
MSE Finance	46.63	12.93
NBFC Financing	-	-
Total	**1,484.11**	**434.33**

For further information, see "*Risk Factors – Risks Relating to Our Business – The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business, operations and our future financial performance.*" on page 38. Also, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations– Factors Affecting Our Results of Operations and Financial Condition – The impact of COVID-19 on our results of operations and financial condition*" on page 279.

Description of Our Business

Overview

We commenced operations as an SFB on September 5, 2016, pursuant to receipt of the RBI Final Approval. Prior to commencement of operations as an SFB, we operated as an NBFC – AFC carrying out vehicle finance and MSE finance business as a wholly-owned subsidiary of our Promoter EHL. In compliance with the conditions prescribed in the RBI In-Principle Approval to commence operations as an SFB, the other two erstwhile wholly-owned subsidiaries of EHL, namely EMFL and EHFL, were merged with the Erstwhile NBFC to form the Bank, pursuant to the Amalgamation Scheme. We were included in the second schedule to the RBI Act, as a scheduled bank pursuant to a notification dated December 23, 2016, issued by the RBI and published in the gazette of India dated February 4, 2017 – February 10, 2017.

Product Portfolio

Our product portfolio includes asset products that we advance to unserved and underserved customers largely located in semi-urban and rural areas; and liability products in the form of deposits that we source from mass and mass-affluent customers located in urban and semi-urban areas.

<u>Asset Products</u>

We categorize our asset products into (i) small business loans; (ii) microfinance; (iii) vehicle finance loans; (iv) MSE finance; (v) NBFC Financing; and (vi) other loans. Categorization is largely determined by customer profile, type of security and end-use.

The table below sets forth our Gross Advances (including IBPC issued) by product as of March 31, 2019, 2020 and 2021 and as of December 31, 2021:

	As of March 31,						As of December 31, 2021	
	2019		2020		2021			
	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total
Small Business Loans (including housing finance)	4,577.13	39.11%	6,279.44	40.86%	7,971.62	44.47%	8,918.91	45.30%

	As of March 31,						As of December 31, 2021	
	2019		2020		2021			
	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total	(₹crore)	% of total
Small Business Loans	3,672.80	31.38%	4,994.91	32.50%	6,228.31	34.75%	6,823.66	34.66%
Housing Finance	376.59	3.22%	604.19	3.93%	958.63	5.35%	1,310.36	6.66%
Agriculture Loans	527.74	4.51%	680.34	4.43%	784.68	4.38%	784.89	3.99%
Micro Finance	3,069.60	26.23%	3,616.16	23.53%	3,235.73	18.05%	3,694.61	18.77%
Vehicle Finance	2,951.20	25.20%	3,759.98	24.47%	4,523.80	25.24%	4,845.61	24.61%
Used Commercial Vehicles#	2,259.55	19.31%	2,625.11	17.08%	2,964.30	16.54%	3,126.58	15.88%
New Commercial Vehicles	691.65	5.90%	1,134.87	7.39%	1,559.50	8.70%	1,719.03	8.73%
MSE Finance (Working Capital)	180.86	1.55%	669.41	4.36%	1,179.02	6.58%	1,193.68	6.06%
NBFC Financing	455.96	3.90%	818.12	5.32%	789.22	4.40%	817.38	4.15%
Others*	469.54	4.00%	223.84	1.46%	225.16	1.26%	217.11	1.10%
Total Gross Advances (including IBPC issued)	**11,704.29**	**100.00%**	**15,366.95**	**100.00%**	**17,924.55**	**100.00%**	**19,687.30**	**100.00%**

#Note: Used Commercial Vehicles includes used passenger vehicle loans.
**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Small Business Loans (including Housing Finance)

We provide asset-backed financing primarily focused on self-employed individuals operating small enterprises, typically in urban and semi-urban locations. These small business loans are advanced to individuals belonging to low income groups engaged in business activities that do not maintain formal records for credit evaluation. Customers that typically comprise this product segment include mechanics with garages, push-cart owners, and individuals carrying out agriculture, dairy business, and so on.

We provide Small Business Loans with ticket sizes ranging between ₹50,000 and ₹0.20 crores. In Fiscal 2021 and the nine months ended December 31, 2021, the average ticket size of these loans was ₹5.22 lakhs and ₹5.66 lakhs excluding Housing Finance.

We typically extend these loans to our existing group loan customers for working capital or capital investment requirements for existing businesses. These loans are typically secured by way of property. As of December 31, 2021, the Gross NPAs for this product segment were ₹ 313.19 crores, representing 3.51% of our Gross Advances (including IBPC issued) in this product segment.

For each of the LAP products, the value of the property at the time of origination is determined based on valuation reports from a registered valuer. Security interest is created by mortgage through deposit of title deeds, which is registered under applicable law with the sub-registrar having jurisdiction over the immovable property.

Collection

The repayment of loan under this product is primarily through ECS mandates. On the due date of each monthly installment, the ECS mandate is sent to the customer's bank for payment. If any ECS mandate is returned unpaid, the details are sent to the concerned branch, for the branch staff to follow up for field level collections. In addition, as we also advance small business loans to existing microfinance customers, field staff also approaches the referees of such loans to aid in collection of dues.

Housing Finance

Our housing loan offerings are targeted towards self-employed individuals who have limited access to loans from banks and larger housing finance companies. Loans are provided for purchase of plots or house, construction of house, improvement/ restoration/ extension of home. Some of our affordable housing finance products are cross-sell products offered to existing customers with a satisfactory track record. Customers in this segment typically run small enterprises and/ or are employed in the informal segment, or are involved in informal trade or commercial activity where income is not completely documented and requires field based credit assessment. As of December 31, 2021, the Gross NPAs for this product segment were ₹31.66 crores, representing 2.42% of our Gross Advances (including IBPC issued) in this product segment.

The loan amounts range between ₹0.03 crores and ₹1.50 crores, and in Fiscal 2021 and the nine months ended December 31, 2021, the average ticket size of these loans was ₹6.53 lakhs and ₹8.31 lakhs. Repayment tenures for these loans range between 10 years and 20 years. These loans are offered at interest rates between 11.00% and 13.00% per annum.

Collection

Repayments in all cases are either through post-dated checks or ECS mandates. On the due date of each monthly installment, such ECS mandates are sent to the banker of the customer. Any default is intimated to the concerned branch and a dedicated staff is assigned for field level follow up and collection. If the account becomes an NPA, in addition to field level follow up, the case is transferred to the legal team for appropriate legal action including initiation of recovery proceedings.

Microfinance

Under our microfinance business, we provide group loans with ticket sizes ranging between ₹5,000 and ₹35,000 to our women customers, depending on their loan cycle, and in Fiscal 2021 and the nine months ended December 31, 2021, the average ticket size of these loans was ₹0.32 lakhs.

The primary target customer segment for our microfinance business are micro-entrepreneurial women with limited access to formal financing sources. These loans are provided essentially for use in their small businesses or other income generating activities. These loans have a tenure of up to two years and are offered at interest rates between 23.00% and 24.00% per annum. Our group loan products are built on the peer-guarantee loan model, which enables individuals to take loans without having to provide collateral or security on an individual basis, while promoting credit discipline through mutual support within the group, prudent financial conduct among the group, and prompt repayment of their loans.

Typically repayments are made at group meetings, which are held at intervals of 28 days. At these meetings, if any member defaults in making payments to the group leader or is absent, the other group members are responsible for such amount. The member is subsequently required to repay such amount to the group. As of December 31, 2021, the Gross NPAs for this product segment were ₹223.68 crores, representing 6.05% of our Gross Advances (including IBPC issued) in this product segment.

We offer group loan products to groups of seven to 30 members, based on the knowledge of each other’s credit worthiness. These groups typically comprise individuals who live in the same area and within the operating radius of the same branch, and whose annual household income is not more than ₹200,000. While new customers become eligible for loans after they pass the group recognition test, existing customers are granted repeat loans on the basis of their prior track record.

Collection

The collection process is a critical part of our microfinance business operations. Repayments are collected in cash at centre meetings. Passbooks are issued to customers and in order to minimize fraudulent activities, we have introduced 'Pragati Card' a QR code (Quick Response Code) based payment enquiry solution for our microfinance customers. This empowers the customers to scan and view payment and loan account related information *via* a smart phone instantly without the need to contact branch staff/ call center. 'Pragati Card' has replaced the erstwhile process of collection stickers and is currently seen by customers as a digital passbook that gives real time payment information. It reduces operational cost of printing stickers for the Bank and increases the productivity of the RM since it saves the sticker receipt pasting time which is now utilized in cross selling other banking products offered by us.

Vehicle Finance

Our vehicle finance customers are typically first-time formal financial channel borrowers purchasing used and new commercial vehicles, with significant experience in hyperlocal logistics. Our vehicle finance customers also include small fleet operators. Our vehicle finance operations are conducted based on our extensive experience of working with customers without sufficient credit history, and our ability to effectively assess risks associated with financing such customers with no access to formal credit. Minimum requirements for such customers include possessing a valid driving license and commercial knowledge of the vehicle being purchased. While such customers typically have limited access to bank loans for commercial vehicle financing and mostly have limited or no credit history, they should otherwise own assets such as a house or property or vehicle. In used passenger vehicle segment, we are targeting the private cars segment and are working closely with dealers operating across all the vehicle finance branches. Private car customers are majorly income based or surrogate based. This segment of clients are all credit tested.

In the nine months ended December 31, 2021, the ticket size for loans for used commercial vehicles was between ₹3.00 lakhs to ₹5.00 lakhs. These loans have a tenure of 2.5 years to 3.5 years, and are offered at interest rates ranging between 21.00% and 23.00% per annum.

In the nine months ended December 31, 2021, the ticket size for loans for new commercial vehicles was between ₹6.00 lakhs to ₹6.50 lakhs. These loans have a tenure of three years to 4.5 years, and are offered at interest rates ranging between 13.50% and 15.00% per annum.

Prior to the Amalgamation Scheme, we carried out the business of vehicle finance loans through the Erstwhile NBFC, for over 8.5 years. Based on our extensive experience in the business of vehicle loans, we segregate our customers into five categories based on their profile. Key terms of the loan are determined based on the category of the customer, with Category A being the most credit worthy, descending through to Category E. The minimum requirement for a customer to be in Category E is possession of valid driving license, while the minimum criteria for Category A customers is prior ownership of a commercial vehicle along with repayment track-record. As of December 31, 2021, the Gross NPAs for this product segment were ₹206.25 crores, representing 4.26% of our Gross Advances (including IBPC issued) in this product segment.

Collection

All accounts are reviewed periodically, with a higher frequency reviews for larger loans and delinquent customers. The managers review collections and other operations regularly, and may personally contact customers who default on loan payments. They are assisted by loan officers in their daily operations, who are responsible for collection of installments from customers.

As our vehicle finance business involves on-demand receipts, in order to reduce risk of fraudulent activities, our employees are provided a mobile application to immediately issue receipt for repayment. The collection operation is administered by our own employees and we do not outsource loan recovery and collection operations.

In the event of default, the reasons for default are identified and appropriate action is initiated, such as requiring partial repayment and/ or providing additional repayment period under certain emergency circumstances faced by the customer. In certain cases, in case of willful default by customer, following due notice, the hypothecated vehicle is repossessed. In the event of any shortfall in recovery of outstanding amount, we may initiate legal proceedings against the customer.

Micro and Small Enterprise ("MSE") Finance

We previously provided MSE finance as part of our small business loans product segment. We have subsequently differentiated these offerings based on the profile of the customer. We provide MSE finance to enterprises engaged in business activities that maintain formal records for credit evaluation, primarily in urban and semi-urban areas. Customers that comprise this segment typically undertake manufacturing and trading activities.

Under this product segment, we offer working capital loans in the form of (a) fund based facilities including cash credit limits, overdraft limits; and (b) non-fund based facilities like bank guarantees and letters of credit. We also offer term loans for specific business purposes.

These facilities are predominantly secured by primary and collateral security in the form of stock, book debts, machinery, commercial or industrial premises and residential properties of promoters/ proprietors. Our MSE products are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets and meeting working capital needs.

Our Bank classifies MSEs as per the 'Compendium of Guidelines for Small Finance Banks' issued by the RBI. We have strategically focused on developing our MSE business to ensure diversity in our customer base. We have developed a wide range of products and customized services including overdraft facility and corporate internet banking to suit specific needs of our MSE customers. As the sole banker to these MSEs, we are focused on building a long-term relationship driven primarily through technology to deliver superior banking services. In addition, our MSE relationship managers provide a wide range of banking services through our branch-banking network.

We typically assess eligibility of these customers based on turnover thresholds. The ticket size for MSE loans ranges between ₹ 0.10 crores and ₹5 crores, in order to diversify the risk within the product segment, and in Fiscal 2021 and the nine months ended December 31, 2021, the average ticket size of these loans was ₹0.30 crores and ₹0.42 crores. The repayment tenure for such loans is between one year and five years. These loans are offered at interest rates between 10.50% and 12.00% per annum.

NBFC Financing

We extend term loans to NBFCs that further lend to retail customers in the form of microfinance, vehicle finance, housing finance and similar sectors, and to certain corporates. We typically lend to these entities that are predominately rated BBB from a recognized credit rating agency. Average ticket size of loans is in the range of ₹15 crores to ₹50 crores.

In Fiscal 2021 and the nine months ended December 31, 2021, the average ticket size of these loans was ₹31.33 crores and ₹69.45 crores. The repayment tenure for such loans is between two years and five years. These loans are offered at interest rates between 8.5% and 12.00% per annum.

Others

Products include loans against gold, overdraft facilities against fixed deposits, and unsecured business loans.

Loan against Gold: Loans secured by gold jewelry of customers, repayable by monthly instalments or interest modes scheme rather than on one-time repayment basis only. Average ticket size of loans is in the range of ₹30,000 to ₹0.40 crores. The repayment tenure for such loans is generally in the range of two years.

Overdraft facilities against Fixed Deposits: Extended to individuals, proprietorships, private limited companies that have open fixed deposits with us for meeting their short-term liquidity requirements. Overdraft limit is renewed annually unless specified otherwise. Overdraft facilities are offered at interest rates between 8.50% and 11.50% per annum.

Unsecured Business Loans: We previously extended unsecured business loans under MSE finance, and have subsequently discontinued providing such loans.

Liability Products

We meet our funding requirements primarily through the following retail deposits that we source from mass and mass-affluent customer segments:

Virtual Relationship Management: We offer virtual relationship manager services to its liability customers. VRM are based out of key locations and equipped to address customer needs remotely over call. VRM channel is a two way channel and acts as a virtual bank for the customer. VRM does out-bound calling through recorded lines and executes service requests, handle queries and offers financial solutions to customers. Customers can now buy products like Fixed Deposits, Recurring Deposits, Health Insurance, Life Insurance, Mutual Funds and 3-in-1 totally paperless over a phone call. Non-resident customers are also serviced through VRM basis time zone segregation. This will cater to the global client's comfort and convenience. This facility helps customers bank from the comfort of their home with a human touch.

Current Accounts

We offer various types of current account options that provide customers the ability to manage their business transactions with higher daily transaction limits and access to funds at a wide network of Banking Outlets, ATMs and via net banking, mobile applications and SMS banking channels.

We offer the following current accounts to our customers:

Wings Current Account: This account comprises business privileges, for the affluent and large-scale businesses. Transactional flexibility is a key feature that includes 20 free cheque books per month; free cash deposit up to 15 times the previous month's average balance; the Wings Platinum debit card with multiple privileges; doorstep banking facility; and 25 free demand drafts per month.

Business Account: An account for small businesses with features to support growth. This account requires an average monthly balance of ₹10,000 in metro and urban branches and ₹5,000 in semi-urban and rural branches; and allows cash deposits of up to 10 times the previous month's average balance up to a maximum amount of ₹300,000.

Business Prime Current Account: This account provides transaction based banking solutions to small and medium enterprise, contractors and supply vendors. For women proprietors, the average monthly balance maintenance requirements is half the stipulated requirement in metro and urban branches. The account also permits cash deposits of up to 10 times the previous month's average balance up to a maximum amount of ₹0.10 crores.

Advance Current Account: A current account for manufacturers, medium enterprises and traders, with permitted monthly cash deposits up to ₹0.25 crores; free RuPay/ Visa Classic debit card; average monthly balance of ₹40,000 in metro and urban branches, and ₹20,000 in semi-urban and rural branches; for women proprietors, the average monthly balance maintenance requirement is half the stipulated requirement in metro and urban branches.

Trade-In Current Account: This is a composite business solution for large scale businesses with a digital banking platform and cash deposit solution. Average monthly balance ₹100,000 and ₹50,000 for women proprietors; six check books are offered free per month; cash deposits of up to 12 times the previous month's average balance is allowed; RuPay/ Visa Classic debit cards are free and a RuPay Platinum debit card is offered at no cost for the first year.

My Business Account. With no monthly average balance requirements, this account is offered to our first time asset customers. The account offers two demand drafts free per month; cash deposits of the lower of ₹100,000 and ten times the previous month's average balance; and the RuPay Classic debit card at an annual fee of ₹100.

Government – Trust, Association, Society and Club (TASC) Current Account. We have recently launched this for institutional customers, comprising government entities and TASC. This is primarily aimed at meeting the requirements of central and state governments and governmental organizations, religious trusts, charitable trusts, NGOs, hospitals, educational institutes, commercial associations, social associations, charitable societies, Section 8 Companies, co-operative societies, housing societies, commercial/ charitable/ social clubs.

Savings Accounts

As of December 31, 2021, we had 2,551,372 savings account holders. We offer the following types of savings account to our customers:

Wings Savings Account: This account is specifically targeted at affluent customers, with multiple privileges including savings, protection and lifestyle privileges. The savings variant is accompanied by the VISA Signature Debit Card with features such as unlimited withdrawals at non-Bank ATMs, home insurance, personal accident and air accident insurance.

Value Plus Savings Account: This account is suited for mass and mass-affluent customers, with flexibility in terms of transactions and banking options including family banking at differential interest rates. Benefits include up to four free cash withdrawals per month at other bank ATMs in metro locations and up to six free cash withdrawals per month at other bank ATMs in non-metro locations, and free RuPay Debit Card issued in the first year of opening the account.

Regular Savings Account: Customers in metro and urban areas; semi-urban areas; and rural areas, are required to maintain an average monthly balance of ₹10,000, ₹5,000 and ₹2,500, respectively. Customers may also maintain fixed deposits or use platinum/ signature debit cards linked to the account in lieu of the monthly balance requirements.

My Savings Account: This account is typically suited to meet the requirements of our microfinance customers with no average monthly balance requirements. It includes a VISA classic debit card at a nominal annual fee of ₹100.

Basic and Small Savings Account: This is aimed at furthering financial inclusion and comprises all the basic banking facilities. It includes a free RuPay/ VISA classic debit card with personal accident insurance. No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance.

EDGE: The product is offered with the help of select asset management companies and added privileges include complementary access to the 'Equitas Online Wealth Management System'. Customers can avail the EDGE facility through any of our distribution channels. We have also tied up with an asset management company to share our KYC platform on the Bank website that customers can use to complete their one-time KYC registration requirements in paperless manner. We promote the EDGE account as a relationship account through which we also assist customers with other savings products and guide them on available investment opportunities, including systematic investment plans of mutual funds with insurance cover.

NRE Rupee Savings Account: Non-resident external (NRE) rupee savings and deposit accounts are held by non-resident Indians for investing their foreign earnings in Indian Rupees. We offer competitive interest rates on these accounts, and as interest earned on these accounts is not taxable in India, the interest income passes through to the non-resident Indian. We offer two types of accounts, regular NRE deposit accounts and elite NRE deposit accounts. Both accounts offer multiple payment solutions through platforms including VISA, Mastercard and RuPay; access to technology channels like internet banking and mobile applications and even foreign exchange services (in alliance with an AD1 Bank) for conversion of foreign currency into Indian rupees.

NRO Rupee Savings Account: Non-resident ordinary (NRO) rupee savings accounts are held by non-resident Indians for managing any income generated in India, including rent and dividends.

ELITE: This is a savings account for mass-affluent customers under the brand 'ELITE', specifically to cater to families with higher savings requirements. This product is available to select clients through all banking channels including Banking Outlets, card solutions, customer service, and internet and mobile banking. We have collaborated with payment companies to provide a specialized 'World Debit Card' variant for customers under this segment, with privileges including access to airport lounges and golf clubs, and discounts at various merchant establishments. This product also has additional features including higher interest rates of up to 7.00% on savings accounts, product and pricing benefits, and certain complementary services such as a wealth management system, dedicated relationship managers, and priority processing. We also offer a loyalty reward program as part of this product. Customers eligible for this product are required to maintain either, (i) combined family total relationship value of ₹0.25 crores or (ii) a combined family savings average monthly balance of ₹500,000. Customers are also offered certain waivers on locker fees. We may extend this offering to other customer segments as well.

Government – Trust, Association, Society and Club (TASC) Savings Account. We have launched this for institutional customers, comprising government entities and TASC. This is primarily aimed at meeting the requirements of central and state governments and governmental organizations, religious trusts, charitable trusts, NGOs, hospitals, educational institutes, commercial associations, social associations, charitable societies, Section 8 Companies, co-operative societies, housing societies, commercial/ charitable/ social clubs.

Selfe Savings Account: Selfe Savings is a digital bank Savings Account which can be opened with a web based interactive video form by registering using Aadhaar number, PAN and other basic details. Customer can set up a mobile banking PIN and start using your account immediately.

Equitas EARN (3-in-1) Account: We have an arrangement with a broking partner to offer trading and demat account services to our customers by the name of Equitas EARN, which provides integration of bank account, trading account and demat account. Customers can open the trading and demat account through a 100% paper less account opening process and start investing in stocks, future and options, commodities and currencies thorough both NSE and BSE. Customers also benefits from various reports and tools provided by the broking partner post account opening.

ASBA Facility: We offer ASBA facility through internet banking, mobile banking and UPI interface for its customers. ASBA (Applications Supported by Blocked Amount) is a process required by India's Stock Market Regulator SEBI for applying to public issues. Under ASBA facility, bank blocks the application money in bank account and when the issue is complete, the account is debited only to the extent of net payment required for final allotment. For this entire time - customers enjoy the benefit of high Savings Account Interest Rate offered by our bank on the entire blocked amount. ASBA facility is available at no cost and does not require one to submit any kind of physical documents to activate.

Interest rate for our savings accounts ranges between 3.50% and 7.00% per annum. We have also waived non-maintenance charges payable by customers of our savings accounts.

Salary Accounts

Corporates and their employees can experience exclusive benefits with our Salary Accounts. Our accounts are designed exclusively to meet the day to day banking requirements, give you the best of benefits when you save /invest and transact. Preferred Salary Account and Preferred Plus Salary Account are the two variables offered.

Term Deposits

As of December 31, 2021, 66,483 customers had maintained term deposits with us. We offer the following types of deposits to our customers:

Fixed Deposits: Fixed deposits can be opened for a minimum period of seven days to a maximum of 10 years. Interest payment options are monthly, quarterly, half yearly, annually and at maturity. The rate of interest paid for fixed deposits varies according to tenure and amount and higher interest rates are offered to senior citizens. Premature closure and partial withdrawals are permitted.

Recurring Deposits: The minimum amount that can be deposited is ₹1,000. Recurring deposits can be opened for a minimum period of one year to a maximum of 10 years. Interest payment is quarterly compounded and paid at maturity. The rate of interest paid for recurring deposits varies according to tenure and amount and higher interest rates are offered to senior citizens. Premature closure and partial withdrawals are permitted.

Sweep-in and Sweep-out Fixed Deposits: We have launched 'sweep-in and sweep-out fixed deposits' that we propose to offer together with select current accounts to enable current account customers to earn interest on their idle funds. Funds beyond specified thresholds will be transferred into a fixed deposit for up to 90 days every week, and in case of a shortfall in the threshold of current account, amounts will be transferred back from the fixed deposit into such account on a last-in first-out basis.

Selfe Fixed Deposits: We have recently launched a digital product ‘Selfe Fixed Deposit’ through which customers can open fixed deposits online with transactional convenience.Any new to bank customer can open Selfe Fixed Deposit online with us through our website using Aadhaar Number, PAN and other basic details. Customers can book FD from ₹5,000 to ₹90,000 with tenor ranging from seven days to 365 days.

Institutional Products

We receive deposits in the form of certificate of deposits from various mutual funds, banks and from cooperative banks, insurance companies, NBFCs/ MFIs and other financial institutions. We also typically fund our operations through term loans, refinance, and subordinated debt.

Other Products and Services

As of December 31, 2021, we offered a range of third-party products, including insurance products, FASTag for toll plazas, and asset management in mutual funds and PMS.

The insurance products we offer include property insurance for housing, endowment policy, term insurance, unit linked plans, motor insurance and personal accident cover policies for customers across segments. To provide insurance products we have bancassurance relationships with life insurance companies, general insurance companies and health insurance companies to distribute their insurance products. Under these agreements, we generate income in the form of commission and in the form of new business premium for such insurance companies.

FASTag is a card we issue for use at toll plazas. We engage with car dealers for issuing these cards.

We are empaneled with asset management companies to distribute their mutual fund products through our branch network. We receive commissions from the asset management companies for the sale of their products.

Distribution Channels

As of December 31, 2021, we carried out our operations through Banking Outlets, ATMs, POS terminals, and various digital channels including internet banking through our website, phone banking through our call center, and mobile banking through the application.

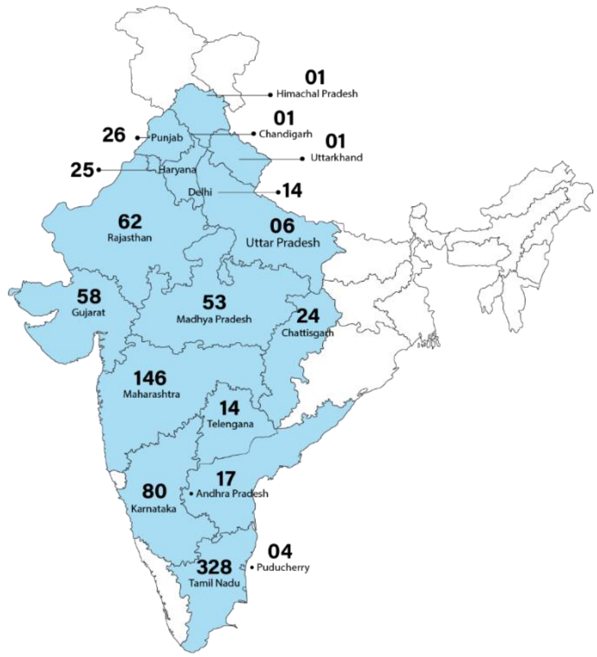
Network of Banking Outlets

Our branch network comprises liability/ deposit accepting branches and asset centers (together referred to as ‘Banking Outlets’).

Our rural Banking Outlets used primarily for distribution of asset products are located in areas that, we believe, also have growth potential. We also engage business correspondent partners to enhance our reach in unserved and underserved locations for the sale of our asset products.

We distribute our liability products through Banking Outlets located at urban and semi-urban areas. In order to attract our target liability customers, i.e. mass and mass-affluent customers, these Banking Outlets are equipped with customer waiting areas, teller counters, lockers, ATMs.

The map below sets out certain information on our Banking Outlets as of December 31, 2021:



Note: Map not to scale

Region	Banking Outlets	Business Correspondents	Number of States/ Union Territories
North[1]	213	-	10
West[2]	204	10	2
South[3]	443	268	5
Total	860	278	17

Notes:

(1) Northern region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand

(2) Western region comprises Gujarat and Maharashtra

(3) Southern region comprises Goa, Karnataka, Kerala, Pondicherry, Andhra Pradesh, Telangana and Tamil Nadu

For further information on our state-wise deposit mix, see "*Selected Statistical Information*" on page 362.

ATMs and Debit Cards

We typically deploy onsite ATMs and cash recyclers at our Banking Outlets for the convenience of our customers. All our ATMs are biometric enabled. A customer can perform cash withdrawal, fast cash services, mini-statements, balance enquiry, PIN change at our ATMs. Our Bank has deployed 336 ATMs as of December 31, 2021.

Our customers can use the VISA Debit, MasterCard Debit, and RuPay Debit ATM-cum-debit cards at the ATMs, POS terminals and for online transactions.

Digital Channels

Internet Banking and Mobile Application

Our internet banking platform is equipped to handle basic remittance services like IMPS, NEFT and RTGS. In addition, we have also extended UPI and bill payment services to aid digital transactions. The Equitas Mobile Banking application is available in Android and iOS operating systems.

Phone Banking

Our phone banking facilities provide customers access to reset ATM pins, block debit, and prepaid cards. Our phone banking operations are carried out by a call center with multi lingual communication capabilities to service customers across the country. We also have facilities with added features for immediate access to our phone banking officers for our high-net worth individual customers and senior citizens.

Video Banking

Video banking services were launched in mobile/internet banking. Instead of visiting a branch customers can place a request on the app, and connect to a 'Video banking' staff, who will cross-check the required documents over a video call and process the request. DIY services were enabled in mobile/internet banking app which eliminated the need to visit the branch to perform activities such as update your PAN, take a DD, block your account, unblock your account, balance confirmation certificate, Term deposit interest certificate, etc.
All data points below are stated as of December 31, 2021.

Digital Banking

We have embarked on a journey to create a Digital Banking platform, to provide a digital and seamless customer experience by partnering with next-gen fintechs that we believe are redefining the banking landscape.

- Equitas – NiyoX 2-in-1 Savings Account:
  - 10.59 lakh accounts opened
  - CASA Balance of ₹353.07 crores

- Equitas – Groww (Fixed Deposits)
  - 2,054 fixed deposits opened
  - EOP balance of ₹10.19 crores

Digital Payments and Acquisitions

- Prepaid Engagements:
  - Over 17 lakh cards issued (both physical and virtual)
  - Over 4.71 crores transactions
  - Approximately ₹2,242 crores transactions value processed

- NETC – FASTag:
  - Technical integration for two new toll plazas completed for NETC Acquiring
  - 98,165 new FASTags issued
  - Approximately ₹373 crores issuer transaction value processed
  - Approximately 4.71 lakh NETC transactions valuing more than ₹10 crores

- Micro – ATM:
  - Over 4.24 crores Transactions
  - Approximately ₹ 12,350 crores transaction value processed

Digital Channels, Transformation and Transaction Banking

- Launched Mobile Banking App with revamped UI-UX
- Income Tax 2.0 & ASBA Integration completed
- Enabled Contact Center and Branch-based Video-KYC Process
- BBPS & Razor pay collections for Asset products

Loan Pricing

Our Asset Liability Committee ("**ALCO**") reviews and approves the benchmark lending rate, which is either based on (a) internal marginal cost of funds known as marginal cost of funds based lending rate ("MCLR"); or (b) external market benchmarks. Internal MCLR are reviewed every month by the ALCO taking into the marginal cost of funds and the operating and funding costs at that time. The ALCO also reviews the tenure premium for tenure based MCLR. Rates for customers are benchmarked to MCLR or external benchmark by adding the required spreads, determined based on a number of factors. For the MCLR framework, spreads are considered for credit risk, liquidity and business strategy; and for external benchmark, spreads additionally factor in our own funding spread over the market benchmark, operating expenses, and cost of capital.

All of our loans are denominated in Indian Rupees, and comprise a mix of fixed, floating and hybrid interest rates. Hybrid loans are fixed for the first few years before converting into floating rates.

Treasury Department

Our treasury operations are located at our office in Chennai. The treasury team focuses primarily on the management of our funds, maintenance of statutory reserves (cash reserve ratio and statutory liquidity ratio), asset liability gaps, interest rate risks, liquidity positions, investments and trading activities. We have a Board-approved 'Treasury and Investment Policy' framed in accordance with RBI guidelines, to ensure that transactions in debt and capital markets are conducted in accordance with acceptable business practices and are as per the extant regulatory guidelines.

We maintain adequate liquidity to meet customer requirements, and manage liquidity through various routes including borrowing/ deployment though call market, tri-party repo, market repo, and liquidity adjustment facilities provided by the RBI.

We raise funds through various money market instruments such as certificates of deposit, term money, and inter-bank participation certificates. In addition, we access funds by way of refinancing from various financial institutions.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15.00% of credit risk weighted assets only, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer.

Our CRAR was 22.44%, 23.61% and 24.18%, as of March 31, 2019, 2020 and 2021, respectively, and was 21.91% as of December 31, 2021. Our Tier I capital ratio was 20.92%, 22.44%, 23.23% and 20.66% as of March 31, 2019, 2020 and 2021, and December 31, 2021, respectively. For further information, see "*Selected Statistical Information*" on page 362.

Compliance

The Bank's compliance team is headed by the Chief Compliance Officer and functions as an independent unit to assist the senior management in the identification of compliance risks.

We have established a KYC/ AML/ Combating the Financing of Terrorism policy, which is prepared in line with the guidelines issued by the RBI on KYC norms, AML measures and CFT obligations from time to time. The policy covers guidance for matters including customer identification procedures, customer profiling based on the risk perception and monitoring of transactions on an ongoing basis. The objectives of the policy include (i) enabling the Bank to conduct clean, commercial business conforming to standards set by the banking industry within the framework of the relevant regulations and laws; (ii) preventing the Bank's business channels/ products/ services from being used as a channel for money laundering; (iii) establishing a framework for adopting appropriate AML procedures and controls in the operations/ business processes; (iv) reporting and taking suitable action, on detecting the suspicious activity involving money laundering as directed by regulators and the head office from time to time; and (v) complying with applicable laws in India and adhering to standards accepted internationally by the financial sector on KYC/ AML and CFT. The policy applies to all related activities of all branches/ offices of the Bank.

Risk Management

The key risks we are exposed to include: (i) credit risk; (ii) interest rate risk; (iii) liquidity risk; (iv) market risk; (v) operational risk; (vi) cash management risk; (vii) information security and cyber risk; and (viii) reputational risk.

Credit Risk

Credit risk is the risk that arises when a borrower or counterparty fails to meet its obligations in accordance with agreed terms. We manage credit risk both at individual customer level and portfolio level. Credit risk management is a critical component of a comprehensive approach to risk management and is well defined through lending and risk policies that set out the principles and control requirements, under which we extend credit to customers. We have a delegation matrix and committee approach for approval of credit considering the risk and exposure involved in respect of each credit proposal. In the retail loan business, the credit cycle is managed through appropriate front-end credit, operational and collection processes. For each product, programmes defining customer segments, underwriting standards and security structures are specified. Given the granular nature of individual exposures, retail credit risk is monitored largely on a portfolio basis, across various products and customer segments. For corporate and commercial credit exposures, management of credit risk is done through target market definition, appropriate credit approval processes, ongoing post-disbursement monitoring, internal and external credit risk rating of the borrowers, and remedial management procedures. Overall portfolio diversification, prudential limits across various dimensions, security structures and periodic reviews facilitate credit risk management. Our credit teams track cases for early signs of stress, so that corrective action is taken in the case of non-starter or early delinquency cases. We have set-up collections management system, which includes a collection control room that centrally manages allocations between collection agents and we use analytics for the optimum allocation of cases to the collections team.

Interest Rate Risk

Interest rate risk is the exposure of our financial conditions to adverse movements in interest rates. Interest rate risk can pose a significant threat to earnings and market value of equity (Net worth). Interest rate risk arises from mismatches in re-pricing of interest rate sensitive assets, rate sensitive liabilities and rate sensitive off-balance sheet items. We assess and manage interest rate risk in our banking book as well as our trading book. The ALCO governs management of interest rate risk, and sets the risk management strategy and risk limits. As interest rate risk can affect both net interest income and market value of equity, it is assessed and managed from both earnings and economic perspectives. See "*Risk Factors – Our business is vulnerable to interest rate risk, and any volatility in interest rates or inability to manage interest rate risk could adversely affect our Net Interest Margins, income from treasury operations, business, financial condition, results of operations and cash flows.*" on page 45.

Liquidity Risk

Liquidity risk is defined as the risk of the bank's inability to meet its obligations as they fall due, because of difficulty in liquidating assets or in obtaining adequate funding to meet its liquidity needs.

The Bank actively manages its liquidity risk covering both funding risk and market liquidity risk. Funding liquidity risk arises due to inability to liquidate assets or obtain funding to meet its liquidity needs. The problem could also be the result of market disruption or liquidity squeeze whereby the Bank may only be able to unwind specific exposure at significantly discounted values which leads to Market liquidity risk.

The framework for liquidity and interest rate risk management is established in the Asset Liability Management policy and the ALCO defines liquidity risk management strategies and risk thresholds. Funds management team under the treasury is responsible for managing day-to-day liquidity as per the liquidity risk management framework. Liquidity risk is assessed from both structural and dynamic perspective and the Bank uses various approaches like stock approach, cash flow approach & stress testing to assess liquidity risk and also comply with Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per Basel III standards. We have also set prudential internal limits in addition to regulatory limits on liquidity risk metrics. See "*Risk Factors – We may face asset liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.*" on page 55.

Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. We have a Board approved operational risk management policy, which is implemented by a dedicated operational risk management function. The business units and support functions are accountable for operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures, and operational risk management framework laid down by the independent operational risk management function. We have a comprehensive framework for approval of new products and processes along with detailed operating guidelines for risk management. We have an internal framework for reporting and capturing operational risk incidents. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement. We have a whistle-blower policy, for employees to raise their concerns, on a confidential basis, on any fraud, malpractice or any other untoward activity or event. Disaster recovery centres and business continuity plans have been established to ensure continuity of operations and minimal disruption to customer services. These plans are periodically tested and reviewed to ensure their effectiveness. See "*Risk Factors – Weakness or failures of our internal control system may cause significant operational errors, which may in turn materially and adversely affect our business.*" on page 61.

Cash Management Risk

Our officers collect and deposit a large amount of cash through a high volume of transactions taking place in our network. To address the cash management risks, we have developed cash management checks that we employ at every level to track and tally accounts. We ensure that cash collected up to a certain time is deposited at local Banking Outlets on the same day. Cash that is to be deposited is accounted for at the Banking Outlet level to avoid discrepancies. Moreover, we conduct regular internal audits to monitor compliance with our cash management systems. See "*Risk Factors – Our operations involve handling significant amounts of cash, making us susceptible to operational risks, including fraud, petty theft and embezzlement, which could harm our results of operations and financial position.*" on page 52.

Market Risk

Market Risk is defined as the risk to the Bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes.

The Asset Liability Committee (ALCO) and Investment committee is responsible for implementation of market risk management framework for establishing and approving various exposure and risk limits for investment book. The RMC of the Board reviews the policies and procedures and review the risk position periodically. The Bank's market risk function is responsible for identifying the market risks faced by the bank and for putting in place the appropriate risk management techniques commensurate with size and nature of the identified risk.

Information Security and Cyber Risk

We have an independent information security department which is responsible for information-related risk management and compliance and is responsible for establishing and maintaining the enterprise vision, strategy, and program to ensure information assets and technologies are adequately protected. Our Information and Cyber Risk Committee is responsible for overseeing our information security program, policies and processes aligned with business requirements and provides directions to manage the risk. Management of this risk include proper and timely response to incidents, establishing appropriate standards and controls, managing and upgrading security technologies, and implementing policies and procedures. We also periodically take steps towards security awareness amongst our customers through email and SMS. Periodical awareness exercise is ensured to update employees on information security practices. We have also recently obtained a cyber-insurance policy.

Reputational Risk

Reputation risk is the risk of the loss arising from the adverse perception of the image of the Bank by customers, counterparties, investors or regulators. This is particularly relevant as our business involves comforting customers that we are credible and can offer basic, secure services expected by the customers. This risk is typically viewed as a knock-on effect of other risks materializing. It compounds the effect of other risks, such as strategy, fraud and regulatory risk. Reputational risk has not been modelled in isolation but is considered throughout our ongoing risk review process and is built into the assessment of other risks.

Risk Management Architecture

Risk management is fundamental to our operations and is critical to ensure sustained profitability and stability. We have an independent integrated risk management function to identify, measure, monitor and manage credit, market and operational risks including IT security risk.

We have an established Risk Management Framework to ensure that our risk management operations are independent of our business operations, through various policies, procedures and allocation of responsibilities. The Risk Management Framework is monitored by the Board through its Risk Management Committee, and at the management level by the Asset Liability Management Committee ("**ALCO**"), Credit Risk Management Committee ("**CRMC**"), Operational Risk Management Committee ("**ORMC**"), Information Security and Cyber Risk Committee, and Executive Risk Management Committee which are comprised and supported by members of our senior management team. Set out below is a description of the functions of each of these committees:

Credit Risk Management Committee: The CRMC was formed to review and monitor the adequacy and effectiveness of credit risk management framework, which includes policies, procedures, processes, compliance, review of concentration risk and monitoring of prudential limits and portfolio management.

Asset Liability Committee: The ALM functions will be supervised by the ALCO, who is responsible for deciding the business strategies consistent with the laid down policies and for implementing them. ALCO not only makes business decisions but also monitors their implementation and impact. Further, it takes action and initiates changes according to the market dynamics.

Operational Risk Management Committee: The ORMC reviews risks related to people, process and systems and monitors key risk through key risk indicators and analyses causative factors for operational loss events.

Information Security and Cyber Risk Committee: The role of this committee is to review and provide recommendations on technology, information security and cyber security risks. The committee considers directions from the Risk Management Committee of the Board while providing recommendations on the Bank's related risk appetite. The committee is also responsible for assessing information and cyber security risks on behalf of the Risk Management Committee.

Executive Risk Management Committee: The committee comprises senior management and is responsible for oversight of credit, market, operational risks at an enterprise level. It is mainly required to assess the risk profile at an integrated level; recommend the risk appetite limit to the Risk Management Committee on a quarterly basis; assess the external and internal risk environment in which we operate an provide suitable direction; review and recommend to the Risk Management Committee main risk factors that could affect our portfolio that require attention; review the capital requirements through Pillar I and Pillar II assessment and also recommend stress tolerance limits to the Risk Management Committee.

The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk we can be exposed to. The risk appetite statements cover all key risk factors, define the boundaries of risk taking, and sets the tone of our risk management culture and risk management framework. The risk appetite statements are annually reviewed and operations are tested against the risk appetite to ensure alignment. Regular monitoring of risk exposures is carried out to ensure that risk taking activity remains within the risk appetite. Our Risk Management Committee is responsible for deciding risk policies and strategy for integrated risk management containing various risk exposures. It is also responsible for overseeing implementation of the Risk Management Framework.

Information Technology

Technology has enabled our bank to scale up our operations in a very efficient and seamless manner. The bank has made investments in the areas of IT infrastructure, IT security and applications, to bolster our backend operations, this is also supported by our core banking system, customer relationship management system, collection management system and technologies in the areas of system integration (API factory). We also capitalize on our knowledge of the industry and leverage technology.

We have various on-boarding platforms to enable hassle-free and paperless on boarding process for originating urban / rural loans and opening bank accounts in the new normal. We have also recently revamped our mobile bank application to deliver more number of services through the application. This also enables opening of savings accounts with Know-Your-Customer (‘KYC’) checks through video conferencing with our employees.

Our secure mobile banking platform has facial recognition features for transaction authentication. As part of our digital and open banking journey, the bank has partnered with technology heavy-weights and Fintechs; sizeable investments have also been made to further foray its “customer first” agenda. We are also working closely with transformation and Fintech partners for ‘API banking’, with an aim to provide additional technology features to our customers. Our internet and mobile banking platform also provides access to a digital wealth management platform for customers to invest in mutual funds with additional features to track their investments. The digital wealth platform provides customers with a snapshot of their mutual fund portfolio, asset allocation and transaction history with a convenient and rich customer experience to invest in mutual funds.

Intellectual Property

We are currently using the brand name, ‘*Equitas*’, pursuant to a no-objection letter dated November 8, 2019 granted by our Promoter, EHL, the owner of the trademark, to our Bank.

We have registered our logo with the trademark registry under class 36. We have also registered our corporate logo in our name with the trademark registry under class 36, which is valid up to November 18, 2029.

Marketing

Our brand strategy is focused on catering to the hearts and minds of people. We create an increasing amount of tailored digital content to connect with consumers. We have launched several initiatives in recent years to build the brand of our Bank and increase recognition in the communities we serve. The journey of money and the positive change it makes to the community is captured in our brand video.

We launched a new web series on our social media platforms, called 'Circle of Life' that features real-life transformation stories of bravery, sacrifice and compassion. 'Circle of Life' series signifies a way of taking and giving back to society and showcases the lives of people who have gone through a transformative journey. The series reflects a story of how we invest the money people save with us back in communities, thus making money a force for good in contributing to a sustainable social change. Each story reflects a positive impact beyond banking and how Equitas Small Finance Bank helps in changing the lives of people through micro-lending and social initiatives. For instance, we shared the transformative journey of Shanthi from being a pavement dweller to a proud independent parent and a transwomen street play artist Dhanalakshmi, finding her way in life, giving herself a rebirth to a woman of substance and an artist.

We are also active on all social media platforms and create relevant content to build engagement. Our digital impressions and engagement have grown multifold. We partnered with Chennai Super Kings with the belief that cricket is more than just a sport, but rather, unites every Indian irrespective of its diversity.

We also announced female hockey player, Rani Rampal and cricketer Smriti Mandhana as our brand ambassadors. As an entity empowering women across the length and breadth of the country, through our various banking and non-banking initiatives, these associations are in line with our core values to the lives of countless customers by choosing the right representation to inspire women to chase their dreams.

We believe in Human to Human relationships and are equally focusing our efforts on the ground with branch level activation and customer engagement for asset and liability businesses. We are creating brand awareness with branch locality using consistent brand building with specific medium at-least for tenure of six months to increase brand visibility and lead generation at select metro locations like Chennai. In addition, we believe our ongoing social initiatives in certain communities have resulted in strong brand equity for the 'Equitas' brand.

As a digital-savvy Bank, we leverage digital marketing as our customer acquisition strategy through SelfeSavings – Online Account Opening Feature and SelfeFD, which are standalone fixed deposits that can be booked from any bank account online. We have also improved our customer acquisition speed with selfe Savings, enabling our Bank to acquire customers digitally within short span of time.

Our digital marketing efforts include affiliate marketing, influencer outreach, search engine optimisation, search engine marketing and social media. The increased engagement on social media has led to more people visiting our website, helping us see a growth of new prospects, who are first-time visitors to our website. Digital channels bring opportunities for more targeted marketing, deeper engagement and stronger connections between the bank and consumers. We have also implemented multi-channel marketing automation for customer on boarding and cross-sell.

For the current financial year, we are also looking at renewed brand positioning establishing our purpose, core values and stories of people whom we have transformed over the years through financial inclusion.

Competition

We face significant competition from unorganized, small participants in the market across all our product segments in addition to other small finance banks, scheduled commercial banks and NBFCs as well as local moneylenders. There are several successful microfinance institutions functioning in India, and we regularly compete with them for business throughout India.

If the number of scheduled commercial banks including small finance banks, public sector banks, private sector banks, payment banks, and foreign banks with branches in the country increases, or if such existing entities expand their operations, we will face increased competition across product segments, which could have a material adverse effect on our financial condition and results of operations.

Insurance

We maintain insurance policies that we believe is customary for banks. These include combined fire and burglary policy, all risk policy for laptop, cyber risk policy, banker indemnity policy, commercial general liability insurance, and directors' and officers' liability policy.

Employees

As of December 31, 2021, we had 17,509 employees, as set forth below:

Function/ Department	Number of Employees
Sales	9,729
Collection	2,671
Operations	969
Credit	1,299
Customer Service Officer	1,365
Risk	530
Legal	422
Information Technology	129
HR	135
Finance & Accounts	46
Internal Audit	39
Risk Management	40
Compliance	42
Infrastructure & Facilities Management	21
Treasury	12
Others	60
Total	**17,509**

Corporate Social Responsibility

We have adopted a board approved Corporate Social Responsibility ("**CSR**") policy that is focused on our core objective of financial inclusion for unbanked and underbanked income groups.

As part of our CSR activities: (i) we contribute 5.00% of our profits after tax for initiatives primarily carried out by the 'Equitas Development Initiatives Trust' and Equitas Healthcare Foundation; (ii) we engage a CSR team to ensure the management of these social activities; and (iii) certain funds are deployed for creating infrastructure for schools which would be run by EDIT.

Activities carried out by EDIT include, operating schools in Tamil Nadu for children from low-income families; development of women through training in vocational skills; pavement dwellers rehabilitation programs; placement coordination for unemployed youth of low income communities by networking with employers through job fairs; and conducting primary health camps through tie-ups with hospitals.

Properties

Our Registered Office and Corporate Office is situated at 4th Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai – 600 002, and is held by the Bank on leasehold basis from a third-party. As of December 31, 2021, our operations were spread across 17 states and union territories, and through 860 Banking Outlets, all of which are located on leased premises.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Audited Financial Statements for Fiscal 2019, 2020 and 2021, and our Unaudited Condensed Interim Financial Statements for the nine months ended December 31, 2020 and December 31, 2021. The following discussion should be read together with the information included in the sections "Summary of Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Information" included elsewhere in this Preliminary Placement Document.

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 Preliminary Placement Document. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. Such non-GAAP measures are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other banks in India or elsewhere.

Our Bank's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that year. Unless otherwise indicated or the context requires otherwise, the financial information included herein is based on our Audited Financial Statements and the Unaudited Condensed Interim Financial Statements included in this Preliminary Placement Document. The financial information for the nine-month period ended December 31, 2021 and 2020 are not comparable with our results for the full fiscal years and our financial information for the nine-month periods ended December 31, 2021 are not necessarily indicative of what our financial information for Fiscal 2022 will be. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 81 and 277, respectively.

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest earned to average interest-earning assets (except that investments include equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. Average interest earning assets, yields, average non-interest earning assets, average interest-bearing liabilities, average non-interest bearing liabilities, and cost of funds, are non-GAAP measures. The tables below set forth the reconciliation of such non-GAAP measures to the GAAP measures appearing in our Unaudited Condensed Interim Financial Statements for the nine months ended December 31, 2020 and December 31, 2021:

	Nine months (annualised) ended December 31,					
	2020			2021		
	Average Balance [(1)] A	Interest Earned [(3)] B	Yield (%) C=(B/A)	Average Balance [(1)] D	Interest Earned [(3)] E	Yield (%) F=(E/D)
	(₹ crores, except percentages)					
Interest Earning Assets:						
i. Advances*	15,206.45	2,164.45	18.98% [14.23%]	17,429.73	2,327.84	17.81% [13.36%]

	Nine months (annualised) ended December 31,					
	2020			2021		
	Average Balance (1) A	Interest Earned (3) B	Yield (%) C=(B/A)	Average Balance (1) D	Interest Earned (3) E	Yield (%) F=(E/D)
	(₹ crores, except percentages)					
ii. Investments*	3,469.63	160.79	6.18% [4.63%]	4,486.30	180.06	5.35% [4.01%]
iii. Others (2) *	2,097.10	50.84	3.23% [2.42%]	1,694.88	55.54	4.37% [3.28%]
iv. Sub-Total *	20,773.18	2,376.08	15.25% [11.44%]	23,610.91	2,563.44	14.48% [10.86%]
Non-Interest Earning Assets:						
v. Fixed assets	198.34	-	-	178.45	-	-
vi. Other assets	1,121.81	-	-	1,389.03	-	-
vii. Sub-Total	1,320.15	-	-	1,567.48	-	-
viii. Total (iv+vii)	22,093.34	-	-	25,178.39	-	-

annualized, and figures in square brackets represent unannualized figures

	Nine months ended December 31,					
	2020			2021		
	Average Balance (1) (A)	Interest Expended (4) (B)	Cost of Funds (%) C=B/A	Average Balance (1) (D)	Interest Expended (4) (E)	Cost of Funds (%) (F=E/D)
	(₹ crores, except percentages)					
Interest-Bearing Liabilities:						
i. Demand Deposit	380.80	-	0.00%	489.02	-	0.00%
ii. Saving Banks Deposit *	2,562.86	116.11	6.04% [4.53]	6,933.99	331.10	6.37% [4.77%]
iii. Term Deposits *	9,890.89	578.67	7.80% [5.85]	9,943.15	527.96	7.08% [5.31%]
iv. **Total Deposits (i+ii+iii) ***	12,834.55	694.79	7.22% [5.41]	17,366.16	859.06	6.60% [4.95%]
v. Borrowings *	5,525.33	331.90	8.01% [6.01]	3,439.60	218.70	8.48% [6.36%]
vi. **Sub-Total ***	18,359.88	1,026.69	7.46% [5.59]	20,805.76	1,077.76	6.91% [5.18%]
Non-Interest Bearing Liabilities:						
vii. Capital	1,074.61	-	-	1,143.70	-	-
viii. Reserves and Surplus	1,858.27	-	-	2,321.79	-	-
ix. **Shareholders' equity (vi+vii)**	2,932.88	-	-	3,465.49	-	-
x. Other liabilities & Provision	800.56	-	-	907.13	-	-
xi. **Sub-Total**	3,733.44	-	-	4,372.62	-	-
xii. **Total (vi+xi)**	22,093.32	-	-	25,178.38	-	-

annualized, and figures in square brackets represent unannualized figures

Note:

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year/ period.

(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice.

(3) Interest Earned on advances include interest on advances and gain on IBPC issued.

(4) Interest Earned on Others includes interest on balance with RBI and other inter-bank funds.

	Year ended March 31,								
	2019			2020			2021		
	Average Balance (1) A	Interest Earned (3) B	Yield (%) C=B/A	Average Balance (1) D	Interest Earned (3) E	Yield (%) F=E/D	Average Balance (1) G	Interest Earned (3) H	Yield (%) I=H/G
	(₹ crores, except percentages)								
Interest Earning Assets:									
i. Advances	9,534.38	1,823.65	19.13%	12,802.06	2,420.01	18.90%	15,534.75	2,900.83	18.67%
ii. Investments	3,431.20	257.96	7.52%	2,369.76	157.65	6.65%	3,516.74	219.38	6.24%
iii. Others (2)	504.71	30.32	6.01%	1,232.45	67.78	5.50%	2,234.68	74.20	3.32%
iv. Sub-Total	13,470.29	2,111.93	15.68%	16,404.27	2,645.44	16.13%	21,286.17	3,194.41	15.00%
Non-Interest Earning Assets:									
v. Fixed assets	255.47	-	-	220.44	-	-	195.68	-	-
vi. Other assets	753.87	-	-	864.37	-	-	1,141.03	-	-
vii. Sub-Total	1,009.34	-	-	1,084.81	-	-	1,336.71	-	-
viii. Total (iv+vii)	14,479.63	-	-	17,489.08	-	-	22,626.66	-	-

	Year ended March 31,								
	2019			2020			2021		
	Average Balance (1) A	Interest Expended (4) B	Cost of Funds (%) C=B/A	Average Balance (1) D	Interest Expended E	Cost of Funds (%) F=E/D	Average Balance (1) G	Interest Expended (4) H	Cost of Funds (%) I=H/G
	(₹ crores, except percentages)								
Interest-Bearing Liabilities:									
i. Demand Deposit	438.05	-	-	416.37	-	-	408.65	-	-
ii. Saving Banks Deposit	1,511.41	82.62	5.47%	1,816.59	104.84	5.77%	3,069.04	182.73	5.95%
iii. Term Deposits	5,319.56	427.08	8.03%	7,656.42	633.28	8.27%	10,068.35	786.94	7.82%
iv. **Total Deposits (i+ii+iii)**	7,269.02	509.70	7.01%	9,889.38	738.12	7.46%	13,546.04	969.67	7.16%
v. Borrowings	4,538.36	450.50	9.93%	4,537.83	412.02	9.08%	5,253.33	426.78	8.12%
vi. **Sub-Total**	11,807.38	960.20	8.13%	14,427.21	1,150.14	7.97%	18,799.37	1,396.45	7.43%
Non-Interest Bearing Liabilities:									
vii. Capital	1,005.94	-	-	1,024.93	-	-	1,087.55	-	-
viii. Reserves & Surplus	1,131.04	-	-	1,450.20	-	-	1,938.03	-	-
ix. **Shareholders' equity (viii+ix)**	2,136.98	-	-	2,475.13	-	-	3,025.58	-	-
x. Other liabilities & Provision	535.27	-	-	586.74	-	-	801.71	-	-
xi. **Sub-Total**	2,672.25	-	-	3,061.87	-	-	3,827.29	-	-
xii. **Total (vi+xi)**	14,479.63	-	-	17,489.08	-	-	22,626.66	-	-

Note:

(1) Average balances are the year to date quarterly averages as of April 1, June 30, September 30, December 31 and March 31 of each relevant year / period.

(2) Includes Balances with Reserve Bank of India in other accounts, Balances with banks in other deposit accounts, money at call and short notice.

(3) Interest Earned on advances include interest on advances and gain on IBPC issued.

(4) Interest Earned on Others includes interest on balance with RBI and other inter-bank funds.

Yields, Spreads and Margins

The following table sets forth, for the nine months ended December 31, 2020 and December 31, 2021, the yields, spreads and interest margins on the Bank's interest-earning assets:

Particulars	**Nine months ended December 31,**	
	2020	**2021**
	(₹ crores, except percentages)	
i. Interest on advances	2,164.45	2,327.84
ii. Interest earned	2,376.08	2,563.44
iii. Interest expended	1,026.69	1,077.76
iv. Total Average Interest Earning Assets (1)	20,773.18	23,610.91
v. Average Balance of Advances	15,206.45	17,429.73
vi. Total Average Interest Bearing Liabilities (2)	18,359.89	20,805.76
vii. Total Average Assets	22,093.33	25,178.39
viii. Net Interest Income (3)	1,349.39	1,485.68
ix. Average Balance of Advances as a percentage of Total Average Assets [v/vii]	68.83%	69.22%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	83.10%	82.63%
xi. Average Balance of Advances as a percentage of Total Average Interest Bearing Liabilities[v/vi]	82.82%	83.77%
xii. Yield (4) *	15.25% [11.44%]	14.48% [10.86%]
xiii. Yield on Advances (5) *	18.98% [14.23%]	17.81% [13.36%]
xiv. Cost of Funds (6) *	7.46% [5.59%]	6.91% [5.18%]
xv. Spread (7) *	11.52% [8.64%]	10.90% [8.18%]
xvi. Net Interest Margin (8) *	8.66% [6.50%]	8.39% [6.29%]
xvii. Other Income to Total Income ratio (9)	9.16%	13.20%
xviii. Credit Cost Ratio (10) *	2.44% [1.83%]	2.84% [2.13%]
xix. Cost of Borrowings *	8.01% [6.01%]	8.48% [6.36%]

annualized, and figures in square brackets represent unannualized figures

Notes:

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Net Interest Income is the difference of interest earned and interest expended.

(4) Yield is Interest earned divided by Total Average Interest Earning Assets.

(5) Yield on Advances is Interest on advances divided by Average Balance of Advance.

(6) Cost of funds is Interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(7) Spread is the difference between Yield on Advances and Cost of Funds.

(8) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average.

(9) Other income to Total income Ratio is calculated as a ratio of Other income divided by Total income (total of Interest earned and Other income).

(10) Credit Cost Ratio is Credit Cost divided by the Average Balance of Advances.

The following table sets forth, for Fiscal 2019, 2020 and 2021, the yields, spreads and interest margins on the Bank's interest-earning assets:

Particulars	Year ended March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
i. Interest on advances	1,823.65	2,420.01	2,900.83
ii. Interest earned	2,111.93	2,645.44	3,194.41
iii. Interest expended	960.20	1,150.14	1,396.45
iv. Total Average Interest Earning Assets (1)	13,470.29	16,404.27	21,286.17
v. Average Balance of Advances	9,534.38	12,802.06	15,534.75
vi. Total Average Interest Bearing Liabilities (2)	11,807.38	14,427.21	18,799.37
vii. Total Average Assets	14,479.63	17,489.08	22,626.66
viii. Net Interest Income (3)	1,151.73	1,495.30	1,797.96
ix. Average Balance of Advances as a percentage of Total Average Assets [v/vii]	65.85%	73.20%	68.68%
x. Total Average Interest Bearing Liabilities as a percentage of Total Average Assets [vi/vii]	81.54%	82.49%	83.12%
xi. Average Balance of Advances as a percentage of Total Average Interest-Bearing Liabilities [v/vi]	80.75%	88.74%	82.63%
xii. Yield (4)	15.68%	16.13%	15.01%
xiii. Yield on Advances (5)	19.13%	18.90%	18.67%
xiv. Cost of Funds (6)	8.13%	7.97%	7.43%
xv. Spread (7)	11.00%	10.93%	11.24%
xvi. Net Interest Margin (8)	8.55%	9.12%	8.45%
xvii. Other income to Total income Ratio (9)	11.81%	9.64%	11.57%
xviii. Credit Cost Ratio (10)	1.07%	1.93%	2.42%
xix. Average Cost of Borrowings	9.93%	9.08%	8.12%

Notes:

(1) Total Average Interest Earning Assets are interest-earning assets calculated on the basis of quarterly average.

(2) Total Average Interest Bearing Liabilities are interest-bearing liabilities calculated on the basis of quarterly average.

(3) Net Interest Income is difference of Interest earned and Interest expended. Net Interest Income is a non-GAAP measure.

(4) Yield is Interest earned divided by Total Average Interest Earning Assets.

(5) Yield on Advances is Interest on advance divided by Average Balance of Advances. Yield on Advances is a non-GAAP measure.

(6) Cost of funds is Interest expended divided by Total Average Interest Bearing Liabilities calculated on the basis of quarterly average.

(7) Spread is difference between Yield on Advances and Cost of Funds.

(8) Net Interest Margin is the difference of Interest earned and Interest expended divided by the Total Average Interest Earning Assets calculated on the basis of quarterly average. Net Interest Margin is a non-GAAP measure.

(9) Other income to Total income Ratio is calculated as a ratio of Other income divided by Total income (total of Interest earned and Other income).

(10) Credit Cost Ratio is Credit Cost divided by Average Balance of Advances. Credit Cost and Credit Cost Ratio are non-GAAP measures.

Financial Ratios of the Bank

The following table sets forth certain key financial indicators as of and for the nine months ended December 31, 2020 and December 31, 2021, for the Bank:

	As of and for the nine months ended December 31,	
	2020	2021
Net profit as a percentage of Average Shareholders' Equity (1) *	12.34% [9.25%]	6.20% [4.65%]
Return on Total Average Assets (2) *	1.64% [1.23%]	0.85% [0.64%]
Operating Expenses to Total Average Assets *	5.75%	6.82%

	As of and for the nine months ended December 31,	
	2020	2021
	[4.31%]	[5.11%]
Average Shareholders' Equity to Total Average Assets (3)	13.27%	13.76%
Credit to Deposit ratio (4)	155.94%	115.14%
Retail term deposit to total term deposit ratio	46.24%	79.56%
CASA Ratio (5)	25.01%	50.80%
Cost to income ratio (6)	59.93%	68.65%

**annualized, and figures in square brackets represent unannualized figures*

Notes:

(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the period/year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).

(2) Return on Total Average Assets is the ratio of the Net profit for the period/year to the Total Average Assets.

(3) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.

(4) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.

(5) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits.

(6) Cost to income ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is a sum of net interest income and other income.).

The following table sets forth certain key financial indicators as of and for Fiscal 2019, 2020 and 2021, for the Bank:

	As of and for the year ended March 31,		
	2019	2020	2021
Net profit as a percentage of Average Shareholders' Equity (1)	9.85%	9.84%	12.70%
Return on Total Average Assets (2)	1.45%	1.39%	1.70%
Operating Expenses to Total Average Assets	6.96%	6.75%	5.88%
Average Shareholders' Equity to Total Average Assets (3)	14.76%	14.15%	13.38%
Credit to Deposit ratio (4)	176.07%	190.26%	138.69%
Retail Term Deposit to Total Term Deposit Ratio	24.30%	44.42%	54.45%
CASA Ratio (5)	25.25%	20.47%	34.25%
Cost to Income Ratio (6)	70.30%	66.38%	59.99%

Notes:

(1) Return on Average Shareholders' Equity is the ratio of the Net profit for the period/year to the Average Shareholders' Equity (sum of quarterly average of Capital & Reserves and Surplus).

(2) Return on Total Average Assets is the ratio of the Net profit for the period/year to the Total Average Assets.

(3) Average Shareholders' Equity to Total Average Assets is computed by dividing the sum of Average Balance of Capital & Average Balance of Reserves and Surplus by the Total Average Assets.

(4) Credit to Deposit Ratio is computed by dividing Advances excluding advances to banks by Deposits excluding deposits from banks.

(5) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits. CASA and CASA ratio are non-GAAP measures.

(6) Cost to income ratio is calculated as a ratio of Operating expenses divided by Net Operating Income (Net Operating Income is sum of net interest income and other income).

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the nine months ended December 31, 2020 and December 31, 2021:

	Nine months ended December 31,	
	2020	2021
	(₹ crores, except percentages)	
i. Net profit for the period/ year	271.35	161.22
ii. Average Shareholders' Equity (1)	2,932.89	3,465.49
iii. Total Average Assets	22,093.33	25,178.39
iv. Net profit as a percentage of Total Average Assets (i/iii)	1.64% [1.23%]	0.85% [0.64%]
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	12.34% [9.25%]	6.20% [4.65%]
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	13.27%	13.76%

	Nine months ended December 31,	
	2020	2021
	(₹ crores, except percentages)	
vii. Gross Advances (including IBPC issued)	17,373.11	19,687.30
viii. Advances	16,797.37	18,314.91

(1) Average Shareholders' Equity represents the sum of quarterly average of Capital & Reserves and Surplus.

The following table presents selected financial ratios for the Bank for Fiscal 2019, 2020 and 2021:

	Fiscal		
	2019	2020	2021
	(₹ crores, except percentages)		
i. Net profit for the period/ year	210.56	243.63	384.22
ii. Average Shareholders' Equity [(1)]	2,136.98	2,475.13	3,025.58
iii. Total Average Assets	14,479.63	17,489.08	22,626.60
iv. Net profit as a percentage of Total Average Assets (i/iii)	1.45%	1.39%	1.70%
v. Net profit as a percentage of Average Shareholders' Equity (i/ii)	9.85%	9.84%	12.70%
vi. Average shareholders' equity as a percentage of Total Average Assets (ii/iii)	14.76%	14.15%	13.37%
vii. Gross Advances (including IBPC issued)	11,704.29	15,366.95	17,924.55
viii. Advances	11,595.00	13,728.24	16,847.95

(1) Average Shareholders' Equity represents the sum of quarterly average of capital and reserves and surplus

Funding

Deposits

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's primary sources of funds are deposits from retail customers. Retail term deposits raised were 24.30%, 44.42% and 54.45%, of total term deposits as of March 31, 2019, 2020 and 2021, respectively, and were 79.56% as of December 31, 2021. Of the Bank's deposits as of March 31, 2021, 3.17% was demand deposits and 31.07% were savings bank deposits, 65.76% were term deposits while as of December 31, 2021, demand deposits were 2.97%, savings bank deposits were 47.83% and term deposits were 49.20% of the Bank's total deposits, respectively.

	As of December 31,	
	2020	2021
	(₹ crores, except percentages)	
i. Deposits	15,862.09	17,883.64
ii. Average Balance of Deposits [(1)]	12,834.55	17,366.16
iii. Interest on deposits	694.79	859.06
iv. Average interest rate [(2)] (iii/ii) *	7.22% [5.41]%	6.60% [4.95]%

** annualized, and figures in square brackets represent unannualized figures*
Notes:
(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.
(2) Represents the ratio of Interest on deposits to the Average Balance of Deposits.

	As of March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
i. Deposits	9,006.74	10,788.41	16,391.97
ii. Average Balance of Deposits (1)	7,269.02	9,889.38	13,546.04
iii. Interest on deposits	509.70	738.12	969.67
iv. Average interest rate (2) (iii/ii)	7.01%	7.46%	7.16%

Notes:

(1) Average Balance of Deposits represents sum of quarterly average Demand Deposits, Term Deposits and Savings Bank Deposits.

(2) Represents the ratio of Interest on deposits to the Average Balance of Deposits.

The following tables set forth, for the periods indicated, the Bank's deposits and the percentage composition by each category of deposits. As of March 31, 2019, 2020 and 2021, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 5.47%, 5.77% and 5.95%, respectively, and the average cost of term deposits was 8.03%, 8.27% and 7.82%, respectively. As of December 31, 2021, the average cost (interest expense divided by the average of balance for the relevant period) of savings bank deposits was 6.37%* [4.77]% and the average cost of term deposits was 7.08%* [5.31]%.

** annualized, and figures in square brackets represent unannualized figures*

The deposits as of December 31, 2020 and December 31, 2021, are as follows:

	As of December 31,			
	2020		2021	
	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)			
Demand Deposits	442.09	2.79%	530.58	2.97%
Savings Bank Deposits	3,524.43	22.22%	8,554.25	47.83%
Term Deposits	11,895.58	74.99%	8,798.81	49.20%
Total Deposits	15,862.09	100.00%	17,883.64	100.00%

As of December 31, 2020, term deposits amounting to ₹ 2 crores and less, between ₹ 2 crores and ₹ 10 crores, and more than ₹10 crores, represented 46.24%, 12.72% and 41.04% of the total term deposits as of such date. As of December 31, 2021, term deposits amounting to ₹ 2 crores and less, between ₹ 2 crores and ₹ 10 crores, and more than ₹10 crores, represented 79.56%, 9.84% and 10.60% of the total term deposits as of such date.

Further, as of December 31, 2020, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 crores, between ₹1 crores and ₹10 crores, between ₹10 crores and ₹100 crores, and more than ₹100 crores, represented 8.95%, 54.16%, 16.34%, 15.26% and 5.29% and of the total CASA deposit as of such date. As of December 31, 2021, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 crores, between ₹1 crores and ₹10 crores, between ₹10 crores and ₹100 crores, and more than ₹100 crores, represented 5.53%, 70.37%, 12.44%, 7.16% and 4.50% of the total CASA deposit as of such date.

The deposits for Fiscal 2019, 2020 and 2021, are as follows:

	As of March 31,					
	2019		2020		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)					
Demand Deposits	482.35	5.36%	349.64	3.24%	520.07	3.17%
Savings Bank Deposits	1,791.91	19.90%	1,858.58	17.22%	5,093.76	31.07%
Term Deposits	6,732.48	74.74%	8,580.19	79.54%	10,778.14	65.76%
Total Deposits	9,006.74	100.00%	10,788.41	100.00%	16,391.97	100.00%

As of March 31, 2019, term deposits amounting to ₹ 2 crores and less, between ₹ 2 crores and ₹ 10 crores, and more than ₹10 crores, represented 24.30%, 15.44% and 60.26% of the total term deposits as of such date. As of March 31, 2020, term deposits amounting to ₹ 2 crores and less, between ₹ 2 crores and ₹ 10 crores, and more than ₹10 crores, represented 44.42%, 8.01% and 47.57% of the total term deposits as of such date. As of March 31, 2021, term deposits amounting to ₹ 2 crores and less, between ₹ 2 crores and ₹ 10 crores, and more than ₹10 crores, represented 54.45%, 35.52% and 10.03% of the total term deposits as of such date.

Further, as of March 31, 2019, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 crores, between ₹1 crores and ₹10 crores, between ₹10 crores and ₹100 crores, and more than ₹100 crores, represented 12.67%, 57.34%, 18.50%, 11.49% and 0.00% of the total CASA deposit as of such date. As of March 31, 2020, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 crores, between ₹1 crores and ₹10 crores, between ₹10 crores and ₹100 crores, and more than ₹100 crores, represented 12.74%, 49.16%, 18.37%, 14.93% and 4.80% of the total CASA deposit as of such date. As of March 31, 2021, CASA deposits amounting to ₹ 100,000 and less, between ₹100,000 and ₹ 1 crores, between ₹1 crores and ₹10 crores, between ₹10 crores and ₹100 crores, and more than ₹100 crores, represented 6.93%, 51.13%, 16.53%, 19.16% and 6.25% of the total CASA deposit as of such date.

The details of Retail Deposits and Bulk Deposits as of and for the nine months ended December 31, 2020 and December 31, 2021, are as set forth below:

	As of December 31,			
	2020		2021	
	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)			
Term Deposits				
Retail Deposits	5,500.35	46.24%	7,000.06	79.56%
Bulk Deposits	6,395.23	53.76%	1,798.75	20.44%
Total Term Deposits	11,895.58	100.00%	8,798.81	100.00%

Notes:
(1) Retail term deposit are deposit below ₹ 2 crores.
(2) Bulk term deposits are deposits of ₹ 2 crores and above.

The details of Retail Deposits and Bulk Deposits as of and for Fiscal 2019, 2020 and 2021, are as set forth below:

	As of March 31,					
	2019		2020		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)					
Term Deposits						
Retail Deposits	1,636.25	24.30%	3,811.29	44.42%	5,868.84	54.45%
Bulk Deposits	5,096.23	75.70%	4,768.90	55.58%	4,909.30	45.55%
Total Term Deposits	6,732.48	100.00%	8,580.19	100.00%	10,778.14	100.00%

Notes:
(1) Retail term deposit are deposits below ₹ 2 crores.
(2) Bulk term deposits are deposits of ₹ 2 crores and above.

Borrowings

The following table sets forth, for the nine months ended December 31, 2020 and December 31, 2021, information related to the Bank's borrowings:

	As of December 31,	
	2020	2021
	(₹ crores, except percentages)	
i. Borrowings	5,266.44	2,785.30
ii. Average Balance of Borrowings	5,525.33	3,439.60
iii. Interest on RBI/inter-bank borrowings and Other interest	331.90	218.70
iv. Cost of Borrowings (1) (iii/ii) *	8.01% [6.01]%	8.48% [6.36]%

**annualized, and figures in square brackets represent unannualized figures*

Notes:
(1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.

The following table sets forth, for Fiscal 2019, 2020 and 2021, information related to the Bank's borrowings:

	As of March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
i. Borrowings	3,973.03	5,134.87	4,165.32
ii. Average Balance of Borrowings	4,538.36	4,537.83	5,253.33
iii. Interest on RBI/Inter-bank borrowings and Other interest	450.50	412.02	426.78
iv. Cost of Borrowings (1) (iii/ii)	9.93%	9.08%	8.12%

Notes:
(1) Represents the ratio of Interest on RBI/inter-bank borrowings and Other interest to the Average Balance of Borrowings.

	As of December 31,			
	2020		2021	
	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)			
[A] Deposits				
Demand Deposits	442.09	2.09%	530.58	2.57%
Savings Bank Deposits	3,524.43	16.68%	8,554.25	41.38%
Term Deposits $	11,895.58	56.30%	8,798.81	42.57%
Total [A]	15,862.09	75.07%	17,883.64	86.52%
[B] Borrowings				
Reserve Bank of India	-	-	-	-
Other banks	-	-	-	-
Other institutions and agencies	5,046.44	23.88%	2,635.30	12.75%
Tier II Capital (Non-convertible debentures)	220.00	1.04%	150.00	0.73%
Bonds and Debentures (excluding subordinated debt)	-	-	-	-
Total [B]	5,266.44	24.93%	2,785.30	13.48%
Total [A + B]	21,128.53	100.00%	20,668.94	100.00%
$ Certificate of Deposit	171.12		-	

	As of March 31,					
	2019		2020		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)					
[A] Deposits						
Demand Deposits	482.35	3.72%	349.64	2.20%	520.07	2.53%
Savings Bank Deposits	1,791.91	13.81%	1,858.58	11.66%	5,093.76	24.78%
Term Deposits $	6,732.48	51.87%	8,580.19	53.89%	10,778.14	52.43%
Total [A]	9,006.74	69.40%	10,788.41	67.75%	16,391.97	79.74%
[**B] Borrowings**						
Reserve Bank of India	-	0.00%	233.00	1.46%	11.00	0.05%
Other banks	10.00	0.07%	50.00	0.31%	-	0.00%
Other institutions and agencies	3,483.03	26.83%	4,631.87	29.10%	3,934.32	19.14%
Tier II Capital (Non-convertible debentures)	270.00	2.08%	220.00	1.38%	220.00	1.07%
Bonds and Debentures (excluding subordinated debt)	210.00	1.62%	-	-	-	-
Total [B]	3,973.03	30.60%	5,134.87	32.25%	4,165.32	20.26%

	As of March 31,					
	2019		2020		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ crores, except percentages)					
Total [A + B]	12,979.77	100.00%	15,923.28	100.00%	20,557.29	100.00%
$ Certificate of Deposit	812.07		488.41		73.29	

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Asset Liability Management

The following table sets forth the maturity pattern of certain items of assets and liabilities as at the end of the relevant period or year.

		1 day to 30/31 (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
		(₹ crores)								
Liabilities										
Deposits	As of December 31, 2021	1,479.54	308.10	370.08	1,523.75	3,355.23	10,752.38	43.04	51.52	17,883.64
	As of December 31, 2020	1,582.45	659.10	1,085.49	1,803.58	4,384.99	6,331.61	7.13	7.74	15,862.09
	As of March 31, 2021	1,514.27	776.92	469.59	1,979.46	3,362.16	8,265.83	9.81	13.93	16,391.97
	As of March 31, 2020	1,119.68	471.33	594.76	1,456.96	3,044.12	4,099.33	1.21	1.03	10,788.41
	As of March 31, 2019	1,406.80	376.79	546.82	801.81	2,339.33	3,532.07	2.44	0.68	9,006.74
Borrowings	As of December 31, 2021	15.73	125.73	135.73	157.19	715.92	1,365.00	270.00	-	2,785.30
	As of December 31, 2020	63.69	388.43	147.18	1,093.05	780.47	2,074.79	718.08	0.75	5,266.44
	As of March 31, 2021	308.18	172.18	122.18	432.79	621.88	1,978.11	530.00	-	4,165.32
	As of March 31, 2020	55.73	172.18	126.43	542.05	1,013.34	2,619.99	603.23	1.92	5,134.87
	As of March 31, 2019	25.00	231.45	83.66	617.22	641.46	1,916.92	454.25	3.07	3,973.03
Assets										
Advances	As of December 31, 2021	527.08	531.42	571.69	775.51	2641.41	6547.49	2582.54	4137.77	18,314.91
	As of December 31, 2020	479.74	166.44	509.78	1,488.21	2,544.22	6,152.73	2,151.36	3,304.90	16,797.38
	As of March 31, 2021	488.04	481.56	511.10	774.88	2497.83	6129.30	2393.43	3571.80	16,847.95
	As of March 31, 2020	32.81	24.83	431.78	30.37	2526.38	6224.14	1975.84	2482.09	13,728.24
	As of March 31, 2019	400.61	538.05	369.84	1070.74	1995.20	4290.64	1460.38	1469.54	11,595.00
Investments	As of December 31, 2021	2344.92	94.84	55.62	225.92	521.07	1579.42	48.60	52.23	

		1 day to 30/31 (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
		(₹ crores)								
										4,922.62
	As of December 31, 2020	1460.70	189.93	155.22	268.38	627.61	994.24	41.20	28.23	3,765.51
	As of March 31, 2021	1287.88	203.47	69.33	289.40	493.52	1,295.34	44.50	21.72	3,705.17
	As of March 31, 2020	382.08	149.76	95.34	284.73	474.90	898.22	41.27	16.22	2,342.51
	As of March 31, 2019	738.37	217.63	97.13	206.76	394.84	631.85	44.37	13.52	2,344.45

Classification of Investments

	Nine months ended December 31,	
	2020	2021
	(₹ crores)	
Held to Maturity (1)	2,642.35	3,744.80
Available for Sale (2)	1,032.54	1,136.29
Held for Trading (3)	90.62	41.53
Total	3,765.51	4,922.62

Notes:

(1) Investments that the Bank intends to hold till maturity are classified as "Held to Maturity".

(2) Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.

(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".

	Year ended March 31,		
	2019	2020	2021
	(₹ crores)		
Held to Maturity (1)	1,080.70	1,782.86	3,046.42
Available for Sale (2)	1,263.75	554.70	658.75
Held for Trading (3)	-	4.95	-
Total	2,344.45	2,342.51	3,705.17

Notes:

(1) Investments that the Bank intends to hold till maturity are classified as "Held to Maturity".

(2) Investments, which are not classified as "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.

(3) Investments that are held with the intention to trade by taking advantage of short-term price / interest movements are classified as "Held for Trading".

Loan Portfolio

As of December 31, 2021, the Bank's Gross Advances (including IBPC issued) amounted to ₹ 19,687.30 crores. The Bank's Gross Advances (including IBPC issued) are to borrowers in India.

The table below sets forth the Bank's Gross Advances (including IBPC issued) by product as of December 31, 2020 and December 31, 2021:

	As of December 31,			
	2020		2021	
	(₹ crores)	% of total	(₹ crores)	% of total
Small Business Loans (including housing finance)	7,495.57	43.14%	8,918.91	45.31%
Small Business Loans	5,889.93	33.90%	6,823.66	34.66%
Housing Finance	833.94	4.80%	1,310.36	6.66%
Agriculture Loans	771.70	4.44%	784.89	3.99%
Micro Finance	3,491.39	20.10%	3,694.61	18.77%
Vehicle Finance	4,267.79	24.57%	4,845.61	24.61%
Used Commercial Vehicles	2,855.00	16.43%	3,126.58	15.88%
New Commercial Vehicles	1,412.79	8.14%	1,719.03	8.73%
MSE Finance (Working Capital)	964.08	5.55%	1,193.68	6.06%
NBFC Financing	930.23	5.35%	817.38	4.15%
Others*	224.05	1.29%	217.11	1.10%
Gross Advances (including IBPC issued)	17,373.11	100.00%	19,687.30	100.00%
Secured Advances (As % of Gross Advances (including IBPC issued))	79.21%		80.83%	

Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.

As of March 31, 2021, the Bank's Gross Advances (including IBPC issued) were ₹ 17,924.55 crores.

The table below sets forth the Bank's Gross Advances (including IBPC issued) by product as of March 31, 2019, 2020 and 2021:

	As of March 31,					
	2019		2020		2021	
	(₹ crores)	% of total	(₹ crores)	% of total	(₹ crores)	% of total
Small Business Loans (including housing finance)	4,577.13	39.11%	6,279.44	40.86%	7,971.62	44.47%
Small Business Loans	3,672.80	31.38%	4,994.91	32.50%	6,228.31	34.75%
Housing Finance	376.59	3.22%	604.19	3.93%	958.63	5.35%
Agriculture Loans	527.74	4.51%	680.34	4.43%	784.68	4.38%
Micro Finance	3,069.60	26.23%	3,616.16	23.53%	3,235.73	18.05%
Vehicle Finance	2,951.20	25.21%	3,759.98	24.47%	4,523.80	25.24%
Used Commercial Vehicles	2,259.55	19.31%	2,625.11	17.08%	2,964.30	16.54%
New Commercial Vehicles	691.65	5.90%	1,134.87	7.39%	1,559.50	8.70%
MSE Finance (Working Capital)	180.86	1.55%	669.41	4.36%	1,179.02	6.58%
NBFC Financing	455.96	3.90%	818.12	5.32%	789.22	4.40%
Others*	469.54	4.00%	223.84	1.46%	225.16	1.26%
Gross Advances (including IBPC issued)	11,704.29	100.00%	15,366.95	100.00%	17,924.55	100.00%
Secured Advances (As % of Total Gross Advances (including IBPC issued))	70.72%		75.39%		81.37%	

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's disbursements by product as of December 31, 2020 and December 31, 2021:

	As of December 31,			
	2020		2021	
	(₹ crores)	% of total	(₹ crores)	% of total
Small Business Loans (including housing finance)	1,846.25	37.46%	2,377.66	32.71%
Small Business Loans	1,382.44	28.05%	1,727.66	23.76%
Housing Finance	294.75	5.98%	466.44	6.42%
Agriculture Loans	169.06	3.43%	183.56	2.53%
Micro Finance	1,117.57	22.68%	2,340.65	32.20%
Vehicle Finance	1,233.49	25.03%	1,735.98	23.87%
Used Commercial Vehicles	771.57	15.66%	1,138.76	15.66%
New Commercial Vehicles	461.92	9.37%	597.22	8.21%
MSE Finance (Working Capital)	220.66	4.48%	213.88	2.94%
NBFC Financing	430.00	8.73%	486.00	6.69%
Others*	79.72	1.62%	115.72	1.59%
Total Disbursements	4,927.69	100.00%	7,269.89	100.00%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's disbursements by product as of March 31, 2019, 2020 and 2021:

	As of March 31,					
	2019		2020		2021	
	(₹ crores)	% of total	(₹ crores)	% of total	(₹ crores)	% of total
Small Business Loans (including housing finance)	2,607.92	30.40%	2,965.35	29.92%	2,755.70	36.92%
Small Business Loans	2,120.36	24.72%	2,346.10	23.67%	2,085.42	27.94%
Housing Finance	169.06	1.97%	312.45	3.15%	433.49	5.81%
Agriculture Loans	318.50	3.71%	306.79	3.10%	236.79	3.17%

	As of March 31,					
	2019		**2020**		**2021**	
	(₹ crores)	**% of total**	**(₹ crores)**	**% of total**	**(₹ crores)**	**% of total**
Micro Finance	2,978.05	34.72%	3,169.28	31.98%	1,772.98	23.76%
Vehicle Finance	2,266.70	26.42%	2,552.30	25.75%	1,956.50	26.21%
Used Commercial Vehicles	1,688.63	19.68%	1,827.85	18.44%	1,231.37	16.50%
New Commercial Vehicles	578.07	6.74%	724.45	7.31%	725.13	9.72%
MSE Finance (Working Capital)	218.80	2.55%	573.37	5.78%	355.15	4.76%
NBFC Financing	298.89	3.48%	611.84	6.17%	470.00	6.30%
Others*	207.94	2.43%	38.94	0.40%	153.18	2.05%
Total Disbursements	8,578.31	100.00%	9,911.07	100.00%	7,463.50	100.00%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

Interest Rate Sensitivity Analysis

The following tables set forth the interest rate sensitivity analysis of the Bank’s assets and liabilities for the Bank's operations as of the dated indicated:

As of December 31, 2021

	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-Sensitive**	**Total**
	(₹ crores)					
Assets						
Cash and Balances with RBI	-	-	-	-	765.81	765.81
Balances with other banks	-	-	-	-	70.36	70.36
Advances	2,721.78	4,670.19	7,920.93	3,970.01	-	19,282.91
Investments	9.82	845.08	1,700.96	2,326.29	40.47	4,922.62
Fixed Assets	-	-	-	-	185.57	185.57
Rev Repos	302.00	-	-	-	-	302.00
Other Assets	-	-	-	-	700.07	700.07
Forex Swaps	-	-	-	-	-	-
Total Assets	3,033.60	5,515.27	9,621.89	6,296.30	1,762.28	26,229.34
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Assets/ Assets	93.28%	-	-	-	-	-
Liabilities						
Capital and Reserve	-	-	-	-	3,582.68	3,582.68
Deposits	2,157.73	4,878.97	10,795.42	51.52	-	17,883.64
Borrowings	277.19	873.11	1,635.00	-	-	2,785.30
Other Liabilities	-	-	-	-	1,009.72	1,009.72
Repos	-	-	-	-	-	-
IBPC	898.00	70.00	-	-	-	968.00
Forex Swaps	-	-	-	-	-	-
Total Liabilities	3,332.92	5,822.08	12,430.42	51.52	4,592.40	26,229.34
Off-balance Sheet Items	-	-	-	-	-	-
Total Rate Sensitive Liabilities / Liabilities	82.49%	-	-	-	-	-

As of March 31, 2021

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ crores)					
Assets						
Cash and Balances with RBI	-	-	-	-	514.81	514.81
Balances with other banks	-	-	-	-	78.90	78.90
Advances	1,948.50	4,781.36	8,454.12	2,363.97	-	17,547.95
Investments	99.41	496.73	1,014.44	2,094.38	0.20	3,705.16
Fixed Assets	-	-	-	-	185.05	185.05
Rev Repos	2,785.00	-	-	-	-	2,785.00
Other Assets	-	-	-	-	598.35	598.35
Forex Swaps	-	-	-	-	-	-
Total Assets	4,832.91	5,278.09	9,468.56	4,458.35	1,377.31	25,415.22
Off-balance Sheet Items	-	-	-	-	-	
Total Rate Sensitive Assets/ Assets	94.58%	-	-	-	-	-
Liabilities						
Capital and Reserve	-	-	-	-	3,396.34	3,396.34
Deposits	2,175.51	10,435.38	3,767.15	13.93	-	16,391.97
Borrowings	591.54	1,054.67	2,508.11	-	-	4,154.32
Other Liabilities	-	-	-	-	761.59	761.59
Repos	11.00	-	-	-	-	11.00
IBPC	-	700.00	-	-	-	700.00
Forex Swaps	-	-	-	-	-	-
Total Liabilities	2,778.05	12,190.05	6,275.26	13.93	4,157.93	25,415.22
Off-balance Sheet Items	-	-	-	-	-	
Total Rate Sensitive Liabilities / Liabilities	83.64%	-	-	-	-	-

Interest Rate Coverage Ratio

The table below sets forth the Bank's interest coverage ratio for the year ended March 31, 2019, 2020 and 2021, and for the nine months ended December 31, 2020 and December 31, 2021:

	As of and for the year ended March 31,			As of and for the nine months ended December 31,	
	2019	2020	2021	2020	2021
	(₹ crores, except percentages)				
Net Profit	210.56	243.63	384.22	271.35	161.22
Add:					
Interest Expenses	960.20	1,150.14	1,396.45	1,026.69	1,077.76
Depreciation	91.77	96.46	76.44	57.02 82	57.82
Net Profit Before Interest and Depreciation	**1,262.53**	**1,490.23**	**1,857.11**	1,355.06	1,296.80
Interest Expenses	960.20	1,150.14	1,396.45	1,026.69	1,077.76
Interest Coverge Ratio	131.49%	129.57%	132.99%	131.98%	120.32%

Capital Adequacy

Our Bank is subject to the CRAR requirements prescribed by the RBI. As of December 31, 2021, we were required to maintain a minimum CRAR of 15.00%, based on the total capital to risk-weighted assets. The following tables set forth certain information relating to the CRAR of our Bank as of the periods indicated:

	As of and for the Nine months ended December 31,	
	2020	2021
	(₹ crores, except percentages)	
Common Equity Tier I Capital	2,805.36	3,125.54
Tier I Capital	2,805.36	3,125.54
Tier II Capital	103.95	189.13
Total Capital	2,909.31	3,314.67
Total Credit Risk Weighted Assets	13,481.48	15,130.75
Capital Adequacy Ratio		
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.81%	20.66%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.81%	20.66%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	0.77%	1.25%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	21.58%	21.91%

	As of and for the year ended March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
Common Equity Tier I Capital	2,076.11	2,526.07	3,150.78
Tier I Capital	2,076.11	2,526.07	3,150.78
Tier II Capital	150.38	131.51	128.60
Total Capital	2,226.49	2,657.58	3,279.38
Total Credit Risk Weighted Assets	9,918.92	11,257.48	13,564.70
Capital Adequacy Ratio			
Common Equity Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.92%	22.44%	23.23%
Tier I Capital Ratio (as a percentage of Credit Risk Weighted Assets)	20.92%	22.44%	23.23%
Tier II Capital Ratio (as a percentage of Credit Risk Weighted Assets)	1.52%	1.17%	0.95%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)	22.44%	23.61%	24.18%

Regional Concentration

The following tables set forth the Bank's Banking Outlets by region as of the dates indicated:

Region	States	As of December 31,	
		2020	2021
		(No. of Banking Outlets)	
North	Chandigarh (UT)	1	1
	Chhattisgarh	24	24
	Haryana	25	25
	Himachal Pradesh	1	1
	Madhya Pradesh	53	53
	New Delhi	14	14
	Punjab	26	26
	Rajasthan	62	62
	Uttar Pradesh	6	6
	Uttarakhand	1	1
	Total	213	213
South	Goa	0	0
	Karnataka	80	80
	Kerala	0	0
	Pondicherry	4	4
	Andhra Pradesh	17	17
	Telangana	14	14
	Tamil Nadu	327	328
	Total	442	443

Region	States	As of December 31,	
		2020	2021
		(No. of Banking Outlets)	
West	Gujarat	58	58
	Maharashtra	148	146
	Total	206	204
Grand Total	**Grand Total**	861	860

Region	States	As of March 31,		
		2019	2020	2021
		(No. of Banking Outlets)		
North	Chandigarh (UT)	1	1	1
	Chhattisgarh	24	24	24
	Haryana	21	23	25
	Himachal Pradesh	0	1	1
	Madhya Pradesh	53	53	53
	New Delhi	16	12	14
	Punjab	25	25	26
	Rajasthan	62	62	62
	Uttar Pradesh	4	5	6
	Uttarakhand	0	1	1
	Total	206	207	213
South	Goa	0	0	
	Karnataka	80	80	80
	Kerala	0	0	
	Pondicherry	4	4	4
	Andhra Pradesh	25	17	17
	Telegana	6	14	14
	Tamil Nadu	327	328	327
	Total	442	443	442
West	Gujarat	58	58	58
	Maharashtra	147	146	148
	Total	205	204	206
Grand Total		853	854	861

The following tables set forth the Bank's Banking Outlets by geographical regions as of the dates indicated:

	As of December 31,	
	2020	2021
	(No. of Banking Outlets)	
Metropolitan	182	183
Urban	284	284
Semi-Urban	302	300
Rural	93	93
Total Banking Outlets	861	860

	As of March 31,		
	2019	2020	2021
	(No. of Banking Outlets)		
Metropolitan	167	178	182
Urban	294	281	284
Semi-Urban	298	302	302
Rural	94	93	93
Total Banking Outlets	853	854	861

Recognition of NPAs and Provisioning

RBI Classification and Provisioning Requirements

The Bank classifies its assets in accordance with the RBI guidelines. Under these guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days in respect of term loans. In respect of overdraft and cash credit, an asset is classified as non-performing if the account remains out of order for a continuous period of 90 days, and in respect of bills purchased and discounted, if the account remains overdue for more than 90 days.

Assets are classified as described below:

Standard asset	Performing assets are Standard Assets which do not disclose any problem and which do not carry more than the normal risk attached to the business. The performing asset is one which generates income for the bank.
Sub-standard asset	Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	An account would be classified as doubtful if it had continuously remained in the sub-standard category for 12 months. Doubtful assets will further be sub-classified into following three categories.
- Doubtful – I	All NPAs after completion of 12 months from date of categorization as an NPA will slip to Doubtful –I category.
- Doubtful – II	All NPAs after completion of 24 months from date of categorization as an NPA will slip to Doubtful-II category.
- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate: 1. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

The following tables provide a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	**As of December 31,**	
	2020	**2021**
	(₹ crores)	
Standard assets	16,685.51	17,855.48
Sub-standard assets	58.77	554.87
Doubtful assets	316.43	284.74
Loss assets	12.40	24.21
Total	17,073.11	18,719.30

Asset Category	As of March 31,		
	2019	2020	2021
	(₹ crores)		
Standard assets	11,408.58	13,499.63	16,581.77
Sub-standard assets	157.14	195.29	325.18
Doubtful assets	133.17	213.96	299.42
Loss assets	5.40	8.07	18.18
Total	11,704.29	13,916.95	17,224.55

The following tables set forth the Bank's provisions against advance for possible credit losses at the dates indicated:

Asset Category	As of December 31,	
	2020	2021
	(₹ crores, except percentages)	
i. Total of Provision for NPA and Floating provision	275.74	404.39
ii. Gross Advances	17,073.11	18,719.30
iii. Gross NPA	387.60	863.82
iv. Provision held as percentage of Gross Advances [i/ii]	1.62%	2.16%
v. Provision coverage ratio	71.14%	46.81%

Asset Category	As of March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
i. Total of Provision for NPA and Floating provision	128.29	188.71	376.60
ii. Gross Advances	11,704.29	13,916.95	17,224.55
iii. Gross NPA	295.71	417.32	642.78
iv. Provision held as percentage of Gross Advances [i/ii]	1.10%	1.36%	2.19%
v. Provision coverage ratio	43.38%	45.22%	58.59%

Non-Performing Assets

The Bank has suffered losses through impairment of loans as some borrowers were impacted by negative trends in the global market place, recessionary conditions in the domestic economy, increased competition and volatility in industrial growth and commodity prices. The Bank has adopted several measures to refine its credit selection processes and appraisal capabilities.

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are reversed. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision. In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other loans. Any recoveries in the non-performing advances account will be first appropriated to interest outstanding then principal outstanding and to fees/charges outstanding if any, except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The Bank's percentage of Gross NPAs to Total Advances increased from 2.53% as of March 31, 2019 to 2.72 % as of March 31, 2020, and subsequently increased to 3.59% as of March 31, 2021, and was 4.39% as of December 31, 2021. The Bank's net NPA to net Advances (%) increased from 1.44% as of March 31, 2019 to 1.67% as of March 31, 2020, and subsequently decreased to 1.58% as of March 31, 2021 and was 2.51% as of December 31, 2021.

See "*Risk Factors — Risks Relating to the Bank's Business — If we are not able to control the level of non-performing assets in our portfolio or if there is an increase in RBI mandated provisioning requirements, it could adversely affect our business, financial conditions, results of operations and cash flows.*"

The following tables set forth, for the periods indicated, information about the Bank's NPA portfolio:

	As of December 31,	
	2020	2021
	(₹ crores, except percentages)	
Non-Performing Assets		
(i) Gross NPAs as at the period end	387.60	863.82

	As of December 31,	
	2020	2021
	(₹ crores, except percentages)	
(ii) Closing balance of provision for NPAs	256.74	385.39
(iii) Closing balance of floating provisions	19.00	19.00
(iv) Net NPAs (i-ii-iii)	111.86	459.43
(v) Gross Advances (including IBPC issued)	17,373.11	19,687.30
(vi) Advances	16,797.37	18,314.91
(vii) Gross Advances (vi+ii)	17,073.11	18,719.30
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	2.27%	4.61%
(ix) Gross NPAs/ (Gross Advances including IBPC issued (%)) (i/v)	2.23%	4.39%
(x) Net NPAs/ net Advances (%) (iv/vi)	0.67%	2.51%
(xi) Provision for NPA as a percentage of Gross NPAs (ii/i)	66.24%	44.62%
(xii) Provision coverage ratio (iii+iv)/(i)	71.14%	46.81%

	As of March 31,		
	2019	2020	2021
	(₹ crores, except percentages)		
Non-Performing Assets			
(i) Gross NPAs as at the year end	295.71	417.32	642.78
(ii) Closing balance of provision for NPAs	109.29	169.71	357.60
(iii) Closing balance of floating provisions	19.00	19.00	19.00
(iv) Net NPAs (i-ii-iii)	167.42	228.61	266.18
(v) Gross Advances (including IBPC issued)	11,704.29	15,366.95	17,924.55
(vi) Advances	11,595.00	13,728.24	16,847.95
(vii) Gross Advances (vi+ii)	11,704.29	13,897.95	17,205.55
(viii) Gross NPAs/ Gross Advances (%) (i/vii)	2.53%	3.00%	3.73%
(ix) Gross NPAs/ (Gross Advances (including IBPC issued (%)) (i/v)	2.53%	2.72%	3.59%
(x) Net NPAs/ Advances (%) (iv/vi)	1.44%	1.67%	1.58%
(xi) Provision for NPAs as a percentage of Gross NPAs (ii/i)	36.96%	40.67%	55.63%
(xii) Provision coverage ratio (iii+iv)/(i)	43.38%	45.22%	58.59%

The table below sets forth the Bank's Gross NPAs by product segment as of December 31, 2020 and December 31, 2021:

	As of December 31,			
	2020		2021	
	(₹ crores)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ crores)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Small Business Loans (including housing finance)	164.89	2.20%	313.19	3.51%
Small Business Loans	130.46	2.21%	247.99	3.63%
Housing Finance	22.42	2.69%	31.66	2.42%
Agriculture Loans	12.01	1.56%	33.55	4.27%
Micro Finance	41.60	1.19%	223.68	6.05%
Vehicle Finance	122.08	2.86%	206.25	4.26%
Used Commercial Vehicles	109.72	3.84%	170.91	5.47%
New Commercial Vehicles	12.36	0.88%	35.34	2.06%
MSE Finance (Working Capital)	7.97	0.83%	60.99	5.11%
Corporates	6.17	0.66%	4.78	0.58%
Others*	44.88	20.03%	54.92	25.30%
Gross NPA	387.60	2.23%	863.82	4.39%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The table below sets forth the Bank's Gross NPAs by product segment as of March 31, 2019, 2020 and 2021:

	As of March 31,					
	2019		2020		2021	
	(₹ crores)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ crores)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)	(₹ crores)	Gross NPA as a Percentage of Gross Advances (including IBPC issued)
Small Business Loans (including housing finance)	120.57	2.63%	171.24	2.73%	266.35	3.34%
Small Business Loans	93.59	2.55%	134.65	2.70%	209.35	3.36%
Housing Finance	24.23	6.43%	23.78	3.94%	31.78	3.32%
Agriculture Loans	2.75	0.52%	12.81	1.88%	25.22	3.21%
Micro Finance	26.36	0.86%	42.07	1.16%	110.35	3.41%
Vehicle Finance	117.92	4.00%	150.50	4.00%	170.20	3.76%
Used Commercial Vehicles	111.40	4.93%	135.03	5.14%	146.23	4.93%
New Commercial Vehicles	6.52	0.94%	15.47	1.36%	23.97	1.54%
MSE Finance (Working Capital)	3.17	1.75%	7.96	1.19%	33.38	2.83%
Corporates	-	-	-	-	5.50	0.70%
Others*	27.69	5.90%	45.54	20.35%	57.00	25.31%
Gross NPA	295.71	2.53%	417.32	2.72%	642.78	3.59%

**Note: Others includes loan-against-gold, unsecured business loans, overdrafts against fixed deposits and staff loans.*

The Bank's provision coverage ratio as of March 31, 2019, 2020 and 2021, computed as per RBI guidelines, was 43.38%, 45.22% and 58.59%, respectively while it was 71.14% and 46.81% as of December 31, 2020 and December 31, 2021, respectively.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard asset	A general provision on Standard Assets with a minimum of 0.40% is to be made with the exception of Farm credit to agriculture activities, SME sectors and Individual Housing Loans sanctioned on or after June 7, 2017 for which a provision of 0.25% will be made, and for residential housing loans under "teaser" loan category, a provision of 2.00% will be made. For commercial real estate loans and commercial real estate loans for residential housing sector, provision will be made at 1.00% and 0.75% respectively. For restructured standard assets and DCCO extension beyond stipulated maximum for infrastructure and non-infrastructure projects, provision is held at 5%. A Restructured NPA account upgraded to standard category attracts a provision of 5% in the first year from the date of upgrade.
Sub-standard asset	A general provision of 15.00% on total outstanding loans should be made without making any allowance for Export Credit Guarantee Corporation of India (ECGC) guarantee cover and securities available. The unsecured outstanding which are identified as sub-standard would attract an additional provision of 10.00% (i.e. a total of 25.00% on the outstanding balance). However, in case escrow accounts available in respect of infrastructure lending, infrastructure loan accounts which are classified as sub-standard will attract a provisioning of 20 per cent instead of the aforesaid prescription of 25 per cent Unsecured outstanding is defined as an outstanding where the realizable value of security, as assessed by the bank, the approved values and the RBI's inspecting officers, is not more than 10.00%, ab-initio, of the outstanding. Security will mean tangible security properly discharged to the bank and will not include intangible securities such as guarantees and comfort letters.

<table>
<tr><td></td><td colspan="2"></td></tr>
<tr><td rowspan="5">Doubtful asset</td><td colspan="2">Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the guidelines of the RBI, provision is to be made at rates ranging from 25% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:</td></tr>
<tr><td>Period for which advance remained in “Doubtful” category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00%</td></tr>
<tr><td>One to three years</td><td>40.00%</td></tr>
<tr><td>More than three years</td><td>100.00%</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.0% provision is made on outstanding amount.</td></tr>
</table>

The following table sets forth the details of the movement in NPAs for the periods indicated:

Gross NPA Movement	**As of December 31,**	
	2020	**2021**
	(₹ crores)	
Opening GNPA	417.32	642.78
Add: Additions during the period	74.78	980.77
Sub Total – (A)	492.10	1,623.55
Less:		
i. Upgradations	25.38	412.80
ii. Recoveries (excluding recoveries made from upgraded accounts)	39.15	178.17
iii. Technical or Prudential write-offs	16.04	115.26
iv. Write-offs other than those under (iii) above	23.93	53.51
Sub Total –(B)	104.50	759.73
Closing GNPA Balance	387.60	863.82

Gross NPA Movement	**As of March 31,**		
	2019	**2020**	**2021**
	(₹ crores)		
Opening GNPA	212.53	295.71	417.32
Add: Additions during the year	317.30	409.30	589.37
Sub Total – (A)	529.83	705.01	1,006.69
Less:			
i. Upgradations	81.28	101.19	38.02
ii. Recoveries (excluding recoveries made from upgraded accounts)	92.07	114.99	81.16
iii. Technical or Prudential write-offs	31.76	17.27	191.85
iv. Write-offs other than those under (iii) above	29.01	54.24	52.88
Sub Total –(B)	234.12	287.69	363.91
Closing GNPA Balance	295.71	417.32	642.78

Upgradations of loan accounts classified as NPA

If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account will no longer be treated as non-performing and be classified as ‘standard’ accounts.

Restructuring of Advances

All loans of the Bank, where the repayment terms of existing advances have been revised in order to extend the repayment period and/ or decrease the instalment amount and/ or reduction in interest rate as per the borrower’s request shall be marked as rescheduled loans.

We consider a restructured account, if any, as one where we, for economic or legal reasons relating to the borrower's financial difficulty, grant to the borrower concessions that we would not otherwise consider.

Restructuring would normally involve modification of terms of the advance/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons),roll over of credit facilities, sanction of additional credit facility/ release of additional funds for an account in default to aid curing of default / enhancement of existing credit limits, compromise settlements where time for payment of settlement amount exceeds three months. However, extension in repayment tenure of a floating rate loan on reset of interest rate, so as to keep the equated monthly instalment (EMI) unchanged, provided it is applied to a class of accounts uniformly, will not render the account to be classified as 'restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

Restructured accounts are classified as such by us only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of the asset is made. Restructuring of an account, if any, is done at a borrower level. Non-performing advances are written-off in accordance with our policies. Recoveries from bad debts written-off are recognised in the Profit and Loss Account and included under 'Other Income'.

This will result in immediate down-gradation of the loan, i.e., a standard loan will become sub-standard and attract provisions as per the asset classification and subsequent provisioning norms. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule. If such account classified as NPA performs regularly, it will be upgraded after satisfactory performance during the specified period.

The erosion in the fair value of the advance is computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at the existing interest rate as on the date of restructuring. Fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at the existing interest rate on the date of restructuring.

Additional finance approved under the resolution plan is treated as 'standard asset' during the specified period, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during the specified period or does not qualify for upgradation at the end of the specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

For MSME accounts where aggregate exposure of the lenders is less than ₹25 crores, An account will be considered for upgradation to 'standard' only if it demonstrates 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. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

For all other accounts other than above 'Specified period' means the period from the date of implementation of resolution plan up to the date by which at least 20% of the outstanding principal debt as per the resolution plan and interest capitalisation sanctioned as part of the restructuring, if any, is repaid.

Provided that the specified period cannot end before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of the resolution plan.

Restructure of Advances under COVID-19 1.0

We restructured our Micro finance, Vehicle Finance, Small Business Loans and MSE advances as per the Board approved Policy on Resolution Framework for COVID-19 related stress dated September 4, 2020 in line with the RBI circulars dated August 6, 2020. The Advances restructured under this policy were standard and not in default for more than 30 days with the Bank as on March 1, 2020. Further, these accounts remained standard till the date of invocation. The resolution under this policy can be invoked not later than December 31, 2020 and to be implemented within 180 days from the date of invocation. In respect of MSME, the restructuring plan to be implemented by March 31, 2021.

We allowed the extension of the residual tenor of the loan, with or without payment moratorium, by a period not more than two years. Additional Finance sanctioned to the borrowers before implementation of the resolution plan were classified as Standard, regardless of the actual performance of the borrower with respect to such facilities in the interim. However, where the resolution plan was not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned was classified as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever was worse.

Wherever resolution plan was implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard, retained as such upon implementation. Whereas the borrowers' accounts which have slipped into NPA between invocation and implementation were upgraded as Standard, as on the date of implementation of the plan.

We have provided standard provision, higher of the provision held as per the extant IRAC norms immediately before implementation or 10 percent of the total debt for Advances restructured under Other exposures.

We have provided additional 5% of standard Provision over and above the provision already held for MSME Advances restructured under the above policy.

For Other exposures, the Bank reversed half of the provisions upon repayment of 20% of the carrying debt and the other half reversed upon repayment of another 10% of the carrying debt, subject to the required IRAC provisions being maintained.

For MSME advances, the Bank will reverse the additional provision at the end of the specified period, subject to the account demonstrating 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. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

Restructure of Advances under COVID-19 2.0

Bank restructured Micro finance, Vehicle Finance, Small Business Loans and MSE advances as per Board approved Policy on Resolution Framework 2.0 for COVID-19 Related Financial Stress on Borrowal Accounts of Individuals, Small Businesses and MSMEs dated June 1, 2021 in line with the RBI circulars dated May 5, 2021.

As per the policy the Bank has restructured eligible advances which were standard as on March 31, 2021.The resolution plans include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. The moratorium period was granted, for a maximum of two years. The extension of the residual tenor of the loan facilities also granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium capped at two years.

We used this framework to modify restructured account as per already implemented Resolution Plan 1.0 based on board approved Policy on Resolution Framework for COVID-19 related stress, only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps mentioned above, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, will be two years.

Wherever resolution plan was implemented in adherence to the provisions of this facility, the asset classification of borrowers' accounts classified as Standard, retained as such upon implementation, whereas the borrowers' accounts which have slipped into NPA between invocation and implementation were upgraded as Standard, as on the date of implementation of the plan.

Additional Finance sanctioned to the borrowers before implementation of the resolution plan classified as Standard, regardless of the actual performance of the borrower with respect to such facilities in the interim However, where the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned classified as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever was worse.

The restructuring of the borrower accounts in respect of Individuals, Small Businesses and MSMEs to be invoked by September 30, 2021. The resolution plan will be finalised and implemented within 90 days from the date of invocation of the resolution process under this window.

In case of advances to individuals and small businesses, the Bank has provided Standard Assets provision higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10% of the renegotiated debt exposure post implementation (residual debt).

Half of the above provisions can be written back upon the borrower paying at least 20% of the residual debt without slipping into NPA post implementation of the plan, and the remaining half can be written back upon the borrower paying another 10% of the residual debt without slipping into NPA subsequently. Provided that in respect of exposures other than personal loans, the above provisions will not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

In case of advances to Micro, Small and Medium Enterprises (MSMEs) and restructured, the Bank has provided Standard Assets provision of 10% of the residual debt of the borrower.

For MSME advances, the Bank will reverse the additional provision at the end of the specified period, subject to the account demonstrating 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. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than 30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

NPA Management

The Bank is committed to efficiently managing and reducing its NPAs and has implemented the following measures to manage and reduce its NPA ratio:

- The Bank has a structured portfolio quality monitoring framework inclusive of Account Monitoring Scoring Framework (AMS), branch credit risk scoring, daily overdue and collections management, branch reviews, concentration risk analysis, stress testing and effective use of bureau services.

- The Bank also has a recovery team focused on NPAs and written-off accounts in micro banking and early interventions for other verticals.

ORGANIZATIONAL STRUCTURE

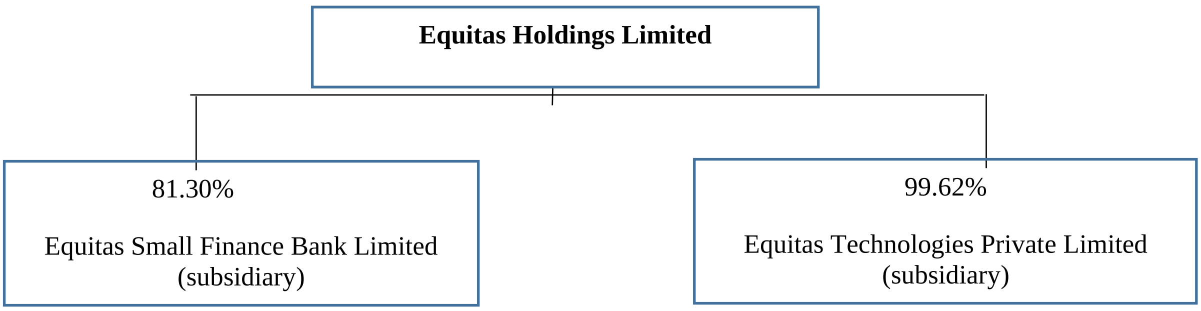
Corporate History

Our Bank was originally incorporated as 'V.A.P. Finance Private Limited' on June 21, 1993 at Madras, Tamil Nadu, as a private limited company under the Companies Act, 1956, and was granted a certificate of incorporation by the RoC. Our Bank became a deemed public limited company under Section 43A of the Companies Act, 1956 on March 5, 1994 and the name of our Bank was changed to V.A.P. Finance Limited and the certificate of incorporation was endorsed by the RoC to that effect. Our Bank thereafter became a private limited company under Section 31(1) of the Companies Act, 1956 and a fresh certificate of incorporation dated March 30, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Limited to V.A.P. Finance Private Limited due to conversion of our Bank from a public limited company to a private limited company. A fresh certificate of incorporation dated August 12, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Private Limited to Equitas Finance Private Limited in order to identify Equitas Finance Private Limited as a subsidiary of Equitas Micro Finance India Private Limited. A fresh certificate of incorporation was issued by the RoC on September 29, 2015 consequent upon change of name from Equitas Finance Private Limited to Equitas Finance Limited pursuant to conversion to a public limited company from a private limited company. Our Promoter, EHL was granted the RBI In-Principle Approval and RBI Final Approval on October 7, 2015 and June 30, 2016, respectively, to establish an SFB.

Subsequently, our Bank was converted to an SFB and we commenced operations on September 5, 2016 as an SFB. A fresh certificate of incorporation dated September 2, 2016 was granted by the RoC consequent upon change of name of our Bank to Equitas Small Finance Bank Limited.

The CIN of our Bank is L65191TN1993PLC025280 and our Registered Office and Corporate Office is located at 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai - 600 002, Tamil Nadu, India.

Our corporate structure chart is as follows:



As on the date of this Preliminary Placement Document, our Bank does not have any subsidiaries, associates or joint ventures.

Proposed Scheme of Amalgamation

Our Bank proposes to enter into a scheme of amalgamation for the amalgamation of EHL into our Bank along with their respective shareholders and creditors, in accordance with sections 230 to 232 of the Companies Act, 2013, the other applicable provisions of the Companies Act, 2013 and the rules made thereunder, pursuant to which the undertaking of EHL is proposed to be transferred to and vested in our Bank, as a going concern subject to receipt of the relevant regulatory and statutory approvals and in accordance with applicable law and the conditions prescribed by the SEBI and RBI ("**Proposed Scheme of Amalgamation**").

The Proposed Scheme of Amalgamation is primarily being undertaken to meet the requirement laid down in the RBI Final Approval issued to our Bank and the SFB Licensing Guidelines which requires our Promoter i.e. EHL to reduce its shareholding in our Bank to 40% within a period of five years from the date commencement of business of our Bank (which period expired on September 4, 2021).

Our Board and the board of directors of EHL, at their respective meetings dated July 26, 2021, had accorded their approval for a scheme of amalgamation of EHL with the Bank.

In this regard, the following exemptions were sought from SEBI for the purposes of implementation of the scheme of amalgamation:

a) EHL sought an exemption under Regulation 300 of the SEBI ICDR Regulations to relax the three year minimum promoter lock-in requirements under Regulation 16(1)(a), to the extent required to implement the Proposed Scheme of Amalgamation soon after receiving final NCLT approval.
b) The Bank sought prior permission of SEBI pursuant to circulars dated November 30, 2015 and February 22, 2018 to allow the Bank to meet minimum public shareholding requirements through the Proposed Scheme of Amalgamation.

SEBI pursuant to its letter dated October 8, 2021 to EHL acceded to relax the three year minimum promoter lock-in requirements under Regulation 16(1) of the SEBI ICDR ("**Exemption**"), to facilitate the proposed scheme of amalgamation. The Exemption is subject to the no-objections from the Stock Exchanges to the Proposed Scheme of Amalgamation and the period of exemption is from the final approval of the Proposed Scheme of Amalgamation by the NCLT up to October 28, 2023, and compliance with applicable law, including compliance with the minimum public shareholding requirements.

Accordingly, the Bank proposes to undertake the Issue with an objective to achieve minimum public shareholding requirement by reducing the shareholding of EHL in the Bank from 81.30% as on the date of this Preliminary Placement Document, of the total paid-up share capital to 75% of the total paid-up share capital of the Bank or lower, and thereafter re-apply to SEBI and the Stock Exchanges for approval of the Proposed Scheme of Amalgamation. Further, SEBI has, pursuant to its letter dated January 20, 2021, permitted the Bank to allot and list the Equity Shares arising out of exercise of employee stock options under the ESFB ESOP Plan 2019 and take into account the consequent increase in public shareholding for the purposes of minimum public shareholding requirements under the SEBI circular dated February 22, 2018.

The Proposed Scheme of Amalgamation is proposed to be filed upon completion of the Issue, subject to receipt of the requisite approvals under applicable law. See also, "*Risk Factors – Our Promoter was required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital on or prior to September 4, 2021. As of the date of this Preliminary Placement Document, except for the Issue and intimating the Stock Exchange of the intention to enter into the Proposed Scheme of Amalgamation, our Promoter has not approved any specific method to achieve such compliance. However, if and when any method is proposed to be undertaken, we cannot assure you that any required consent, approval, waiver or clarification will be received in a timely manner, or at all, to enable our Promoter to reduce its shareholding as required*." on page 40.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The composition of our Board is governed by the provisions of the Banking Regulation Act, 1949, the Companies Act, 2013, the rules prescribed thereunder, the SEBI Listing Regulations and the Articles. In accordance with the Articles, our Bank shall not have less than three Directors and not more than 15 Directors. As on the date of this Preliminary Placement Document, our Board comprises of 10 Directors including one Executive Director, and nine Non-Executive Independent Directors including one woman Non-Executive Independent Director.

The following table sets forth details regarding our Board as of the date of this Preliminary Placement Document:

Name, Address, Occupation, Nationality Term and DIN	Age (in years)	Designation
Arun Ramanathan* ***Address:*** 6A, 6th West Cross Street Shenoy Nagar, Chennai 600 030, Tamil Nadu, India ***Occupation:*** Professional ***Date of birth:*** April 25, 1949 ***Nationality:*** Indian ***Period and term:*** With effect from September 4, 2021 until April 24, 2024 ***DIN:*** 00308848	72	Part – time Chairman and Non-Executive Independent Director
Vasudevan Pathangi Narasimhan ***Address:*** Flat 1A, 1st Floor, 2nd Block, Kences Enclave No. 1, Ramakrishna Street, T. Nagar, Chennai 600 017, Tamil Nadu, India ***Occupation:*** Professional ***Date of birth:*** July 15, 1962 ***Nationality:*** Indian ***Period and term:*** For a period of three years with effect from July 23, 2019 to July 22, 2022 and is liable to retire by rotation# ***DIN:*** 01550885	59	MD and CEO
Arun Kumar Verma ***Address:*** Plot No A/14 Saheed Nagar Bhubaneswar 751 007, Odisha, India ***Occupation:*** Professional ***Date of birth:*** June 28, 1951 ***Nationality:*** Indian ***Period and term:*** For a period of three years with effect from September 4, 2021 and is not liable to retire by rotation ***DIN:*** 03220124	70	Non-Executive Independent Director
Narayanaswamy Balakrishnan ***Address:*** Meenakshi, No. 428, 5th Cross 1st Main, JRD Tata Nagar Bengaluru 560 092, Karnataka, India	71	Non-Executive Independent Director

Name, Address, Occupation, Nationality Term and DIN	Age (in years)	Designation
***Occupation**:* Professional ***Date of birth**:* June 1, 1950 ***Nationality**:* Indian ***Period and term**:* For a period of three years with effect from September 21, 2021 and is not liable to retire by rotation ***DIN**:* 00181842		
Navin Avinashchander Puri ***Address**:* 39th Floor, 3902, Omkar 1973 Tower T II, Pandurang Budhkar Marg, Near Shani Mandir, Worli, Mumbai 400 018, Maharashtra, India ***Occupation**:* Professional ***Date of birth**:* August 2, 1958 ***Nationality**:* Indian ***Period and term**:* For a period of five years, with effect from August 1, 2019 and is not liable to retire by rotation ***DIN**:* 08493643	63	Non-Executive Independent Director
Narasimhan Srinivasan ***Address**:* T2 403, Kapil Malhar Baner Road, Baner, Pune 411 045, Maharashtra, India ***Occupation**:* Professional ***Date of birth**:* June 9, 1954 ***Nationality**:* Indian ***Period and term**:* For a period of three years with effect from September 4, 2021 and is not liable to retire by rotation ***DIN**:* 01501266	67	Non-Executive Independent Director
Vinod Kumar Sharma ***Address**:* B-804, Park Titanium, Park Street Wakad, Kalewadi Phata, Hinjavadi, Pune 411 057, Maharashtra, India ***Occupation**:* Retired Professional ***Date of birth**:* December 22, 1952 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from September 1, 2019 and is not liable to retire by rotation ***DIN**:* 02051084	69	Non-Executive Independent Director
Asuri Ramesh Rangan Sholinghur ***Address**:* Old no. 10 new no. 19, Dr. Besant Road, Triplicane, Chennai, Tamil Nadu, 600 005	64	Non-Executive Independent Director

Name, Address, Occupation, Nationality Term and DIN	Age (in years)	Designation
Occupation: Retired banker ***Date of birth:*** May 15, 1957 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from November 9, 2020 and is not liable to retire by rotation ***DIN:*** 07586413		
Geeta Dutta Goel ***Address:*** 293, Sector A, Pocket C, Vasant Kunj, New Delhi, 110 070, India ***Occupation:*** Professional ***Date of birth:*** June 16, 1973 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from December 27, 2021, subject to approval of the Shareholders ***DIN:*** 02277155	48	Additional Non-Executive-Independent Director@
Samir Kumar Barua ***Address***: B-203, Samay Apartment, Azad Society, Ambawadi, Ahmedabad, Gujarat 380 015, India ***Occupation:*** Professional ***Date of birth:*** September 23, 1951 ***Nationality:*** Indian ***Period and term:*** With effect from December 27, 2021 upto September 22, 2026, subject to approval of the Shareholders ***DIN:*** 00211077	70	Additional Non-Executive - Independent Director@

** Arun Ramanathan is also an independent director on the board of our Promoter. He is an Independent Director of our Bank as per Companies Act, 2013 and the Listing Regulations*
#The Board has further approved the re-appointment of the MD&CEO on December 27, 2021 from July 23, 2022 up to July 22, 2025. This is subject to the approval of the RBI and the Shareholders.
@ Appointments of Geeta Dutta Goel and Samir Kumar Barua will be regularised in the up-coming AGM.

Brief Biographies of the Directors

Arun Ramanathan is the Part-time Chairman and Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science from University of Madras, a master's degree in nuclear physics from Andhra University, a master's degree in business administration from University of Madras and a master's of philosophy degree in economics and politics of development from University of Cambridge. Further, he is an associate member of the Institute of Cost and Works Accountants of India. Prior to his becoming a Director of our Bank, he was a member of the Indian Administrative Service (Tamil Nadu Cadre, 1973). In his stint of more than 34 years of service in the Indian Administrative Service, he held several postings in the Government of India at the level of Secretary in various ministries, including Secretary in the department of Chemicals and Petrochemicals (Ministry of Chemicals and Fertilizers), Secretary in the department of Financial Services (Ministry of Finance) and at superannuation in 2009, the Union Finance Secretary. He has served as a director on the boards of several companies including State Bank of India, IDBI Bank Limited, ICICI Bank Limited, India Infrastructure Finance Company Limited, IDFC Limited, Oil and Natural Gas Corporation Limited, Shipping Corporation of India Limited, Tamil Nadu Petroproducts Limited, National Textile Corporation Limited, ONGC Videsh Limited, Titan

Industries Limited, United Stock Exchange of India Limited, Indian Clearing Corporation Limited, Jenson and Nicholson (India) Limited, JCT Electronics Limited, Religare Enterprises Limited and L&T Infra Debt Fund Limited. He was a member of the Life Insurance Corporation of India. He has served as chairman of the audit committees of Oil and Natural Gas Corporation Limited and Shipping Corporation of India Limited. He has also served on the Indian advisory council of Daimler (India) Commercial Vehicles Private Limited between 2010 and 2016. He is a serving member on the investment committee of the Tamil Nadu Infrastructure Fund Management Corporation Limited and has been included in the panel of outside experts of Oil and Natural Gas Corporation Limited in the finance/commercial category

Vasudevan Pathangi Narasimhan is the MD and CEO of our Bank. He holds a bachelor's degree in science (physics) from University of Madras. He is a qualified company secretary from the Institute of Company Secretaries of India. He has extensive experience in the financial services sector and had served as the executive vice president and head of consumer banking group in Development Credit Bank Limited, for more than one and half years. He has also worked for about two decades in Cholamandalam Investment and Finance Company Limited, part of the Murugappa Group, where he joined as a management trainee and resigned as the vice president and head of vehicle finance. He was also the chairman of the managing committee of the South India Hire Purchase Association for Fiscal 2006. He joined erstwhile Equitas Finance Limited, now our Bank on July 25, 2016. Prior to joining our Bank, he was the managing director of EHL.

Arun Kumar Verma is a Non-Executive Independent Director of our Bank. He has studied commerce from Sambalpur University and law from Utkal University. He is a fellow member of the Institute of Chartered Accountants of India. He has also served as the chairman of the Bhubaneswar branch of Eastern India Regional Council of the Institute of Chartered Accountants of India. He was felicitated for his efforts in the war against corruption by Transparency International India – Orissa Chapter in 2007. He has been a partner at M/s Venkataraman & Verma, since March 1, 1982. He has also contributed to the 'Second Report on Illegal Mining of Iron and Manganese Ores in the State of Odisha – Volume II' prepared by the Commission of Enquiry for Illegal Mining of Iron Ore and Manganese.

Narayanaswamy Balakrishnan is a Non-Executive Independent Director of our Bank. He holds a bachelor of engineering degree in electronics and communication engineering from the University of Madras in 1972 and a doctorate of philosophy from the Indian Institute of Science and an honorary doctorate from Punjab Technical University and an Honorary Doctor of Letters from Krishna University. He was a professor at the Indian Institute of Science and retired from service in 2015. He is an honorary professor at the Supercomputer Education and Research Centre at Indian Institute of Science. He is also an honorary professor at Jawaharlal Nehru Centre for Advanced Scientific Research. He has been awarded the Padma Shri in science and engineering category. He is a fellow at The World Academy of Sciences, National Academy of Sciences, Indian National Academy of Engineering, Indian Academy of Sciences and the Indian National Science Academy. He also served in the past as a member of the governing council of Centre for Development of Advanced Computing and as a director on the board of Bharat Electronics Limited, Industrial Finance Corporation of India Limited, Bharat Sanchar Nigam Limited, Central Bank of India and CDOT-Alcatel Lucent Research Centre Private Limited.

Navin Avinashchander Puri is a Non-Executive Independent Director of our Bank. He holds a master's degree in business administration from Texas Christian University. He is an associate member of the Institute of Chartered Accountants of India. He has previously worked as a part of the senior management team at HDFC Bank Limited.

Narasimhan Srinivasan is a Non-Executive Independent Director of our Bank. He holds a bachelor of arts degree in economics from University of Madras and a master of arts degree in economics from Madurai Kamaraj University. He is a certified associate of Indian Institute of Bankers. Prior to joining our Bank, he has served as the chief general manager at NABARD. He has also served as a director on the board of Belstar Microfinance Private Limited, Sahayaog Microfinance Limited, RGVN (Northeast) Microfinance Limited and Micro Credit Ratings International Limited. He has authored the 'Microfinance India – State of the Sector Report' for the years 2008-2011 published by Access Development Services and has co-authored the State of India's Livelihood Report for the years 2015-2017 published by SAGE.

Vinod Kumar Sharma is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science and a master's degree in science from Sagar University. Prior to joining our Bank, he has served as the executive director of the RBI and has chaired the working group on interest rate futures and the working group on common clearing for commodity exchanges. He represented the RBI at the meetings of the markets committee of the Bank for International Settlements from 2005-2012. He was previously on the boards of Allahabad Bank and Punjab National Bank, and was a nominee director of RBI on the board of EXIM Bank. He has also authored several essays published by the Bank for International Settlements on topics such as framework for pre-empting systemic financial risks, corporate debt market in India etc.

Asuri Ramesh Rangan Sholinghur is a Non-Executive Independent Director of our Bank. He holds a bachelor's degree in science from Osmania University and certified associate of Indian Institute of Bankers, and has completed a course in leadership and corporate accountability (India) from Harvard University and has completed a certificate course in strategic leadership for transformation from Duke Corporate Education. He last served as the managing director of the State Bank of Patiala, on deputation from State Bank of India.

Geeta Dutta Goel is an Additional Non-Executive - Independent Director of our Bank. She holds a bachelor's degree in commerce from University of Delhi and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad. She has been associated with Impact Investors Council. She is presently a country director at the Michael & Susan Dell Foundation. She has been recognized by Forbes India as one of the 'Self Made Women 2020'.

Samir Kumar Barua is an Additional Non-Executive Independent Director of our Bank. He has completed his doctorate in management from the Indian Institute of Management, Ahmedabad. He was faculty member of IIM Ahmedabad (1980-2016). He was Director of IIM Ahmedabad (2007-2013). He has co-authored two books viz., "The great Indian scam: story of the missing Rs. 4000 crore" and "Porfolio Management" and has authored many papers and articles. He was previously on the board of directors of several companies including Coal India Limited, Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited, Axis Bank Limited, Oil and Natural Gas Corporation Limited, SBI Mutual Fund Trustee Company and Tata Projects Limited and Reckitt Benckiser Healthcare India Private Limited. He was previously the chairman of the academic council of the National Institute of Securities Markets and a part-time member of Prasar Bharati. He was on the board of trustees of the International Livestock Research Institute and World Agroforestry Centre. He was an external member of the RBI's Technical Advisory Committee on Monetary Policy. He is presently also on the board of directors of Torrent Power Limited, Torrent Gas Private Limited, Torrent Pipavav Generation Limited, Axis Capital Limited, and NSE IFSC Clearing Corporation Limited

Relationship with other Directors

None of our Directors are related to each other.

Borrowing powers of our Board

Subject to the Companies Act, 2013, AoA, capital adequacy norms as prescribed by RBI and any other applicable laws, rules, regulations and guidelines from time to time, the Board is authorised to borrow money including by issue of non-convertible debentures, and/or certificate of deposits, raising of deposits including term deposits and demand deposits, from such persons including banks, institutions, corporates, holding company, group companies, trusts, entities, etc on such terms and conditions as the Board may think fit up to an aggregate amount of ₹30,000 crores outstanding at any point in time, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Bank (apart from temporary loans obtained or to be obtained from the Bank's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Bank and its free reserves.

Interests of our Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. One of our Directors, Arun Ramanathan also holds the position as a director on the board of our Promoter. In consideration for his services, he is paid sitting fees, in accordance with the provisions of applicable law. Further, our Directors (excluding our Independent Directors) are entitled to participate in the ESFB ESOP Plan 2019.

Except as stated in "*Related Party Transactions*" on page 37, and as disclosed in this section, our Directors do not have any other interest in our business.

The Directors may also be regarded as interested in the Equity Shares held by them (as disclosed below) 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 Issue.

None of the Directors, Promoter or Key Managerial Personnel of our Bank have any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Director was selected as a Director.

Shareholding of Directors

Except Vasudevan Pathangi Narasimhan who holds 12,293 Equity Shares in our Bank, none of our Directors hold any Equity Shares or employee stock options of the Bank.

Terms of appointment of Directors

1. Remuneration to Executive Director:

Pursuant to RBI letter dated September 2, 2016, Vasudevan Pathangi Narasimhan was appointed as the MD and CEO of our Bank by a Board resolution dated September 4, 2016 and Shareholders' resolution dated June 23, 2017. His reappointment as MD and CEO was pursuant to a Board resolution dated March 12, 2019 and Shareholders' resolution dated August 1, 2019. His term was amended pursuant to the Board resolution dated August 12, 2021 making him liable to retire by rotation. The Board has further approved the re-appointment of Vasudevan Pathangi Narasimhan as the MD & CEO on December 27, 2021, from July 23, 2022 up to July 22, 2025, subject to the approval of the RBI and the Shareholders. Set out below is the remuneration paid to the MD and CEO in Fiscal 2021 in accordance with the terms approved by the Board pursuant to resolutions dated May 9, 2019 and May 14, 2020 and by the RBI pursuant to the letters dated August 22, 2019 and October 29, 2020:

Particulars	Remuneration*
Fixed pay (including salary- basic and flexible benefits plan)	₹1.10 crore
Variable pay	₹0.38 crore
Perquisite value for car	₹0.003 crore
Leave fare concession	As per Bank's leave policy (included in the fixed pay above)
Perquisites	
Free use of Bank's car for official purpose and for private purpose on compensating the Bank with suitable amount	Provision of company car as per the Bank's car scheme in force from time to time and a company driver
Employer contribution to provident fund	₹0.06 crore
Gratuity/ superannuation fund	Payment of Bank's contribution to gratuity (15 day pay for every completed year of service)/superannuation fund and encashment of leave (at the end of tenure) will be as applicable to all other employees of the Bank
Traveling and halting allowances	Reimbursement of expenses incurred for traveling, boarding and lodging in respect of official travel, expenses incurred on entertainment of official guests and use of telephone at residence other than personal long distance calls
Medical benefits	Domiciliary expenses incurred for self and family to be reimbursed at actuals. Premium payable for medical insurance for hospitalization would be in accordance with the company's rules and will not exceed ₹ 25,000
Other benefits: a) Personal accident insurance b) Club membership	Personal accident insurance shall be as per the company's group scheme and pure life cover for a sum assured not exceeding ₹0.50 crore One club membership with the Bank paying the joining and annual fees while facility usage fees to be paid by the incumbent (included in the fixed pay above)

**The remuneration given above only includes the actual amounts and benefits the MD&CEO was entitled to in Fiscal 2021.*

The terms of appointment and remuneration of Vasudevan Pathangi Narasimhan have been revised for Fiscal 2021 pursuant to the approval of the Board on December 17, 2020, and subsequent approval of RBI through the letter dated January 12, 2022 (subject to certain regulatory and performance conditions laid down by the RBI) to a total remuneration to ₹3.40 crore. Pursuant to the RBI approval, the Board in its meeting held on January 28, 2022 and February 7, 2022 has adopted a revised structure for the remuneration payable to Vasudevan Pathangi Narasimhan for Fiscal 2021:

a) Fixed pay (includes perquisites, as given in the table above): ₹1.70 crore p.a.
b) Variable pay: (i) cash component: ₹0.64 crore (50% to be paid upfront upon approval of the RBI and the remaining 50% to be deferred equally over three years from the end of performance period), (ii) non-cash components: ₹1.06 crore to be deferred equally (in terms of value) over the next three years. The same is implemented by issuing 5,03,805 options vesting over three years from February 5, 2022.

Further, following is the remuneration approved by the Board at its meeting on February 7, 2022 for Fiscal 2022, which is subject to the approval of the RBI :

a) Fixed pay (includes perquisites, as given in the table above): ₹2.21 crore p.a
b) Variable Pay: (i) cash component: ₹0.84 crore approximately (50% to be paid upfront upon approval of the RBI and the remaining 50% to be deferred equally over three years from the end of performance period), (ii) non-cash component (targeted to be): ₹2.49 crore provided in the form of 11,81,684 options, to be vested equally (in terms of value) over the next three years.
c) Home loan: At subsidized rates up to ₹1.50 crore, in accordance with our Employee Home Loan Policy.

2. Remuneration to Part-time Chairman:

Pursuant to RBI letter dated July 28, 2016, Arun Ramanathan was initially appointed as the Part-time Chairman and Independent Director of our Bank by a Board resolution dated September 4, 2016 and Shareholders' resolution dated June 23, 2017. Subsequently, he has been reappointed by our Board, pursuant to its resolution dated June 17, 2021 and our Shareholders pursuant to the resolution dated August 12, 2021.

The details of remuneration governing his appointment as approved by the RBI pursuant to its letter dated July 28, 2016 are stated below:

Remuneration
Managerial commission of ₹0.12 crore per annum subject to overall limits prescribed under Companies Act, 2013 in addition to the sitting fees and reimbursement of actual expenses incurred in connection with the affairs of the Bank such as travel, lodging, boarding etc.

Compensation to Non-Executive Directors

The details of sitting fees to which the Non-Executive Directors, including Independent Directors of our Bank are entitled are as follows:

S. No.	Type of meeting	Date of Board resolution	Details of sitting fees to be paid per meeting
1.	Board	November 9, 2020	• ₹60,000 for attendance • Additional fees of ₹10,000 for chairing the meeting
2.	Audit Committee	November 9, 2020	• ₹50,000 for attendance • Additional fees of ₹10,000 for chairing the meeting
3.	Merger Committee	July 26, 2021	• ₹40,000 for attendance • Additional fees of ₹10,000 for chairing the meeting
5.	Meeting of Independent Directors	November 9, 2020	• ₹40,000 for attendance • Additional fees of ₹10,000 for chairing the meeting
6.	All other committees	November 9, 2020	• ₹40,000 for attendance • Additional fees of ₹10,000 for chairing the meeting

The following table sets forth the compensation paid by our Bank to the non-executive Directors of our Bank during the relevant period for the current Fiscal, Fiscals 2021, 2020 and 2019:

(in ₹ crore)

S. No.	Name of Director	Remuneration^			
		Fiscal 2019	Fiscal 2020	Fiscal 2021	April 1, 2021 up to January 31, 2022
1.	Arun Ramanathan	0.13	0.19	0.21	0.12

S. No.	Name of Director	Remuneration^			
		Fiscal 2019	Fiscal 2020	Fiscal 2021	April 1, 2021 up to January 31, 2022
2.	Arun Kumar Verma	0.14	0.29	0.35	0.34
3.	Narayanaswamy Balakrishnan	0.10	0.19	0.26	0.19
4.	Navin Puri*	-	0.11	0.30	0.28
5.	Narasimhan Srinivasan	0.10	0.21	0.32	0.21
6.	Vinod Kumar Sharma	0.12	0.25	0.38	0.36
7.	Asuri Ramesh Rangan Sholinghur#	-	-	0.14	0.35
8.	Geeta Dutta Goel@	-	-	-	-
9.	Samir Kumar Barua@	-	-	-	0.00

^Includes sitting fees and commission paid
#Appointed with effect from November 9, 2020
**Appointed with effect from August 1, 2019*
@Appointed with effect from December 27, 2021 subject to approval of the Shareholders

Compensation of the Executive Directors

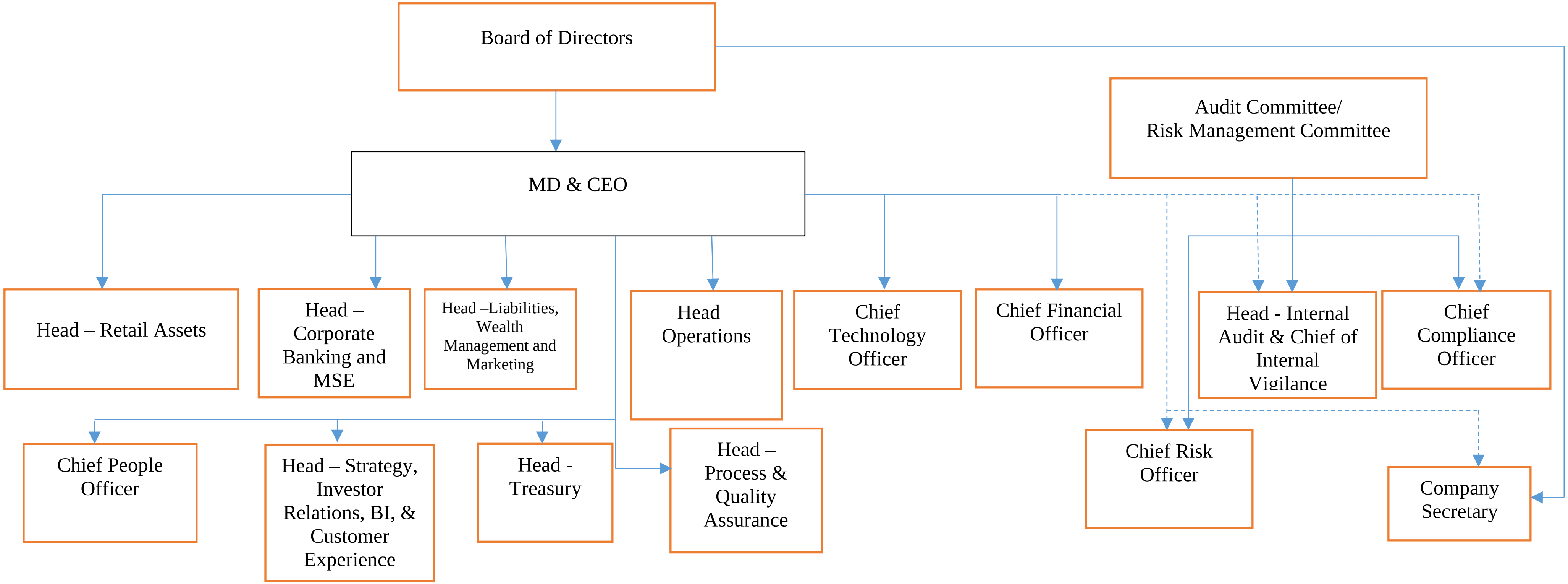
The following tables set forth the details of remuneration paid by our Bank to the executive Director of our Bank during the relevant period for the current Fiscal and Fiscals 2021, 2020 and 2019:

(in ₹ crore)

S. No.	Name of Director	Remuneration for the Fiscal 2019	Remuneration for the Fiscal 2020	Remuneration for the Fiscal 2021*	Remuneration from April 1, 2021 up to January 31, 2022*
1.	Vasudevan Pathangi Narasimhan	1.16	1.71	1.54	1.97

* *Pursuant to the RBI approval for his remuneration structure for Fiscal 2021, the remuneration paid includes ₹0.13 crore as the salary entitled along with arrears of fixed pay for Fiscal 2021 i.e. ₹ 0.35 crore and arrears of fixed pay for Fiscal 2022 i.e. ₹0.26 crore and performance pay for Fiscal 2021 i.e. 0.32 crore.*

Organisation Chart of our Bank



Key Managerial Personnel

The Key Managerial Personnel are permanent employees of our Bank.

In addition to Vasudevan Pathangi Narasimhan whose details are provided in "*Brief Biographies of our Directors*" above, the details of our other Key Managerial Personnel in terms of the Companies Act, 2013 and the SEBI ICDR Regulations as on the date of this Preliminary Placement Document are set forth below:

Sridharan Nanuiyer, is the CFO of our Bank. He holds a bachelor's degree in commerce from University of Madras. He is a qualified chartered accountant from the Institute of Chartered Accountants of India and a certified cost and works accountant from the Institute of Cost and Works Accountants of India. He started his career with CMC Limited in 1986 and he was deputy general manager- finance and internal audit at the time of leaving the organization. Prior to joining our Bank, he was the general manager- finance at SRA Systems Limited and vice president – MIS and commercial control at Subhiksha Trading Services Limited. He joined erstwhile Equitas Housing Finance Limited, now our Bank on August 16, 2010.

Sampathkumar K. Raghunathan, is the Company Secretary and Compliance Officer of our Bank. He holds a bachelor's degree in commerce from University of Madras. He is a member of the Institute of Company Secretaries of India. He has previously worked at the Reserve Bank of India and at the Office of the Comptroller and Auditor General of India. Prior to joining our Bank, he worked at Hinduja Leyland Finance Limited. He has also worked at Unifi Capital Private Limited as manager- internal audit. He joined erstwhile Equitas Housing Finance Limited, now our Bank on August 13, 2014.

Siby Sebastian, is the Head of Operations of our Bank. He holds a bachelors degree in commerce from the University of Calicut. He is a member of the Institute of Chartered Accountants of India**.** He is certified by the Indian Institute of Technology, Bombay in the CEP course on executive programme in management. He has previously worked at SBM (Bank) India Limited and ICICI Bank Limited. He has joined our Bank on December 1, 2020.

Rohit Phadke is the Head - Retail Assets of our Bank. He holds a masters degree in business administration from the University of Pune. He has previously worked at Cholamandalam Investment and Finance Company Limited. He has joined our Bank on December 3, 2020.

Narayanan E is the Chief Technology Officer of our Bank. He holds a bachelors degree in arts from Osmania University. He has previously worked at 3i Infotech Limited and IDFC First Bank Limited. He has joined our Bank on February 1, 2021.

Sibi PM is the Chief Risk Officer of our Bank. He holds a bachelors degree in technology from the University of Kerala. He has previously worked at South Indian Bank Limited. He has joined our Bank on July 1, 2021.

Dheeraj Mohan, is the Head - Strategy, Investor Relations, BI and Customer Experience at our Bank. He holds a post graduate diploma in management from Kirloskar Institute of Advanced Management Studies. He has previously worked across NBFCs and capital market intermediaries like Anand Rathi Share and Stock Brokers Limited, Motilal Oswal Financial Services Limited and Edelweiss Securities Limited. Prior to joining our Bank, he was working with EHL. He joined our Bank on June 1, 2016.

Natarajan Muthusubramanian, is the Head - Treasury at our Bank. He is a certified associate of the Indian Institute of Bankers. Prior to joining our Bank, he was the director of treasury at Bank of Nova Scotia where he worked for nine years. He joined our Bank on October 23, 2017.

Ramasubramanian Krishnamoorthy, Head – MSE and Corporate Banking at our Bank. He holds a post graduate diploma in financial management from the Institute for Financial Management and Research, Madras. He is also a certified associate from the Institute of Cost and Works Accountants of India. Prior to joining our Bank, he was the senior vice president at Polaris Consulting and Services Limited and worked there for one and a half years. He has also worked with companies like HCL Technologies Limited and Capgemini India Private Limited in the past. He joined our Bank on March 2, 2017.

Sathyananda Prabhu is the Head - Internal Audit and Chief of Internal Vigilance of our Bank. He holds a bachelor's degree in law from Bangalore University and a master's degree in business administration (banking and finance) from Indira Gandhi National Open University. Prior to joining our Bank, he worked as the senior vice president and head – audit and inspection department at the Lakshmi Vilas Bank Limited. He joined our Bank on March 1, 2018.

S. Sethupathy, is the Head - Process and Quality Assurance of our Bank. He holds a bachelor's degree in engineering from Bangalore University and a master's degree in business administration from Indira Gandhi National Open University. He has previously worked in various managerial positions at HMT Limited, Sundaram Fasteners Limited, SAB WABCO India Limited, Jai Parabolic Springs Limited and Yuken India Limited. He joined erstwhile Equitas Micro Finance Limited, now our Bank on September 17, 2007.

Srinivasan Purohit, is the Chief Compliance Officer of our Bank. He holds a bachelor's degree in commerce from the University of Madras. He is a certified associate of the Institute of Chartered Accountants of India and a certified cost and works accountant from the Institute of Cost and Works Accountants of India. Prior to joining our Bank, he worked at Qatar National Bank S.A.Q. He has previously worked with the RBI, ICICI Bank Limited, Credit Agricole Corporate and Investment Bank (formerly known as Calyon Bank), Hong Kong and Shanghai Banking Corporation Limited and Nomura Capital (India) Private Limited. He joined our Bank on August 5, 2017.

Murali Vaidyanathan, is the Head – Liabilities, Wealth Management, Digital Banking and Marketing, of our Bank. He holds a bachelor's degree in engineering from the University of Madras and a post graduate diploma (distance education) in business administration from the School of Communication and Management Studies. He has completed a certificate program on 'Artificial Intelligence- Strategies for Leading Business Transformation' from the Northwest University. He has participated in the 'Programme on Enhancing Sales Force Performance' from the Indian Institute of Management, Ahmedabad and the 'General Management Programme for Kotak Mahindra Bank Limited' conducted by Indian Institute of Management, Ahmedabad. Prior to joining our Bank, he has worked with Kotak Mahindra Bank Limited, Citigroup Inc. and ICICI Bank Limited. He joined our Bank in December 2019 as head – branch banking and was appointed as the president and country head – branch banking, liabilities, product and wealth on January 2, 2020.

Pallab Mukherji, is the Chief People Officer of our Bank. He holds a post graduate diploma in personnel management and industrial relations from XLRI, Jamshedpur and has completed a strategic human resource management – India course from the Ross School of Business, Michigan. Prior to joining our Bank, he has worked with The Arvind Mills Limited and HDFC Bank Limited. He was the president with the human resources department at IIFL Holdings Limited. He was appointed as the chief people officer of our Bank on February 17, 2020.

Shareholding of Key Managerial Personnel

Other than as given below, none of our Key Managerial Personnel hold any Equity Shares in our Bank.

Sr. No.	KMP	No. of shares	Percentage of Shareholding (%)
1.	Ramasubramanian Krishnamoorthy	2,13,000	0.02
2.	Sridharan Nanuiyer	1,73,640	0.02
3.	S Sethupathy	1,11,400	0.01
4.	Natarajan Muthusubramanian	53,836	Negligible
5.	Vasudevan Pathangi Narasimhan	12,293	Negligible
6.	Dheeraj Mohan	7,746	Negligible
7.	Sathyananda Prabhu	1,350	Negligible

Further, some of our KMPs have been provided employee stock options under the ESFB ESOP Plan 2019.

Relationship

None of the Key Managerial Personnel are related either to each other or to the Directors.

Interest of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held in the Bank, if any.

None of the Key Managerial Personnel have been paid any consideration of any nature from our Bank, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

Corporate Governance

Our Bank has been complying with the requirements of all applicable corporate governance norms, including the SEBI Listing Regulations and the guidelines issued by RBI from time to time, in relation to the constitution of our Board of Directors and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of our Board of Directors from the executive management team and proper constitution of the committees of our Board. Our Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.

Our Board presently consists of 10 Directors. In compliance with the requirements of the SEBI Listing Regulations, our Board consists of nine Independent Directors including one woman Independent Director*. Our Bank is in compliance with the requirements of applicable regulations, including the SEBI Listing Regulations and the Companies Act, 2013, in respect of corporate governance, including constitution of our Board and committees thereof.

**The appointment of Additional Directors Geeta Dutta Goel and Samir Kumar Barua is subject to approval of the Shareholders*

Committees of our Board of Directors

Our Board has constituted statutory committees, which function in accordance with the relevant provisions of the Companies Act, 2013 and the SEBI Listing Regulations.

The statutory committees of our Board are: (i) Audit Committee; (ii) Nomination and Remuneration Committee; (iii) Stakeholders' Relationship Committee; (iv) Corporate Social Responsibility Committee; and (v) Risk Management Committee.

The following table sets forth details of members of the aforesaid committees, as on the date of this Preliminary Placement Document:

S. No.	Committee	Name and Designation of Members
1.	Audit Committee	(1) Arun Kumar Verma, Chairperson (2) Vinod Kumar Sharma, Member (3) Samir Kumar Barua, Member (4) Asuri Ramesh Rangan Sholinghur, Member
2.	Nomination and Remuneration Committee	(1) Narayanaswamy Balakrishnan, Chairman (2) Arun Ramanathan, Member (3) Narasimhan Srinivasan, Member (4) Navin Avinashchander Puri, Member (5) Vinod Kumar Sharma, Member
3.	Stakeholders Relationship Committee	(1) Navin Avinashchander Puri, Chairman (2) Arun Kumar Verma, Member (3) Samir Kumar Barua, Member
4.	Corporate Social Responsibility Committee	(1) Narasimhan Srinivasan, Chairman (2) Vinod Kumar Sharma, Member (3) Geeta Dutta Goel, Member (4) Vasudevan Pathangi Narasimhan, Member
5.	Risk Management Committee	(1) Vinod Kumar Sharma, Chairman (2) Arun Kumar Verma, Member (3) Samir Kumar Barua, Member (4) Narayanaswamy Balakrishnan, Member (5) Asuri Ramesh Rangan Sholinghur, Member (6) Vasudevan Pathangi Narasimhan, Member

In addition to the above committees, our Board has also constituted a Merger Committee and other committees, including as required under applicable RBI regulations.

Other Confirmations

None of the Directors, Promoter or Key Managerial Personnel of our Bank has any financial or other material interest in the Issue and there is no effect of such interest as is different from the interest of other persons.

Neither our Bank, nor the Directors or Promoter have ever been identified as wilful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI or fraudulent borrowers as defined in the SEBI ICDR Regulations.

Neither our Bank, nor our Directors or Promoter have been debarred from accessing capital markets under any order or direction made by SEBI. Further, neither of the Promoter nor any of the Directors have been declared as a Fugitive Economic Offender under Section 12 of the Fugitive Economic Offenders Act, 2018.

None of our Directors, Promoter or Key Managerial Personnel of our Bank intends to subscribe to the Issue.

No change in control in our Bank will occur consequent to the Issue.

Policy on disclosures and internal procedure for prevention of insider trading

Regulation 9(1) of the SEBI Insider Trading Regulations applies to our Bank and its employees and requires our Bank to implement a code of internal procedures and conduct for the prevention of insider trading. Our Bank has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Insider Trading Regulations, as per which, the Company Secretary of our Bank is the Compliance Officer for the purposes of this code.

SHAREHOLDING PATTERN OF OUR BANK

The shareholding pattern of our Bank, as December 31, 2021, is set forth below.

Summary statement showing the shareholding pattern of the Bank

Category	Category of Shareholder	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (VII) = (IV)+(V)+(VI)	Shareholding as a % of total no of shares (As a % of (A+B+C2))	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
								Class X	Class Y	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(A)	Promoter & Promoter Group	1	93,39,43,363	-	-	93,39,43,363	81.36	93,39,43,363	-	93,39,43,363	81.36	-	81.36	22,76,51,000	24.38	-	-	93,39,43,363
(B)	Public	1,13,404	21,39,45,926	-	-	21,39,45,926	18.64	21,39,45,926	-	-	-	-	-	-	-	-	-	21,39,45,811
(C)	Non Promoter-Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	Shares underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	Shares held by Employees Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total:	1,13,405	1,14,78,89,289	-	-	1,14,78,89,289	100	1,14,78,89,289	-	1,14,78,89,289	100	-	81.36	22,76,51,000	19.83	-	-	1147889174

Statement showing shareholding pattern of the Promoter and Promoter Group

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	**Indian**																		
(a)	Individuals/Hindu undivided Family		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b)	Central Government/State Government(s)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	Financial Institutions/Banks		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	**Any Other**		1	93,39,43,363	-	-	93,39,43,363	81.36	93,39,43,363	-	93,39,43,363	81.36	-	81.36	22,76,51,000	24.38	-	-	93,39,43,363
	EQUITAS HOLDINGS LIMITED	[AAACU9126C]	1	93,39,43,363	-	-	93,39,43,363	81.36	93,39,43,363	-	93,39,43,363	81.36	-	81.36	22,76,51,000	24.38	-	-	93,39,43,363
	Sub-Total (A)(1)		1	93,39,43,363	-	-	93,39,43,363	81.36	93,39,43,363	-	93,39,43,363	81.36	-	81.36	22,76,51,000	24.38	-	-	93,39,43,363
(2)	**Foreign**																		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b)	Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	Institutions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (calculated as per SCRR, 1957 (VIII) As a % of (A+B+C2	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital) (VII)+(X) As a % of (A+B+C2)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	Foreign Portfolio Investor		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	**Any Other**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total (A)(2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)		1	93,39,43,363	-	-	93,39,43,363	81.36	93,39,43,363	-	93,39,43,363	81.36	-	81.36	22,76,51,000	24.38	-	-	93,39,43,363

Statement showing shareholding pattern of public Shareholders

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	**(II)**	**(III)**	**(IV)**	**(V)**	**(VI)**	**(VII)**	**(VIII)**	**(IX)**				**(X)**	**(XI)**	**(XII)**		**(XIII)**		**(XIV)**
(1)	**Institutions**																		
(a)	Mutual Funds	-	9	11,98,52,194	-	-	11,98,52,194	10.44	11,98,52,194	-	11,98,52,194	10.44	-	10.44	-	-	-	-	11,98,52,194
	HDFC SMALL CAP FUND	AAATH1809A	1	37230934	-	-	37230934	3.24	37230934	-	37230934	3.24	-	3.24	-	-	-	-	37230934
	INVESCO INDIA CONTRA FUND	AAATL5351M	1	12519177	-	-	12519177	1.09	12519177	-	12519177	1.09	-	1.09	-	-	-	-	12519177
	NIPPON LIFE INDIA TRUSTEE LTD- A/C NIPPON INDIA BANKING & FINANCIAL SERVICES FUND	AAATR0090B	1	15465728	-	-	15465728	1.35	15465728	-	15465728	1.35	-	1.35	-	-	-	-	15465728
	FRANKLIN INDIA SMALLER COMPANIES FUND	AAATT4931H	1	14244569	-	-	14244569	1.24	14244569	-	14244569	1.24	-	1.24	-	-	-	-	14244569
	MIRAE ASSET LARGE CAP FUND	AACTM0203B	1	25979021	-	-	25979021	2.26	25979021	-	25979021	2.26	-	2.26	-	-	-	-	25979021
(b)	**Venture Capital Funds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	**Alternate Investment Funds**		4	1,11,59,259	-	-	1,11,59,259	0.97	1,11,59,259	-	1,11,59,259	0.97	-	0.97	-	-	-	-	1,11,59,259
(d)	**Foreign Venture Capital Investors**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	**Foreign Portfolio Investors**		23	85,11,686	-	-	85,11,686	0.74	85,11,686	-	85,11,686	0.74	-	0.74	-	-	-	-	85,11,686
(f)	**Financial Institutions/Banks**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
(g)	**Insurance Companies**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(h)	**Provident Funds/Pension Funds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	**Any Other**		3	15627248	-	-	15627248	1.36	15627248	-	15627248	1.36	-	1.36	-	-	-	-	15627248
	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED	AAACI7351P	1	1,31,81,511	-	-	1,31,81,511	1.15	1,31,81,511	-	1,31,81,511	1.15	-	1.15	-	-	-	-	1,31,81,511
	Sub Total (B)(1)		39	15,51,50,387	-	-	15,51,50,387	13.52	15,51,50,387	-	15,51,50,387	13.52	-	13.52	-	-	-	-	15,51,50,387
(2)	**Central Government/State Government(s)/President of India**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sub Total (B)(2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3)	**Non-Institutions**																		
(a)	i.Individual shareholders holding nominal share capital up to Rs.2 lakhs		1,11,343	4,32,87,130	-	-	4,32,87,130	3.77	4,32,87,130	-	4,32,87,130	3.77	[-]	3.77	-	-	-	-	4,32,87,015
	ii.Individual shareholders holding nominal share capital in excess of Rs. 2 Lakhs		177	1,20,29,129	-	-	1,20,29,129	1.05	1,20,29,129	-	1,20,29,129	1.05	[-]	1.05	-	-	-	-	1,20,29,129
					-	-				-			-		-	-	-	-	
(b)	**NBFCs Registered with RBI**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	**Employee Trusts**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	**Overseas Depositories**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
	(Holding DRs)(Balancing figure)																		
(e)	**Any Other**		1,845	3479280	-	-	3479280	0.30	3479280	-	3479280	0.30	-	0.30	-	-	-	-	3479280
	TRUSTS		2	2,79,500	0.02	-	2,79,500	0.02	2,79,500	-	2,79,500	0.02	-	0.02	-	-	-	-	2,79,500
	NON RESIDENT INDIANS		1232	12,19,605	0.11	-	12,19,605	0.11	12,19,605	-	12,19,605	0.11	-	0.11	-	-	-	-	12,19,605
	CLEARING MEMBERS		47	3,36,350	0.03	-	3,36,350	0.03	3,36,350	-	3,36,350	0.03	-	0.03	-	-	-	-	3,36,350
	NON RESIDENT INDIAN NON REPATRIABLE		448	4,91,510	0.04	-	4,91,510	0.04	4,91,510	-	4,91,510	0.04	-	0.04	-	-	-	-	4,91,510
	BODIES CORPORATES		116	11,52,315	0.10	-	11,52,315	0.10	11,52,315	-	11,52,315	0.10	-	0.10	-	-	-	-	11,52,315
	Sub Total (B)(3)		1,13,365	5,87,95,539	5.12	-	5,87,95,539	5.12	5,87,95,539	-	5,87,95,539	5.12	-	5.12	-	-	-	-	5,87,95,539
	Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)		1,13,404	21,39,45,926	18.64	-	21,39,45,926	18.64	21,39,45,926	-	21,39,45,926	18.64	-	18.64	-	-	-	-	21,39,45,811

Statement showing shareholding pattern of non-Promoter – non-public Shareholders

Category	Category & Name of the Shareholder	PAN	No of Shareholders	No of fully paid up equity shares held	No of Partly paid-up equity shares held	No of Shares Underlying Depository Receipts	Total No of Shares Held (IV+V+VI)	Shareholding as a % of total no of shares (A+B+C2)	Number of Voting Rights held in each class of securities				No of Shares Underlying Outstanding convertible securities (Including Warrants)	Shareholding as a % assuming full conversion of convertible Securities (as a percentage of diluted share capital)	Number of Locked in Shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
									No of Voting Rights			Total as a % of (A+B+C)			No.	As a % of total Shares held	No.	As a % of total Shares held	
									Class X	Class Y	Total								
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)				(X)	(XI)	(XII)		(XIII)		(XIV)
(1)	Custodian/DR Holder		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(2)	Employee Benefit Trust (under SEBI(Share based Employee Benefit) Regulations 2014)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Non-Promoter-Non Public Shareholding = I(1)+(C)(2)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment of Application Amount, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and investors are assumed to have apprised themselves of the same from our Bank or the Book Running Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Also see *"Selling Restrictions" and "Transfer Restrictions" on pages 425 and 432, respectively.*

Our Bank, the Book Running Lead Managers and their respective directors, officers, agents, advisors, shareholders, employees, counsels, affiliates and representatives are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Preliminary Placement Document. Eligible QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Eligible QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Preliminary Placement Document. Further, Eligible QIBs are required to satisfy themselves that their Bids would not result in triggering an open offer under the SEBI Takeover Regulations and shall be solely responsible for compliance with all the applicable provisions of the SEBI Takeover Regulations, the SEBI Insider Trading Regulations, and other applicable laws.

Qualified Institutions Placement

THE ISSUE IS MEANT ONLY FOR ELIGIBLE QIBS ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than Eligible QIBs.

The Issue is being made to Eligible QIBs in reliance upon Chapter VI of the SEBI ICDR Regulations and Section 42 and other applicable provisions of the Companies Act, 2013 and rules thereunder, through the mechanism of a Qualified Institutions Placement ("QIP"). Under Chapter VI of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, our Bank, being a listed company in India may issue Equity Shares to Eligible QIBs, provided that:

- the shareholders have adopted a special resolution approving the Issue. Such special resolution must specify (a) that the allotment of Equity Shares is proposed to be made pursuant to the Issue and (b) the Relevant Date;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- invitation to apply in the Issue must be made through a private placement offer letter (i.e., this Preliminary Placement Document) and an application form serially numbered and addressed specifically to the Eligible QIBs to whom the Issue is made, within 30 days of recording the name of such person in accordance with applicable law; the allotments with respect to any earlier offer or invitation made by the Bank shall have been completed or the Bank shall have withdrawn or abandoned such invitation or offer made, except as permitted under the Companies Act, 2013;
- our Bank shall not make any subsequent qualified institutions placement until the expiry of two weeks from the date of this Issue; and
- the Promoter and Directors are not fugitive economic offenders.

Please note that the requirement under Regulation 172(1)(b) of the SEBI ICDR Regulations, i.e. the Equity Shares of the same class of our Bank, which are proposed to be allotted through the Issue, are listed on the Stock Exchanges, for a period of at least one year prior to the date of issuance of notice to our shareholders for convening the meeting to adopt the above-mentioned special resolution, is not applicable to this Issue, as the same is being undertaken to meet the minimum public shareholding requirements specified under the SCRR in accordance with the second proviso to Regulation 172(1)(b);

At least 10% of the Equity Shares issued to Eligible QIBs shall be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other Eligible QIBs.

Bidders are not allowed to withdraw or revise downwards their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The Floor Price of the Equity Shares issued under this Issue shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class quoted on the stock exchanges during the two weeks preceding the Relevant Date as calculated in accordance with Chapter VI of the SEBI ICDR Regulations. The "Relevant Date" referred to above means the date of the meeting in which the Board or the Merger Committee decides to open the Issue and "stock exchange", for the purposes of determination of price, means any of the recognized stock exchanges on which the Equity Shares of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the Relevant Date. Further, in accordance with the resolution of the shareholders passed by way of a postal ballot dated November 28, 2021, the results of which were declared on November 29, 2021, our Bank may offer a discount of not more than 5% on the Floor Price in accordance with the SEBI ICDR Regulations.

The Equity Shares will be Allotted within 365 days from the date of the shareholders' resolution approving the Issue, being November 28, 2021 and within 60 days from the date of receipt of Application Amount from the Successful Bidders. For details of refund of Application Amount, see "*– Pricing and Allocation – Designated Date and Allotment of Equity Shares*" on page 420.

Subscription to the Equity Shares offered pursuant to the Issue must be made by Eligible QIBs on the basis of this Preliminary Placement Document and the Placement Document, which shall contain all material information required under applicable law including the information specified in Schedule VII of SEBI ICDR Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and the Placement Document are private documents provided to only select Eligible QIBs through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Bank with a disclaimer to the effect that it is in connection with an issue to Eligible QIBs and no offer is being made to the public or to any other category of investors. Please note that if you do not receive a serially numbered copy of the Preliminary Placement Document addressed to you, you may not rely on the Preliminary Placement Document or Placement Document uploaded on the website of the Stock Exchanges or our Bank for making an application to subscribe to Equity Shares pursuant to the Issue.

This Issue was authorized and approved by our Board on October 18, 2021 and approved by our shareholders, by way of a postal ballot resolution dated November 28, 2021, the results of which were declared on November 29, 2021. This Issue is approved for raising a sum not exceeding ₹ 1000 crore (including premium), in one or more tranches.

The minimum number of allottees with respect to a QIP shall not be less than:

- two, where the issue size is less than or equal to ₹ 250 crore; and
- five, where the issue size is greater than ₹ 250 crore.

No single Allottee shall be Allotted more than 50% of the Issue Size.

Eligible QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", see the section "*—Bid Process—Application Form*" on page 416.

Equity Shares being Allotted pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on a recognized stock exchange.

Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A) pursuant to Section 4(a)(2) or another available exemption from registration under the Securities Act, and (b) outside the United States in offshore transactions in reliance upon Regulation S. The Equity Shares are transferable only in accordance with the restrictions described under the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432 respectively.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Our Bank has filed a copy of this Preliminary Placement Document with each of the Stock Exchanges. Our Bank has received in-principle approvals from each of the Stock Exchanges under Regulation 28(1)(a) of the SEBI Listing Regulations for the listing of the Equity Shares on the BSE and NSE on February 14, 2022.

Issue Procedure

1. On the Issue Opening Date, our Bank and the Book Running Lead Managers shall circulate serially numbered copies of this Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to Eligible QIBs and the Application Form will be specifically addressed to each such Eligible QIB. In terms of Section 42(3) of the Companies Act, 2013, our Bank shall maintain records of the Eligible QIBs in the form and manner as prescribed under the PAS Rules, to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Bank will make the requisite filings with the RoC within the stipulated time periods as required under the Companies Act, 2013 and the PAS Rules. The list of Eligible QIBs to whom the Preliminary Placement Document and Application Form is delivered will be determined by our Bank in consultation with the BRLMs,at their sole discretion

2. **Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form, which includes the details of the bank account wherein the Application Amount is to be deposited, is addressed to a particular Eligible QIB, no invitation to make an offer to subscribe shall be deemed to have been made to such Eligible QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid

3. Eligible QIBs may submit the Application Form, including any revisions thereof along with the Application Amount and a copy of the PAN card or PAN allotment letter, during the Issue Period to the Book Running Lead Managers. Application Form may be signed physically or digitally, if required under applicable law in the relevant jurisdiction applicable to each Eligible QIB and as permitted under such applicable law. An Eligible QIB may submit an unsigned copy of the Application Form, as long as the Application Amount is paid along with submission of the Application Form within the Issue Period. Once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and the Application Form is unsigned, it shall be assumed that the person submitting the Application Form and providing necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB is authorised to do so

4. Bidders will be required to indicate the following in the Application Form:

- full official name of the Eligible QIB to whom Equity Shares are to be Allotted, complete address, e-mail id and bank account details;
- number of Equity Shares Bid for;
- price at which they are agreeable to subscribe for the Equity Shares and the aggregate Application Amount for the number of Equity Shares Bid for;
- an undertaking that they will deliver an offshore transaction letter to our Bank prior to any sale of Equity Shares confirming that they will not re-offer, re-sell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S under the Securities Act;
- details of the depository account to which the Equity Shares should be credited; and
- a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S and the applicable laws of the jurisdiction where those offers and sales are made, or (ii) a "qualified institutional buyer" as defined in Rule 144A purchasing the Equity Shares pursuant to Section 4(a)(2) under the Securities Act, and it has agreed to certain other representations set forth in the "*Representations by Investors*" on page 3 and "*Transfer Restrictions*" on page 432 and certain other representations made in the Application Form.

- Eligible FPIs are required to indicate their SEBI FPI registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the 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 for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

5. Each Bidder shall be required to make the entire payment of the Application Amount for the Equity Shares Bid for, along with the Application Form, only through electronic transfer to the Escrow Account within the Issue Period as specified in the Application Form sent to the respective Bidders. Please note that any payment of Application Amount for the Equity Shares shall be made from the bank accounts of the relevant Bidders and our Bank shall keep a record of the bank account from where such payment has been received. Application Amount payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the Application Form. Pending Allotment, Application Amount received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013. Notwithstanding the above, in the event (a) any Bidder is not allocated Equity Shares in the Issue, (b) the number of Equity Shares Allotted to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, (c) the Application Amount has been arrived at using an indicative price higher than the Issue Price, or (d) any Eligible QIB lowers or withdraws their Bid after submission of the Application Form but prior to the Issue Closing Date, the excess Application Amount will be refunded to the same bank account from which it was remitted, in the form and manner set out in "– *Refunds*" on page 421.

6. Once a duly completed Application Form is submitted by a Bidder and the Application Amount is transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and the Bid cannot be withdrawn or revised downwards after the Issue Closing Date. In case of an upward revision before the Issue Closing Date, an additional amount shall be required to be deposited towards the Application Amount in the Escrow Account along with the submission of such revised Bid. The Issue Closing Date shall be notified to the Stock Exchanges and the Eligible QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the 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.

8. Upon receipt of the duly completed Application Form and the Application Amount in the Escrow Account, after the Issue Closing Date, our Bank shall, in consultation with Book Running Lead Managers determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue and Allocation. Upon such determination, the Book Running Lead Managers will send the serially numbered CAN to the Eligible QIBs who have been Allocated the Equity Shares. The dispatch of a CAN, and the Placement Document (when dispatched) to a Successful Bidder shall be deemed a valid, binding and irrevocable contract for the Successful Bidders to subscribe to the Equity Shares Allocated to such Successful Bidders at an aggregate price equivalent the product of the Issue Price and Equity Shares Allocated to such Successful Bidders. The CAN shall contain details such as the number of Equity Shares Allocated to the Successful Bidders, Issue Price and the aggregate amount received towards the Equity Shares Allocated. **Please note that the Allocation will be at the absolute discretion of our Bank and will be based on the recommendation of the Book Running Lead Managers.**

9. Upon determination of the Issue Price and the issuance of CAN and before Allotment of Equity Shares to the Successful Bidders, the Book Running Lead Managers, shall, on our behalf, send a serially numbered Placement Document to each of the Successful Bidders who have been Allocated Equity Shares pursuant to dispatch of a serially numbered CAN.

10. Upon dispatch of the serially numbered Placement Document, our Bank shall Allot Equity Shares as per the details in the CANs sent to the Successful Bidders. We will inform the Stock Exchanges of the details of the Allotment**.**

11. After passing the resolution for Allotment and prior to crediting the Equity Shares into the beneficiary account of the Successful Bidders maintained by the depository participant, as indicated in their respective Application Form, our Bank shall apply to the Stock Exchanges for listing approvals in respect of the Equity Shares Allotted pursuant to the Issue.

12. After receipt of the listing approvals of the Stock Exchanges, our Bank shall credit the Equity Shares Allotted pursuant to this Issue into the beneficiary accounts of the respective Allottees.

13. Our Bank will then apply for the final trading approvals from the Stock Exchanges.

14. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the Eligible QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

15. As per applicable law, the Stock Exchanges will notify the final listing and trading approvals, which are ordinarily available on their websites, and our Bank may communicate the receipt of the listing and trading approvals to those Eligible QIBs to whom the Equity Shares have been Allotted. Our Bank and the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Investors are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

16. In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in the Refund Intimation which will be dispatched to such Bidder.

Qualified Institutional Buyers

Only Eligible QIBs are eligible to invest in the Equity Shares pursuant to the Issue, provided that with respect to foreign portfolio investors, only Eligible FPIs applying under Schedule II of the FEMA Rules will be considered as Eligible QIBs. FVCIs are not permitted to participate in the Issue. Currently, QIBs, who are eligible to participate in the Issue and also as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations, are set forth below:

- alternate investment funds registered with SEBI;
- Eligible FPIs;
- insurance companies registered with Insurance Regulatory and Development Authority of India;
- 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;
- multilateral and bilateral development financial institutions;
- Mutual Funds;
- pension funds with minimum corpus of ₹ 25 crore;
- provident funds with minimum corpus of ₹ 25 crore;
- public financial institutions;
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India;
- venture capital funds registered with SEBI; and
- SI-NBFC.

Eligible FPIs are permitted to participate through the portfolio investment scheme under Schedule II of FEMA Rules respectively, in this Issue. Eligible FPIs are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard. Other eligible non-resident QIBs shall participate in the Issue under Schedule I of the FEMA Rules.

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (multiple entities registered as FPIs and directly or indirectly, having common ownership of more than 50% or common control) is not permitted to be 10% or more of the post-Issue equity share capital of our Bank, and the total holding of all FPIs, collectively, shall not exceed 20% of the paid-up equity share capital of our Bank. Further, if any FPI holds 10% or more of the Equity Share capital of our Bank, on a fully diluted basis, the FPI including its investor group is required to divest the excess holding within five trading days from the date of settlement of the trades resulting in the breach. In the event that such divestment of excess holding is not done, the total investment made by such FPI together with its investor group will be re-classified as FDI as per procedure specified by SEBI and the FPI and its investor group will be prohibited from making any further portfolio investment in the company under the SEBI FPI Regulations. However, in accordance with Regulation 22(4) of the SEBI FPI Regulations, the FPIs who are: (i) appropriately regulated public retail funds; (b) public retail funds where the majority is owned by appropriately regulated public retail fund on look through basis; or (c) public retail funds and investment managers of such foreign portfolio investors are appropriately regulated, the aggregation of the investment limits of such FPIs having common control, shall not be applicable.

In accordance with the FEMA Rules and the SFB Licencing Guidelines, the total foreign ownership in a private sector bank cannot exceed 74% of the paid-up capital (49% of the paid-up capital under the automatic route and above 49% of the paid-up capital and up to 74% of the paid-up capital under the approval route). Pursuant to our Bank being established as an SFB and as per the extant FDI Policy and SFB Guidelines, foreign direct investment in our Bank is permitted up to 49% under the automatic route and up to74% under the government approval route.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

In terms of the FEMA Rules, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

Restriction on Allotment

Under Regulation 179(2)(b) of the SEBI ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or members of the Promoter Group;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any Equity Shares in our Bank and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoter.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. In case of under subscription in such portion, such portion or part thereof may be Allotted to other Eligible QIBs.

Note: *Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.*

Bid Process

Application Form

Eligible QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Bank and/or the Book Running Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of this Preliminary Placement Document, the Eligible QIB will be deemed to have made the following representations, warranties, acknowledgements and undertakings as well as those given or made under the sections "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 1, 3, 425, and 432, respectively:

1. The Eligible QIB confirms that it is a QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and is not excluded under Regulation 179(2)(b) of the SEBI ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The Eligible QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;

3. The Eligible QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or members of the Promoter Group, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

4. The Eligible QIB acknowledges that it has no right to withdraw or revise its Bid downwards after the Issue Closing Date;

5. The Eligible QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The Eligible QIB confirms that it is eligible to Bid and hold Equity Shares so Allotted together with any Equity Shares held by it prior to the Issue, if any. The Eligible QIB further confirms that the holding of the Eligible QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the Eligible QIB;

7. The Eligible QIB confirms that its Bid would not result in triggering an open offer under the SEBI Takeover Regulations;

8. The Eligible QIB agrees that although the Application Amount is required to be paid by it along with the Application Form within the Issue Period in terms of provisions of the Companies Act, 2013 and rules made thereunder, our Bank reserves the right to Allocate and Allot Equity Shares pursuant to this Issue on a discretionary basis in consultation with the Book Running Lead Managers. The Eligible QIB further acknowledges and agrees that the payment of Application Amount does not guarantee Allocation and/or Allotment of Equity Shares Bid for in full or in part;

9. The Eligible QIB acknowledges that in terms of the requirements of the Companies Act 2013, upon Allocation, the Bank will be required to disclose names as proposed Allottees and percentage to post-Issue shareholding of the proposed Allottees in the Placement Document and consents to such disclosure, if any Equity Shares are Allocated to it. However the Eligible QIB further acknowledges and agrees, disclosure of such details in relation to the proposed Allottees in the Placement Document will not guarantee Allotment to them, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs;

10. The Eligible QIB confirms that the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation:

    a. Eligible QIBs "belonging to the same group" shall mean entities where (a) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (b) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (c) there is a common director, excluding nominee and independent directors, amongst an Eligible QIB, its subsidiary(ies) or holding company and any other QIB ; and
    b. 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the SEBI Takeover Regulations;

11. The Eligible QIB confirms that:

    a. If it is within the United States, it is a U.S. QIB who is or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the requirement of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

b. if it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance upon Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate;

12. The Eligible QIBs confirm that they shall not undertake any trade in the Equity Shares credited to their beneficiary accounts maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares Allotted in the Issue are issued by the Stock Exchanges.

13. Each Eligible QIB acknowledges that, as required in terms of the Master Direction - Issue and Pricing of shares by Private Sector Banks, Directions, 2016 issued by RBI, our Bank shall report to RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

Each Eligible QIB acknowledges that they are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015 and the Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016, dated May 12, 2016, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold more than 5% or 10%, as applicable limits of the total paid-up share capital of our Bank, or be entitled to exercise more than 5% or 10%, as applicable limits of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert (as applicable) shall not amount to more than 5% or 10%, as applicable of the total paid-up share capital of our Bank or would not entitle you to exercise more than certain 5% or 10%, as applicable of the total voting rights of our Bank, except with the prior approval of the RBI.

In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to more than 5% or 10%, as applicable of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI to the Bank prior to the finalisation of the Allotment. In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with you and including existing shareholding, if any) to less than 5% or 10%, as applicable of the post-Issue paid-up share capital of our Bank.

ELIGIBLE QIBS MUST PROVIDE THEIR BENEFICIARY ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. ELIGIBLE QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THEIR BENEFICIARY ACCOUNT IS HELD.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, THE ELIGIBLE QIBS SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BOOK RUNNING LEAD MANAGERS TO EVIDENCE THEIR STATUS AS AN "ELIGIBLE QIB" AS DEFINED HEREINABOVE.

IF SO REQUIRED BY THE BOOK RUNNING LEAD MANAGERS, ESCROW BANK OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE ELIGIBLE QIBS SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE APPLICABLE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details provided in the Application Form. However, for the purposes of refund of all or part of the Application Amount submitted by the Bidder, the bank details as mentioned in the Application Form from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

The submission of an Application Form and payment of the Application Amount pursuant to the Application Form by a Bidder shall be deemed a valid, binding and irrevocable offer for such Bidder to pay the entire Issue Price for the Equity Shares and becomes a binding contract on a Successful Bidder upon issuance of the CAN and the Placement Document (when dispatched) by our Bank in favour of the Successful Bidder.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for along with proof of payment and a copy of the PAN card or PAN allotment letter. Additionally, the Application Form will include details of the relevant Escrow Account into which the Application Amounts will have to be deposited.The Application Amount shall be deposited in the Escrow Account as is specified in the Application Form and the Application Form shall be submitted to the Book Running Lead Managers either through electronic form or through physical delivery at either of the following addresses:

IIFL Securities Limited 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India **Contact Person:** Mukesh Garg **Email:** project.fusion@iiflcap.com **Phone No.:** +91 22 4646 4600	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Maharashtra, India **Contact Person**: Janardhan Wagle/ Krithika Shetty **E-mail**: equitassfb.qip@sbicaps.com **Phone No.** : +9122 2217 8300

The Book Running Lead Managers shall not be required to provide any written acknowledgement of the receipt of the Application Form and the Application Amount.

Bidders Bidding in the Issue, shall pay the entire Application Amount along with the submission of the Application Form, within the Issue Period.

Payment of Application Amount

Our Bank has opened an escrow account "EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW" with Equitas Small Finance Bank Limited, in its capacity as the Escrow Bank, in terms of the arrangement among our Bank, the Book Running Lead Managers and Equitas Small Finance Bank Limited (in its capacity as the Escrow Bank). Bidders will be required to deposit the entire Application Amount payable for the Equity Shares applied for through the Application Form submitted by it in accordance with the applicable laws in the escrow account.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques or demand draft or cash shall be rejected.

If the payment is not made favouring the "EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW" within the Issue Period stipulated in the Application Form, the Application Form of the Eligible QIB is liable to be cancelled.

Pending Allotment, our Bank undertakes to utilise the amount deposited in "EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW"only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of Application Amount if our Bank is not able to Allot Equity Shares in the Issue. Notwithstanding the above, in the event a Bidder is not Allocated Equity Shares in the Issue, or the number of Equity Shares Allocated to a Bidder, is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, the excess Application Amount will be refunded to the same bank account from which Application Amount was remitted, in the form and manner set out in "- *Refunds*".

Permanent Account Number or PAN

Each Bidder should mention its PAN allotted under the Income Tax Act, 1961 in the Application Form and enclose a copy of the PAN card or PAN allotment letter along with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. Bidders should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Bank Account Details

Each Bidder shall mention the details of the bank account from which the payment of Application Amount has been made along with confirmation that such payment has been made from such account.

Pricing and Allocation

Build-up of the Book

The Eligible QIBs shall submit their Bids (including any revision thereof) through the Application Forms within the Issue Period to the Book Running Lead Managers. Such Bids cannot be withdrawn or revised downwards after the Issue Closing Date. The book shall be maintained by the Book Running Lead Managers.

Price Discovery and Allocation

Our Bank, in consultation with the Book Running Lead Managers, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 176 of the SEBI ICDR Regulations as approved by our shareholders through a postal ballot resolution dated November 28, 2021, the results of which were declared on November 29, 2021.

After finalisation of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the Book Running Lead Managers on a discretionary basis and in compliance with Chapter VI of the SEBI ICDR Regulations.

Bids received from the Eligible QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such Eligible QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL BIDDERS. BIDDERS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ELIGIBLE QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AND PAID THE ENTIRE APPLICATION AMOUNT AT OR ABOVE THE ISSUE PRICE WITHIN THE ISSUE PERIOD. NEITHER OUR BANK NOR THE BOOK RUNNING LEAD MANAGERS ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on receipt of the serially numbered Application Forms and Application Amount, our Bank, in consultation with the Book Running Lead Managers, in their sole and absolute discretion, shall decide the Successful Bidders to whom the serially numbered CAN shall be dispatched, pursuant to which the details of the Equity Shares Allocated to them, the Issue Price and the Application Amount for the Equity Shares Allotted shall be notified to such Successful Bidders.

The Successful Bidders would also be sent a serially numbered Placement Document (which will include the names of the proposed Allottees along with the percentage of their post-Issue Shareholding in the Bank) either in electronic form or by physical delivery.

The dispatch of the serially numbered CAN and the Placement Document (when dispatched), to the Eligible QIBs shall be deemed a valid, binding and irrevocable contract for the Eligible QIBs to furnish all details that may be required by the Book Running Lead Managers. Subsequently, our Board will approve the Allotment of the Equity Shares to the Allottees.

Eligible QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

By submitting the Application Form, an Eligible QIB would have deemed to have made the representations and warranties as specified in "*Notice to Investors*" on page 1 and further that such Eligible QIB shall not undertake any trade on the Equity Shares credited to its Depository Participant account pursuant to the Issue until such time as the final listing and trading approval is issued by Stock Exchanges.

Designated Date and Allotment of Equity Shares

The Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the Successful Bidders' beneficiary accounts maintained with the Depository Participant, as indicated in the respective Application Form, our Bank will apply for final trading and listing approvals from the Stock Exchanges.

Pursuant to a circular dated March 5, 2010 issued by the SEBI, Stock Exchanges are required to make available on their websites the details of those Allottees in Issue who have been allotted more than 5% of the Equity Shares offered in the Issue, viz, the names of the Allottees, and number of Equity Shares Allotted to each of them, pre and post Issue shareholding pattern of our Bank along with the Placement Document Our Bank shall make the requisite filings with the RoC within the stipulated period as required under the Companies Act, 2013 and the PAS Rules. Further, as required in terms of the PAS Rules, names of the proposed Allottees and the percentage of their post-Issue shareholding in our Bank will be disclosed in the Placement Document.

The Escrow Bank shall release the monies lying to the credit of the Escrow Account to our Bank upon receipt of notice from the Book Running Lead Managers and the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and after filing return of Allotment under Form PAS-3 with the RoC.

After finalization of the Issue Price, our Bank shall update this Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Refunds

In the event that the number of Equity Shares Allocated to a Bidder is lower than the number of Equity Shares applied for through the Application Form and towards which Application Amount has been paid by such Bidder, or Equity Shares are not Allocated to a Bidder for any reasons, or a Bidder withdraws the Bid prior to the Issue Closing Date, any excess Application Amount paid by such Bidder will be refunded to the same bank account from which the Application Amount was remitted, in the form and manner set out in the Refund Intimation. The Refund Amount will be transferred to the relevant Bidders within two working days from the issuance of the CAN.

In the event that Equity Shares have been Allocated to Successful Bidders and our Bank is unable to issue and Allot the Equity Shares offered in the Issue or on cancellation of the Issue, within 60 days from the date of receipt of the Application Amount, our Bank shall repay the Application Amount within 15 days from expiry of 60 days, failing which our Bank shall repay that money with interest at such rate and in such manner as prescribed under the Companies Act, 2013.

Other Instructions

Right to Reject Applications

Our Bank, in consultation with the Book Running Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank in consultation with the Book Running Lead Managers in relation to the rejection of Bids shall be final and binding. In the event the Bid is rejected by our Bank, the Application Amount paid by the Bidder shall be refunded to the same bank account from which the Application Amount was remitted by such Bidder. For details see "*Bid Process*" – "*Refund*".

Equity Shares in dematerialized form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

An Eligible QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Equity Shares Allotted to a Successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Successful Bidder, as indicated in the Application Form.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Bank and the Book Running Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on the part of the Bidders.

Release of Funds to our Bank

The Escrow Bank shall not release the monies lying to the credit of the "EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW" to our Bank until receipt of notice from the Book Running Lead Managers, the trading and listing approvals of the Stock Exchanges for Equity Shares offered in the Issue and filing of return of Allotment under Form PAS-3 with the RoC.

PLACEMENT

Placement Agreement

The Book Running Lead Managers have entered into the Placement Agreement dated February 14, 2022 with our Bank, pursuant to which the Book Running Lead Managers have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription to Equity Shares on a reasonable efforts basis to be placed with the QIBs, pursuant to Chapter VI of the SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules, as amended and other applicable provisions of the Companies Act, 2013 and the rules made thereunder.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the Book Running Lead Managers, and it is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Bank (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) under the Securities Act, and (b) outside the United States, in offshore transactions, in reliance on Regulation S under the Securities Act. For further information, see the sections "*Selling Restrictions*" and "*Transfer Restrictions*" on pages 425 and 432, respectively.

This Preliminary Placement Document has not been, and will not be, filed as a prospectus with the RoC and, no Equity Shares issued pursuant to the Issue, will be offered in India or overseas to the public or any members of the public or any other class of prospective investors, other than Eligible QIBs.

In connection with the Issue, the Book Running Lead Managers (or their affiliates) may, for their own account, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers may purchase Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribute or in connection with the issuance of P-Notes. For further details, see "*Offshore Derivative Instruments*" on page 8.

From time to time, the Book Running Lead Managers, and their affiliates and associates have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Bank, group companies, affiliates and the shareholders of our Bank, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Book Running Lead Managers and their affiliates and associates.

Lock-in

Pursuant to the Placement Agreement, the Bank has agreed that it shall not, without the prior written consent of the Book Running Lead Managers, from the date hereof and for a period of up to 30 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any such transactions (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depository receipt facility; or (d) publicly announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided however, that the foregoing restrictions shall not apply to (i) the Issue; (ii) any issue or allotment of Equity Shares or options by the Bank to the extent such issue or allotment is pursuant to any employee stock option plan of the Bank; (iii) to any transaction required by law or an order of a court of law or a statutory authority and (iv) any issue or allotment of Equity Shares to shareholders of Equitas Holdings Limited pursuant to the Proposed Scheme of Amalgamation.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares in this Issue is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Preliminary Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Preliminary Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI ICDR Regulations, Section 42 of the Companies Act, 2013 read with Rule 14 of the PAS Rules and other applicable provisions of the Companies Act, 2013 and the rules made thereunder. Each purchaser of the Equity Shares in the Issue will be deemed to have made acknowledgments and agreements as described under "*Transfer Restrictions*" on page 432.

Republic of India

This Preliminary Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to Eligible QIBs and is not an offer to the public. This Preliminary Placement Document has not been and will not be filed as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Australia

This Preliminary Placement Document does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) ("**Australian Corporations Act**") and does not purport to include the information required of a prospectus or disclosure document under the Australian Corporations Act. This Preliminary Placement Document has not been lodged with the Australian Securities and Investments Commission ("**ASIC**") and no steps have been taken to lodge it with ASIC. No offer will be made under this Preliminary Placement Document to any person to whom disclosure is required to be made under Chapter 6D of the Australian Corporations Act. Any offer in Australia of the Equity Shares under this Preliminary Placement Document may only be made to persons who are "**sophisticated investors**" (within the meaning of section 708(8) of the Australian Corporations Act), "professional investors" (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Australian Corporations Act which permit the offer of the Equity Shares without disclosure under Part 6D.2 of the Australian Corporations Act.

As any offer of Equity Shares under this Preliminary Placement Document will be made without disclosure in Australia under Chapter 6D.2 of the Australian Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Australian Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Equity Shares you undertake to the Bank that you will not, for a period of 12 months from the date of issue of the Equity Shares, offer, transfer, assign or otherwise alienate those securities to any person in Australia except in circumstances where disclosure to such person is not required under Chapter 6D.2 of the Australian Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

British Virgin Islands

The Equity Shares are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by or on behalf of the Issuer.

Cayman Islands

No offer or invitation to subscribe for Equity Shares may be made to the public in the Cayman Islands to subscribe for any of the Equity Shares but an invitation or offer may be made to sophisticated persons (as defined in the Cayman Islands Securities Investment Business Law (the "**SIBL**"), high net worth persons (as defined in the SIBL) or otherwise in accordance with the SIBL.

European Economic Area

In relation to each Member State of the European Economic Area (each a "Relevant State"), no Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that it may make an offer to the public in that Relevant State of any Shares at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the BRLMs for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Shares shall require the Issuer or any BRLMs to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Hong Kong

The Equity Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO has been or will be issued, whether in Hong Kong or elsewhere.

Japan

The Equity Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). The Preliminary Placement Document is not an offer of shares for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used in the Preliminary Placement Document means any person resident in Japan, including any corporation or entity organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Korea

The Equity Shares have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "**FSCMA**"), and the Equity Shares have been and will be offered in Korea as a private placement under the FSCMA. None of the Equity Shares may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**FETL**"). Furthermore, the purchaser of the Equity Shares shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the Equity Shares. By the purchase of the Equity Shares, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the Equity Shares pursuant to the applicable laws and regulations of Korea.

Kuwait

This Preliminary Placement Document is not for general circulation to the public in Kuwait. The Equity Shares have not been licenced for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Equity Shares in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Equity Shares is being made in Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in Kuwait.

Malaysia

No approval from the Securities Commission of Malaysia has been applied for or will be obtained for the offer or invitation in respect of the Issue under the Capital Markets and Services Act 2007. Neither has a prospectus been nor will be registered with the Securities Commission of Malaysia in connection with the Issue in Malaysia. Accordingly, this Preliminary Placement Document or any amendment or supplement hereto or any other offering document in relation to the Issue may not be distributed in Malaysia directly or indirectly for the purpose of any offer of the Equity Shares. The Equity Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act and no person may offer for subscription or purchase any of the Equity Shares directly or indirectly to anyone in Malaysia.

Mauritius

The public of the republic of Mauritius is not invited to subscribe for the interests offered hereby. This memorandum relates to a private placement and does not constitute an offer to the public in Mauritius to subscribe for the interests offered hereby. the interests are only being offered to a limited number of sophisticated investors meeting the eligibility criteria. no regulatory approval has been sought for the offer in Mauritius and it must be distinctly understood that the Mauritius financial services commission does not accept any responsibility for the financial soundness of or any representations made in connection with the issue. The memorandum is for the use only of the named addressee and should not be given or shown to any other person.

New Zealand

This Preliminary Placement Document, and the information within and accompanying this Preliminary Placement Document are not, and are under no circumstances to be construed as, an offer of the Equity Shares in New Zealand. No product disclosure statement, prospectus or similar offering or disclosure document in relation to the Equity Shares has been prepared or has been lodged with or reviewed or approved by the Financial Markets Authority, the Registrar of Financial Service Providers or any other regulatory body in New Zealand. The Equity Shares are only available for investment by a "wholesale investor" within the meaning of clause 3(2) of the Financial Markets Conduct Act 2013 ("**FMCA**"). Each recipient of this Preliminary Placement Document represents and agrees that he, she or it:

a) is a "wholesale investor" for the purposes of clause 3(1) of Schedule 1 of the FMCA) (as the term "wholesale investor" is defined by clause (3)(2) of Schedule 1 of the FMCA);

b) has not offered or sold, and agrees he, she or it will not offer or sell, any Equity Shares in New Zealand in a manner that would require disclosure under Part 3 of the FMCA; and

c) has not distributed or published, and agrees he, she or it will not publish this Preliminary Placement Document or any offering material or advertisement in relation to any offer of the Equity Shares in New Zealand.

Sultanate of Oman

The information contained in this Preliminary Placement Document does not constitute a public offer of securities in Oman as contemplated by the Oman Commercial Companies Law (Sultani Decree 18/2019, as amended) or Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended). This Preliminary Placement Document will only be made available to investors in Oman in accordance with the provisions of Article 139 of the Executive Regulations of the Capital Markets Law (Capital Markets Law Decision No. 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licenced by the Capital Market Authority of Oman to market non-Omani securities in Oman.

This Preliminary Placement Document is strictly private and confidential. It is being provided to a limited number of sophisticated investors solely to enable them to decide whether or not to invest in the Equity Shares outside of Oman, upon the terms and subject to the restrictions set out herein and may not be reproduced or used for any other purpose or provided to any person other than the original recipient. Additionally, this Preliminary Placement Document is not intended to lead to the making of any contract within the territory or under the laws of Oman.

This Preliminary Placement Document has not been (and will not be) filed with the Capital Market Authority of Oman (except in accordance with Article 139 of the Executive Regulations) or any other regulatory authority in Oman and the Capital Market Authority of Oman neither assumes responsibility for the accuracy and adequacy of the statements and information contained in this Preliminary Placement Document nor shall have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

Qatar (excluding the Qatar Financial Centre)

This Preliminary Placement Document did not, and was not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Preliminary Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither the Bank nor BRLMs are authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Preliminary Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Preliminary Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. The persons representing BRLMs are, by distributing this document, not advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Preliminary Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar and Qatar Financial Centre

Nothing in this Preliminary Placement Document is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in the State of Qatar or in the Qatar Financial Centre or the inward marketing of securities or an attempt to do business, as a bank, an investment company or otherwise in the State of Qatar or in the Qatar Financial Centre other than in compliance with any laws applicable in the State of Qatar or in the Qatar Financial Centre governing the issue, offering and sale of securities under the laws of the State of Qatar and the Qatar Financial Centre.

This Preliminary Placement Document and any underlying instruments or securities have not been and will not be filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Exchange or any other relevant Qatar governmental body or securities exchange. The Bank has not been authorised or licenced by any Qatari governmental body or regulator to market, offer or sell the Equity Shares in the State of Qatar or in the Qatar Financial Centre.

This Preliminary Placement Document is strictly private and confidential. This Preliminary Placement Document is provided on an exclusive basis to the specifically intended recipient of such document, upon that person's request and initiative, and for the recipient's personal use only. It is being distributed to a limited number of qualified investors and must not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar or the Qatar Financial Centre and may not be reproduced or used for any other purpose. Any distribution of this document by the recipient to third parties in the State of Qatar or the Qatar Financial Centre is not authorised and shall be at the liability of such recipient.

Recourse against the Bank and/or its affiliates may be limited or difficult and may have to be pursued in a jurisdiction outside the State of Qatar and/or the Qatar Financial Centre.

Saudi Arabia

This Preliminary Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority ("**CMA**"). The CMA does not make any representation as to the accuracy or completeness of this Preliminary Placement Document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Preliminary Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Preliminary Placement Document, you should consult an authorised financial adviser.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Sections 309B(1)(a) and 309B(1)(c) of the SFA: We have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Equity Shares are: (A) prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and (B) Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment: Notice on Recommendations on Investment Products).

Switzerland

The Equity Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Equity Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares constitutes a prospectus pursuant to the FinSA, and neither this Preliminary Placement Document nor any other offering or marketing material relating to the Equity Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The Equity Shares may, however, be offered in Switzerland to professional clients within the meaning of the FinSA, without any public offer and only to investors who do not purchase the Equity Shares with the intention to distribute them to the public. The investors will be individually approached from time to time. This Preliminary Placement Document may only be used by those investors to whom it has been handed out in connection with the Offer described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent.

Taiwan

The Equity Shares have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act or relevant laws and regulations of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Equity Shares in Taiwan.

United Arab Emirates (excluding the Dubai International Financial Centre)

This Preliminary Placement Document does not constitute or contain an offer of securities to the general public in the UAE. No offering, marketing, promotion, advertising or distribution (together, "Promotion") of this document or the Equity Shares may be made to the general public in the United Arab Emirates (the "**UAE**") unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the "**SCA**") and is made in accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the "**Promotion and Introduction Regulations**"), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to "Qualified Investors" (excluding "**High Net Worth Individuals**") (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE. None of the SCA, the UAE Central Bank, the UAE Ministry of Economy or any other regulatory authority in the UAE has reviewed or approved the contents of this document nor does any such entity accept any liability for the contents of this document.

Dubai International Financial Centre

This Preliminary Placement Document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"). This Preliminary Placement Document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this Preliminary Placement Document. The securities to which this Preliminary Placement Document relates may be illiquid and/ or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this Preliminary Placement Document you should consult an authorized financial advisor. In relation to its use in the DIFC, this Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

United Kingdom

No Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares which is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Article 74 (transitional provisions) of the Prospectus Amendment etc (EU Exit) Regulations 2019/1234, except that it may make an offer to the public in the United Kingdom of any Shares at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the BRLMs for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of the Shares shall require the Bank or any BRLMs to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

United States of America

The Equity Shares offered in the Issue have not been and will not be registered under the Securities Act or any state securities laws in the United States, and unless so registered may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, such Equity Shares are being offered and sold (i) outside of the United States in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales are made; and (ii) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), pursuant to the private placement exemption set out in Section 4(a)(2) of the Securities Act.

TRANSFER RESTRICTIONS

Pursuant to Chapter VI of the SEBI ICDR Regulations, any resale of Equity Shares Allotted in the Issue, except on the Stock Exchanges, is not permitted for a period of one year from the date of Allotment. Investors are advised to consult legal counsels prior to making any resale, pledge or transfer of our Equity Shares. In addition to the above, Allotments made to Eligible QIBs, including VCFs and AIFs, in the Issue may be subject to lock-in requirements, if any, under the rules and regulations that are applicable to them. For more information, see "*Selling Restrictions*" on page 425.

U.S. Offer Purchaser Representations and Transfer Restrictions

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

If you purchase the Equity Shares offered in the United States in reliance upon Section 4(a)(2) under the Securities Act, by accepting delivery of this Preliminary Placement Document, submitting a bid to purchase Equity Shares and/or accepting delivery of any Equity Shares, you will be deemed to have represented and agreed to us and the BRLMs as follows:

- You (A) are a "qualified institutional buyer" (as defined in Rule 144A), (B) are aware that the sale of the Equity Shares to you is being made in reliance upon Section 4(a)(2) under the Securities Act and (C) are acquiring such Equity Shares for your own account or for the account of a "qualified institutional buyer".

- You will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Preliminary Placement Document) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorization required for you to purchase and accept delivery of Equity Shares, and you acknowledge and agree that none of us or the BRLMs and their respective affiliates shall have any responsibility in this regard.

- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the Securities Act, or (v) pursuant to an effective registration statement under the Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction in which such offers or sales are made.

- You agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer agrees) that neither you or it, nor any of your or its affiliates, nor any person acting on your or its behalf, will make (i) any "general solicitation" or "general advertising" under Rule 502(c) under the Securities Act; or (ii) any "directed selling efforts" as defined in Regulation S, in each case with respect to the Equity Shares. You acknowledge and agree that you are not purchasing any Equity Shares as a result of any general solicitation, general advertising or directed selling efforts.

- The Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Equity Shares.

- You will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

- You will base your investment decision on a copy of this Preliminary Placement Document, as it may be supplemented. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank only) the information contained in this Preliminary Placement Document, as it may be supplemented.

- You are a sophisticated investor and possess such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. You are experienced in investing in private placement transactions of securities of companies in similar jurisdictions. You and any accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Bank or any of the BRLMs or any of their respective shareholders, directors, officers, employees, counsels, advisors, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your, its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you, it or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in this Issue for your own investment or the investment of the account of your customer, and not with a view to distribution.

- You will notify any transferee to whom you subsequently offer, sell, pledge or otherwise transfer and the executing broker and any other agent involved in any resale of the Equity Shares of the foregoing restrictions applicable to the Equity Shares and instruct such transferee, broker or agent to abide by such restrictions.

- You acknowledge that if at any time your representations cease to be true, you agree to resell the Equity Shares at our Bank's request.

- You have been provided access to this Preliminary Placement Document which you have read in its entirety.

- You acknowledge and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the BRLMs, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgements, representations or agreements are no longer accurate you will promptly notify us; and if you are acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

- Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognized by us.

Global Offer Purchaser Representations and Transfer Restrictions

By accepting delivery of this Preliminary Placement Document, submitting a bid to purchase Equity Shares and/or accepting delivery of my Equity Shares, you will be deemed to have represented and agreed as follows:

- You will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Preliminary Placement Document) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorization required for you to purchase and accept delivery of Equity Shares, and you acknowledge and agree that none of us or the BRLMs and their respective affiliates shall have any responsibility in this regard.

- You certify that you are, or at the time the Equity Shares are purchased will be, (a) the beneficial owner of the Equity Shares, you are located outside the United States of America (within the meaning of Regulation S), and you have not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States; or (b) you are a broker-dealer acting on behalf of a customer and you customer has confirmed to you that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, (ii) such customer is located outside the United States of America (within the meaning of Regulation S), and (iii) such customer has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or an economic interest therein to any person in the United States

- You understand and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer understands and agrees) that the Equity Shares are being offered in a transaction not involving any public offering within the meaning of the Securities Act, have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) in the United States to a person who the seller reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, as applicable, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), (iv) pursuant to another available exemption from the registration requirements of the Securities Act, or (v) pursuant to an effective registration statement under the Securities Act, and (B) in each case, in accordance with all applicable securities laws of the states of the United States and any other jurisdiction.

- You agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer agrees) that neither you, nor any of your affiliates, nor any person acting on your behalf, will make any "directed selling efforts" as defined in Regulation S. You acknowledge and agree that you are not purchasing any Equity Shares as a result of any directed selling efforts.

- You will base your investment decision on a copy of this Preliminary Placement Document, as it may be supplemented. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates has made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank) the information contained in this Preliminary Placement Document, as it may be supplemented.

- You acknowledge and agree (or if you are a broker-dealer acting on behalf of a customer, your customer has confirmed to you that such customer acknowledges and agrees) that we, the BRLMs, your affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of such acknowledgments, representations or agreements are no longer accurate, you will promptly notify us; and if you are acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make, and do make, the foregoing acknowledgments, representations and agreements on behalf of each such account.

- Any offer, resale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions, will not be recognized by us.

- You have been provided access to this Preliminary Placement Document which you have read in its entirety.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the Book Running Lead Managers or any of their respective affiliates or advisors.

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. BSE and NSE are the significant stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the "**SCRA**") and the SCRR. On October 3, 2018, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (the "**SCR (SECC) Regulations**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign portfolio investor, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. Pursuant to the BSE (Corporatization and Demutualization) Scheme 2005 of SEBI, with effect from August 19, 2005, the BSE was incorporated as a company under the Companies Act, 1956. BSE was listed on NSE with effect from February 3, 2017.

NSE

The NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993.

Listing and delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, 2013 the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by SEBI including the SEBI ICDR Regulations and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non-compliance with any conditions or breach of company's obligations under the SEBI Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the SEBI Listing Regulations and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

Further the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 govern the voluntary and compulsory delisting of equity shares from the stock exchanges.

The SCRR requires all listed companies to maintain a minimum public shareholding of 25%, subject to certain time bound exceptions.

Disclosures under the SEBI Listing Regulations

Public listed companies are required to prepare and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance, related party transactions and management's discussion and analysis as required under the SEBI Listing

Regulations. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of the SEBI Listing Regulations.

Minimum Level of Public Shareholding

All listed companies are required to maintain a minimum public shareholding of 25%. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months. However, every public sector listed company whose public shareholding falls below 25% at any time on or after the commencement of the Securities Contracts (Regulation) (Second Amendment) Rules, 2018, shall increase its public shareholding to at least 25%, within a period of two years from the date of such fall, in the manner specified by SEBI. Consequently, a listed company may be delisted from the Stock Exchanges for not complying with the above mentioned requirements. Our Bank is undertaking this Issue in order to comply with the minimum public shareholding, requirement. In this regard, SEBI has, pursuant to its letter dated January 20, 2021, permitted the Bank take into account the Equity Shares arising out of exercise of employee stock options under the ESFB ESOP Plan 2019 and the consequent increase in public shareholding for the purposes of minimum public shareholding requirements under the SEBI circular dated February 22, 2018.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

SEBI Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the SEBI Takeover Regulations, which provides for specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the SEBI Takeover Regulations will apply to any acquisition of the company's shares/voting rights/control. The SEBI Takeover Regulations prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the SEBI Takeover Regulations mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The SEBI Takeover Regulations also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

SEBI Insider Trading Regulations

SEBI had earlier notified the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 to prohibit and penalize insider trading in India. The regulations, among other things, prohibited an 'insider' from dealing in the securities of a listed company when in possession of unpublished price sensitive information ("**UPSI**").

The SEBI Insider Trading Regulations, were notified on January 15, 2015 and came into effect on May 15, 2015, which repealed the erstwhile regulations of 1992. The SEBI Insider Trading Regulations, *inter alia*, impose certain restrictions on the communication of information by listed companies. Under the SEBI Insider Trading Regulations, (i) no insider shall communicate, provide or allow access to any UPSI relating to such companies and securities to any person including other insiders; and (ii) no person shall procure or cause the communication by any insider of UPSI relating to such companies and securities, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. However, UPSI may be communicated, provided or allowed access to or procured, under certain circumstances specified in the SEBI Insider Trading Regulations.

The SEBI Insider Trading Regulations make it compulsory for listed companies and certain other entities that are required to handle UPSI in the course of business operations to establish an internal code of practices and procedures for fair disclosure of UPSI and to regulate, monitor and report trading by insiders. To this end, the SEBI Insider Trading Regulations provide principles of fair disclosure for purposes of code of practices and procedures for fair disclosure of UPSI and minimum standards for code of conduct to regulate, monitor and report trading by insiders. There are also initial and continuing shareholding disclosure obligations under the SEBI Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 2013 and the Banking Regulation Act. Bidders are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Authorised share capital

The authorised share capital of our Bank is ₹ 17,00,00,00,000 divided into 1,70,00,00,000 Equity Shares of ₹ 10 each.

Bonus Shares and Sweat Equity Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act, 2013 permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of Association, the Companies Act, 2013 and the Banking Regulation Act.

Bonus shares can only be issued if our Bank has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal or interest payments on fixed deposits or debt securities issued by it. Bonus shares may not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI ICDR Regulations for issuance of bonus shares.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders:

- AGM and;
- EGM.

Our Bank must hold its AGM within six months after the expiry of each Financial Year provided that not more than 15 months shall elapse between one AGM and the next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with differential rights as to voting or dividend, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required pass such the resolution by means of a postal ballot only instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20, every listed company (other than a company referred to in Chapters XB or XC of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs, has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of 26% of the total voting rights of all the shareholders.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep an electronic book in which every transfer or transmission of shares will be maintained.

Our Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

Dividend

Subject to the provisions of the Banking Regulation Act and other applicable law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders. Dividends are declared on per share basis and distributed and paid to shareholders. The Companies Act, 2013 provides that shares of a company of the same class must receive equal dividend treatment. These distributions and payments are required to be deposited into a separate bank account held with a scheduled bank within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM where the resolution for declaration of dividends is approved.

The Companies Act, 2013 states that any dividends that remain unpaid or unclaimed after that period is to be transferred, within seven days from the date of expiry of the 30 day period, to a special bank account opened with a scheduled bank called the dividend unpaid account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred, along with the interest accrued, by our Bank to a fund, called the Investor Education and Protection Fund, created by the Government of India.

The Articles authorise our Board of Directors to declare interim dividends, which may be declared from time to time and shall be set off against the final dividend for the relevant period.

TAXATION

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

Outlined below are the possible special tax benefits available to Equitas Small Finance Bank Limited (the "Bank") and its Shareholders under the Income-tax Act, 1961 (the "Act") as amended from time to time and as applicable for the Financial Year 2021-22 relevant to the assessment year 2022-23, presently in force in India.

I. Possible Special tax benefits available to the Bank

1. Deduction for bad and doubtful debts – Section 36(1)(vii) and Section 36(1)(viia)

The Bank, being a Scheduled Bank, is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the Act in computing its income under the head "Profits and gains of Business or Profession". The said deduction, which represents a timing difference for tax purposes, is available to the extent of 8.5% of the total income (computed before making any deduction under this section and Chapter VI -A) 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) 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 the amount recovered exceeds the difference between the amount of debt or part thereof and the amount of deduction allowed earlier.

2. Section 36(1)(viii) of the Act – Deduction in respect of Special Reserve

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

3. Section 43D of the Act – Interest on bad & Doubtful debts

Section 43D of the Act provides that interest 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.

4. 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. 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 taxpayer does not avail specified exemptions/incentives and complies with other conditions specified in section 115BAA of the Act. Further, the taxpayer availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB. 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. Proviso to section 115BAA (4) provides that once the Company opts for paying tax as per section 115BAA of the Act, such option cannot be subsequently withdrawn for the same or any other year. The bank has exercised the aforesaid option to be taxed at the reduced rate of 25.17% (including surcharge and cess).

5. 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 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.

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

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

Notes:

1. This Annexure sets out only the possible special tax benefits available to the Bank and the shareholders under the Income-tax Act, 1961 (i.e. the Act as amended by the Finance Act 2021, presently in force in India.
2. This Annexure covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
3. This Annexure is as per the current direct tax laws relevant for the assessment year 2022-2023. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
4. Though benefit of sections 115BAA and 80JJAA as mentioned above is also available to assessees other than banking companies, however same has been covered in the Annexure as the Bank has claimed the same in earlier year(s) as well.
5. This Annexure is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax arising out of their participation in the Proposed QIP
6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant Double Tax Avoidance Agreement(s), if any, between India and the country in which the nonresident has fiscal domicile.
7. These comments are based upon the provisions of the specified direct tax laws, and judicial interpretation thereof prevailing in India, as on the date of this Annexure.
8. No assurance is provided that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

For **T R Chadha & Co LLP**

Chartered Accountants

Firm Registration No 006711N/N500028

Sheshu Samudrala

Partner

ICAI Membership No. 235031

UDIN: 22235031ACEAKD6678

Place: Chennai

Date: 14.02.2022

For **Varma & Varma**

Chartered Accountants

Firm Registration No 004532S

P R Prasanna Varma

Partner

ICAI Membership No. 25854

UDIN: 22025854ACDWET7779

Place: Chennai

Date: 14.02.2022

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 and Non-U.S. Holders 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 is based on the tax laws of the United States as in effect on the date of this Preliminary Placement Document; U.S. Treasury regulations in effect as of the date of this Preliminary Placement Document; judicial and administrative interpretations thereof available on or before such date; and 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 "**US India Treaty**"). 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, including companies classified as foreign governments for U.S. federal income tax purposes;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- persons holding an Equity Share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the Bank's voting stock;
- 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.

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 organized 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.

A "**Non-U.S. Holder**" is a beneficial owner of Equity Shares that is not a U.S. Holder.

If you are a partner in a partnership, or other entity taxable as a partnership for United States federal income tax purposes, that holds Equity Shares, your tax treatment generally will depend on your status and the activities of the partnership. Prospective purchasers of Equity Shares that are partnerships should consult their tax advisors.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

U.S. Holders

Taxation of Distributions on the Equity Shares

Subject to the PFIC 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 the 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 the 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, the 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 treated as a dividend. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

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) the Bank is not a PFIC (as discussed below) 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) the Bank is eligible for the benefits of the US India Treaty. The Bank expects to be eligible for the benefits of the US India Treaty.

Non-corporate U.S. Holders are strongly urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the Equity Shares.

The amount of any distribution paid by the 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 recognize 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, realized 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 distributed with respect to the Equity Shares will generally constitute "passive category income". A U.S. Holder will not be able to claim a U.S. foreign tax credit for Indian taxes for which the Bank is liable and must pay with respect to distributions on the Equity Shares.

The rules relating to the determination of the U.S. foreign tax credit are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances.

Taxation of a Disposition of Equity Shares

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss on any sale or other taxable disposition of an Equity Share equal to the difference between the U.S. dollar value of the amount realized for the Equity Share and your tax basis (in U.S. dollars) in the Equity Share. If you are a non-corporate U.S. Holder (including an individual U.S. Holder) who has held the Equity Share for more than one year, capital gain on a disposition of an Equity Share generally will be eligible for reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes.

Because gains on a disposition of an Equity Share generally will be treated as U.S. source, the use of foreign tax credits relating to any Indian income tax imposed upon gains in respect of Equity Shares may be limited. U.S. Holders should consult their tax advisors regarding the application of Indian taxes to a disposition of an Equity Share and their ability to credit an Indian tax against their United States federal income tax liability.

A U.S. Holder that receives foreign currency from the sale or disposition of the Equity Shares generally will realize 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 recognize 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, realized on the subsequent conversion or other disposition of such foreign currency will generally be U.S. source ordinary income or loss.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income" or "undistributed net investment income" in the case of an estate or trust, which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. The 3.8% Medicare surtax is determined in a different manner than the regular U.S. income tax.

Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

Information with Respect to Foreign Financial Assets

Individuals and certain entities who are U.S. Holders that own "specified foreign financial assets", including stock of a non-U.S. corporation not held through a financial institution, with an aggregate value in excess of certain dollar thresholds may be required to file an information report with respect to such assets on IRS Form 8938 with their United States federal income tax returns. Penalties apply for failure to properly complete and file IRS Form 8938.

U.S. Holders are encouraged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Equity Shares.

Passive Foreign Investment Company

Certain U.S. federal income tax rules generally apply to a U.S. person that owns or disposes of stock in a non-U.S. corporation that is treated as a PFIC. 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 these purposes generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. The Bank 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.

The determination of whether the Bank is a PFIC is a factual determination made annually after the end of each taxable year, and there can be no assurance that the Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of the Bank's income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Furthermore, the Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

Prospective purchasers are urged to consult their tax advisors regarding the Bank's possible status as a PFIC.

If the Bank is a PFIC for any taxable year during which you are a U.S. Holder of Equity Shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Equity Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Equity Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Equity Shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Bank became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Equity Shares cannot be treated as capital, even if you hold the Equity Shares as capital assets.

If the Bank is a PFIC for any year during which you are a U.S. Holder of Equity Shares, the Bank generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold Equity Shares, regardless of whether the Bank in fact continues to meet the income or asset test described above.

In addition, if the Bank is treated as a PFIC, to the extent any of its direct or indirect subsidiaries (if any) are also PFICs, you may be deemed to own shares in such subsidiaries (if any) and you may be subject to the adverse PFIC tax consequences with respect to the shares of such subsidiaries (if any) that you would be deemed to own.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Bank as a qualified electing fund ("**QEF**") for U.S. federal income tax purposes. To make a QEF election, the Bank must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Bank does not currently intend to prepare or provide the information that would enable you to make a QEF election.

Mark-to-market election

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 tax treatment discussed above, although it is possible the mark-to-market election may not apply or be available with respect to the shares in the Bank's subsidiaries (if any) to the extent they are PFICs that you may be deemed to own if the Bank is treated as a PFIC, as 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 realized 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 the Company, 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.

U.S. Holders of Equity Shares should consult their own tax advisors as to whether the Equity Shares would qualify for the mark-to-market election.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISOR REGARDING THE APPLICATION OF THE PFIC RULES TO THEIR INVESTMENT IN EQUITY SHARES, AND THE AVAILABILITY AND ADVISABILITY OF ANY ELECTIONS.

Non-U.S. Holders

A Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Equity Shares or gain from the sale, redemption or other disposition of the Equity Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized on the sale or exchange of an Equity Share by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

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 under certain circumstances.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certifications 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. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. 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 the Bank is a PFIC, will be required to file Internal Revenue Service Form 8621 with respect to their ownership of the Equity Shares. This filing requirement is in addition to a U.S. Holder's obligation to file other Internal Revenue Service forms with respect to our common shares, including Form 8938. In addition, U.S. Holders may be required to file additional information with respect to their ownership of the Equity Shares.

LEGAL PROCEEDINGS

Our Bank is, from time to time, involved in various litigation proceedings, which are primarily in the nature of criminal cases, regulatory/ statutory proceedings, and tax proceedings before various authorities.

Except as disclosed in this section, there are no outstanding legal proceedings which have been considered material in accordance with our Bank's 'Criteria for Determining Materiality of Events or Information Policy' framed in accordance with Regulation 30 of the SEBI Listing Regulations and adopted by our Board pursuant to its resolution dated November 22, 2019. Further, as on the date of this Preliminary Placement Document, except as disclosed hereunder, our Bank, Promoter and Directors are not involved in: (i) any outstanding action initiated by regulatory and statutory authorities (such as SEBI, RBI, Stock Exchanges or such similar authorities); (ii) any outstanding civil litigation or tax proceedings, where the amount involved is ₹3.84 crore (being 1% of the profit after tax of the Bank for Fiscal 2021) or above; (iii) any outstanding criminal litigation; and (iv) any other litigation which may be considered material by our Bank for the purposes of disclosure in this section of this Preliminary Placement Document, solely for the purpose of this Issue.

Except as disclosed in this section, there are no (i) inquiries, inspections or investigations initiated or conducted (for which notices have been issued) under the Companies Act, 2013 in the last three years preceding the year of this Preliminary Placement Document involving our Bank, and any prosecutions filed (whether pending or not), fines imposed, compounding of offences in the last three years immediately preceding the year of this Preliminary Placement Document involving our Bank; (ii) any material fraud committed against our Bank in the last three years, and if so, the action taken by our Bank; (iii) any significant and material order passed by the regulators, courts and tribunals impacting the going concern status of our Bank or its future operations; (iv) any default by our Bank including the amount involved therein, duration of default and present status, in repayment of: (a) statutory dues; (b) debentures and interest thereon; (c) deposits and interest thereon; or (d) loan from any bank or financial institution and interest thereon; (v) any default in annual filing of our Bank under the Companies Act, 2013; and (vi) any litigation or legal actions, pending or taken, by any ministry or department of the government or a statutory authority against the Promoter of our Bank during the last three years immediately preceding the year of this Preliminary Placement Document, and any direction issued by such ministry or department or statutory authority upon conclusion of such litigation or legal action, if any.

It is clarified that for the purposes of the above, pre-litigation notices received by our Bank, our Promoter or our Directors as the case may be, have not been considered as litigation until such time that the above-mentioned entities or individuals are not impleaded as a defendant in litigation proceedings before any judicial forum.

Litigation involving our Bank

Litigation against our Bank

Criminal Litigation

1. Mahipal (the "**Complainant**") filed a criminal complaint under section 406 and 420 of the IPC before the Ilaqa Magistrate, Faridabad ("**Magistrate**") against our Bank and Ravi Ranga, branch manager of the Faridabad branch of our Bank. The Complainant's vehicle ("**Vehicle**") was financed by our Bank for a sum of ₹0.06 crores ("**Loan Account**"). The Complainant has stated that the Vehicle was stolen by some unknown person and an FIR was lodged by the Complainant in this regard. The Complainant has alleged that when the Vehicle could not be traced by the police officials and the Complainant despite their best efforts, the Complainant and our Bank entered into a compromise pursuant to which it was decided that the Complainant would make a payment of ₹0.03 crores as full and final settlement towards the Loan Account and that after making the payment our Bank will issue a no-objection certificate ("**NoC**") to the Complainant. The Complainant deposited ₹0.03 crores to our Bank and received a receipt dated March 27, 2018 from our Bank. Thereafter the Complainant allegedly received a letter dated March 30, 2018 from our Bank stating that an amount of ₹0.08 crores was due from the Complainant. The Complainant has alleged that nothing is due to our Bank, and that despite repeated requests and a legal notice dated April 11, 2018, our Bank has not issued the NoC. The Complainant thereafter filed a criminal complaint under Section 156(3) of the Criminal Procedure Code before the Magistrate and alleged that our Bank was in violation of section 406 and 420 of the IPC and is liable to be prosecuted in accordance with law. The Complainant, *inter-alia*, prayed before the Magistrate that (i) our Bank be summoned and tried as per law; and (ii) the matter be referred to police station central, Faridabad and the police be directed to lodge an FIR for the alleged offences under Sections 420, 406, 467, 468 and 471 of the IPC and investigate the matter. The Magistrate dismissed the complaint under Section 156(3), however, took cognizance of the complaint filed under Section 420, 406, 467, 468 and 471 of the IPC. The matter is pending.

2. Darshan Singh ("**Petitioner**") filed a criminal miscellaneous petition under section 482 of the Criminal Procedure Code before the High Court of Punjab and Haryana at Chandigarh ("**High Court**") against (i) our Bank, through our Managing Director, (ii) our Bank, through the relevant branch manager, (iii) the State of Punjab, (iv) the Director General of Police, Punjab and (v) the Senior Superintendent of Police, District Ludhiana, ((iii), (iv) and (v) collectively, "**Respondents 1 to 3**") to direct Respondents 1 to 3 to recover a vehicle seized by our Bank for non-payment of dues. The Petitioner had defaulted in payment of instalments of a loan of ₹0.17 crores taken from our Bank to finance the purchase of the vehicle

that was seized by our Bank for non-payment of dues. The Petitioner has stated that the loan was repayable in 70 monthly instalments by April 15, 2025 and for the period between March 15, 2020 and September 15, 2020 our Bank had granted moratorium on this loan, pursuant to the COVID-19 pandemic, extending the repayment period by six months. The Petitioner claims to have repaid a sum ₹0.03 crores as opposed to the due and payable sum of ₹0.04 crores. Subsequently, upon the alleged forceful seizure of the vehicle by our Bank on December 22, 2020, the Petitioner filed a complaint before the police authorities who did not pursue any action against our Bank. The Petitioner has also claimed that this was a violation of his constitutional rights and therefore, the Petitioner prayed that the High Court direct Respondents 1 to 3 to take appropriate action against our Bank, and during the pendency of the petition, to restore possession of the seized vehicle to the Petitioner. This matter is currently pending.

3. A first information report was filed against our Bank for an offense committed by our branch manager, Akella Srinivas Arudra ("**Accused**") on February 7, 2022 by Medara Vinodh Syamkumar ("**Complainant**") at the Central Bureau of Investigation at Vishakapatnam under section 7(b) of the Prevention of Corruption Act, 1988 for obtaining or accepting or attempting to obtain an undue advantage. The Complainant was seeking a loan of ₹0.20 crores ("**Loan Amount**") from our Bank as a business loan. During this process he was allegedly approached by the Accused who demanded a payment of 10% of the Loan Amount i.e. ₹0.02 crores as bribe ("**Bribe**"), for undertaking his request for the business loan. The Loan Amount was sanctioned to the Complainant on January 25, 2022. The Accused had allegedly approached the Complainant on several occasions after this, demanding the Bribe and further reduced the amount demanded after the Complainant expressed his inability to meet his initial demand. The Complainant subsequently filed the Complaint. The matter is currently pending.

   In relation to the above received Complaint, our Bank has taken action to terminate the Accused's employment with us with effect from February 9, 2022.

Civil Litigation

1. Nil

Actions Taken by Regulatory and Statutory Authorities

1. Equitas Micro Finance Limited ("**Employer**") was summoned to appear before the Regional Provident Fund Commissioner (the "**Authority**") on July 6, 2009 for the purpose of determining the provident fund amounts due by the Employer. The representatives of the Employer appeared before the Authority and submitted copies of returns and stated that they did not submit all the records mentioned in the summon for the period from February 2009 onwards as this was due to change in name of the Employer, and thereby sought additional time. Subsequently, the representatives of the Employer submitted certain documents before the Authority. After hearing the Employer, the Authority passed an order dated October 22, 2010 demanding an amount of ₹1.87 crores stating that the Employer had not paid provident fund dues of various allowances including house rent allowance, conveyance allowance, special allowance, incentives as well as pension fund dues, deposit linked insurance fund contribution and related administrative charges and other similar allowances. The Authority held that as per the definition of 'basic wages' under section 2(b) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, all allowances other than the specific exclusions mentioned in the section would be considered as basic wages and that the Employer had defaulted in not considering certain allowances paid to its' employees as part of the basic wages. Aggrieved by the decision of the Authority, the Employer filed an appeal before the Provident Fund Appellate Tribunal ("**Appellate Authority**") at New Delhi. The Appellate Authority admitted the appeal and stayed the order of the Authority vide its order dated November 16, 2010 subject to the condition that the Employer deposited 30% of the assessed amount within two months of the order. The Employer deposited an amount of ₹0.56 crores in compliance with the order of the Appellate Authority. The appeal has subsequently been transferred to the Bangalore bench and thereafter to Chennai bench of the Appellate Authority. The matter is currently pending.

2. Our Bank received three notices from the Office of the Labour Enforcement Officer (Central) – Ministry of Labour and Employment, Government of India ("**Labour Department**"), dated July 20, 2020 ("**Notice 1**"), July 21, 2020 ("**Notice 2**") and July 22, 2020 ("**Notice 3**") (collectively, "**Notices**") concerning irregularities observed by the Labour Department with respect to the compliances required under the Payment of Bonus Act, 1965 ("**Bonus Act**"), Payment of Gratuity Act, 1972 ("**Gratuity Act**") and Equal Remuneration Act, 1976 ("**Remuneration Act**"), respectively in each case read with the relevant rules issued thereunder. Notice 1 was issued in relation to the alleged irregularity of our Bank in maintaining/keeping the register for showing payment of bonus to our employees for Fiscal 2019. Notice 2 was issued in relation to our Banks default in displaying conspicuously at or near the main entrance to the establishment, a notice in English, Hindi and a local language understood by majority of the employees with the name and designation of the officer authorized by the employer to receive on its behalf notices under the Gratuity Act ("**Notice under the Gratuity Act**"). Notice 3 was issued in relation to the non-maintenance of the wage register in accordance with the ease of Compliance to maintain registers under various Labour Laws Rules, 2017 ("**Wage Register**").

   Our Bank has responded to Notice 1, Notice 2 and Notice 3, by way of separate letters, all dated November 18, 2020 confirming that our Bank (i) had been maintaining the register required under the Bonus Act, (ii) has complied with the requirement of submitting the notice of commencement/completion to the concerned authority under the Gratuity Act and has displayed the Notice under the Gratuity Act, as required and (iii) that the Wage Register as required was appropriately maintained, respectively. This matter is currently pending.

Litigation by our Bank

Civil Litigation

1. Our Bank has filed an application against Jumbo Finvest (India) Limited ("**Respondent 1**"), Ajay Kumar Singh ("**Respondent 2**") and Siddharth Ajay Singh ("**Respondent 3**") (collectively "**Respondents**") before the Debt Recovery Tribunal I, Chennai on February 22, 2021 ("**Tribunal**"). Respondent 1 had made an application to our Bank for a term loan of ₹10 crore ("**Sum**") and the same was sanctioned by our Bank on July 9, 2018. Our Bank entered into a loan agreement with the Respondent 1 dated July 12, 2018 ("**Loan Agreement**") and a deed of guarantee in relation to the guarantee provided by Respondent 2 and Respondent 3 bearing a liability of ₹10 crore (including interest and premium on prepayment or redemption) and a letter of hypothecation of book debts (collectively "**Security Documents**"). Our Bank in its application has stated that the Respondent 1 has failed to honour the terms and conditions of the Loan Agreement and its Security Documents and had defaulted in repayment of the Sum. Subsequently, our Bank issued a notice dated May 19, 2020 demanding a repayment of dues availed by the Respondent 1 by raising a claim of ₹6.03 crore. It is alleged that, the Respondent has failed to repay the Sum in a timely manner. Our Bank has sought, among others, the following relief from the Tribunal, (i) to direct the respondent to repay a sum of ₹6.63 crore, (ii) direct Respondent 1 to furnish the detailed statement of the receivables in accordance with the Loan Agreement and (iii) direct the Respondents to disclose particulars of other properties or assets owned by the Respondents. This matter is currently pending before the Tribunal.

   Our Bank further issued a show cause notice dated March 6, 2021 ("**SCN**") to the Respondents to declare them as wilful defaulters under the RBI guidelines bearing no. RBI/2015-16/100DBR.No.CID.BC.22/20.16.003/2015-16 dated July 1, 2015. Respondent 1 replied to the SCN via letter dated March 24, 2021 contending the allegations and attributed their defaults to amongst other things, to the COVID-19 pandemic among other things. Subsequently, our Bank, pursuant to its rejoinder dated April 12, 2021 to Respondent 1 claimed that the SCN was issued in light of non-repayment of the Sum to our Bank specifically, over payments being made to other lenders of Respondent 1 and denied accepting the defence proposed by Respondent 1 as they had been defaulting in complying with the Loan Agreement well before the onset of the COVID-19 pandemic. Our Bank via the identification of wilful defaulters committee of our Board issued an order dated November 16, 2021 ("**Order**") and determined, among other issues, that Respondent 1 was in fact repaying other lenders barring our Bank between the period of April 2020 up to February 2021 and the payment of ₹1.16 crores made to our Bank after the receipt of the SCN by the Respondent 1 concluded that the Respondent 1 had no intention of repaying our Bank. The Order further mentioned that none of the Respondents have come forward to discuss the repayment of the balance of the sum payable to our Bank. Our Bank filed an application under Order 39, Rule 1 of the Civil Procedure Code ("**Application**") and a suit for injunction ("**Suit**") before the Commercial Court, Jaipur- Rajasthan ("**Commercial Court**") against the Respondents. The Commercial Court by way of its order dated August 27, 2021 ("**Order**") dismissed the Suit and Application. The Commercial Court, pursuant to the Order, accepted the application filed by Respondent 1 under Order 7 Rule 11 of the Civil Procedure Code. Our Bank filed a civil miscellaneous appeal before the High Court of Rajasthan to set aside the Order and grant the reliefs sought under the Suit and the Application.

2. Our Bank has sent a demand notice under section 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest, Act, 2002 ("**SARFAESI**") dated September 14, 2019 ("**Notice**") to Shanson Logistics Private Limited ("**Defaulter**") and others in relation to the default in repayment of loan taken from our Bank and violation of the sanction terms and the loan documents. The account of the Defaulter has been classified by our Bank as a 'Non-Performing Asset' as defined under section 2(o) of the SARFAESI. Our Bank determined a sum of ₹4.48 crore to be recovered from the Defaulter. The Notice stated that the Defaulter had 60 days from the date of this Notice to discharge their liabilities, if not, our Bank may have recourse to the following, among others, to take possession of all or any of the secured assets, to take over the management of the business of the Defaulter, to appoint any person to manage the secure assets. Another letter dated December 3, 2021 had been sent to the Defaulter in relation to the issue above.

   Our Bank had sent a demand notice and a letter for appointment of an arbitrator dated August 27, 2021 ("**Notice**") to the Defaulter in relation to the default in payment of instalments of the sum ₹0.01 crore ("**Sum**") against a loan amount of ₹0.25 crore taken by the Defaulter. The Defaulter had failed to make certain payments in instalment and comply with the loan agreement entered into with our Bank. Our Bank resorted to the recourse under the loan agreement entered into with the Defaulter to take this matter before an arbitrator to recover the amount. Our Bank filed a claim statement under Section 23 of the Arbitration and Conciliation, Act, 1996 for the recovery of the Sum. The Defaulter did not file any objection and failed to appear for the proceedings. An ex-parte award under the Arbitration and Conciliation Act, 1996 was declared on November 17, 2021 allowing the claim petition and directing the Defaulter to pay a sum of ₹0.01 crore to our Bank along with interest. This matter is currently pending.

   Our Bank has also issued a notice under Section 138 of Negotiable Instruments Act, 1881 to the Defaulter. For further details, see "*Legal Proceedings – Litigation involving our Bank – Litigation by our Bank – Criminal Litigation*".

Criminal Litigation

1. There are 7,262 cases filed by our Bank pending before various forums for alleged violation of Section 138 of Negotiable Instruments Act, 1881, for recovery of amounts due to our Bank for which cheques issued in favour of our Bank by our clients/debtors have been dishonoured. The total pecuniary value involved in all these matters is ₹460.32 crores.

2. There are 168 matters involving fraud and robbery for which FIRs/police complaints have been filed or in the process of being filed. The total pecuniary value involved in all these matters is ₹20.24 crores.

3. Our Bank filed an FIR against Jumbo Finvest (India) Limited for offences committed under sections 403, 406, 409, 120B, 415 and 420 of the Indian Penal Code. For further details see "*Litigation by our Bank – Civil Litigation - 1*".

4. Our Bank has received two summons from the Chief Judicial Magistrate, Faridabad for offence committed under Sections 10 and 28 of the Remuneration Act. For further details see "*Litigation by our Bank – Actions Taken by Regulatory and Statutory Authorities - 2*".

Details of acts of materials frauds committed against our Bank in the last three years, and the action taken by our Bank

There are two material frauds in the last three years above ₹1.00 crore committed against our Bank involving an aggregate amount of ₹ 11.47 crores. Our Bank has initiated various actions against these frauds.

Sr. No.	Fraud Committed by	Details of fraud committed against our Bank	Amount involved (in ₹ crore)	Action taken
1	"A"	Cheating and forgery, complaint received by X that a savings bank account was opened in their name without their consent	10.12	Our Bank took the following actions, among others: (a) sent an official communication to Axis Bank Limited, Canara Bank Limited and Standard Chartered Bank requesting them to classify the fraudulent account under 'Debit Freeze' in their respective banks, (b) filed a police complaint dated February 22, 2021, (c) reported to Suspicious Transaction Reporting to FIU-IND, (d) submitted a flash report to the RBI notifying them of the incident via letter on February 18, 2021 and filed an FMR on February 24, 2021.
2	"B"	Physical cash shortage of ₹1.30 crore detected by our Bank.	1.35	Our Bank took the following actions, among others: (a) filed an FIR at the Junagadh Police station on February 20, 2021 against the manager at the Junagadh branch of our Bank and suspected employees under section 409 of

				the IPC, (b) intimated the claim to the insurance company, (c) made a provision for the shortage of cash detected, (d) terminated employment of certain suspected staff members.

Past actions by RBI against our Bank

1. Our Bank received the RBI Final Approval to carry on the business of an SFB in India on June 30, 2016 subject to certain terms and conditions. One of the conditions of the RBI Final Approval was that our Bank should be listed within three years of commencement of operations. To ensure compliance with such condition, our Bank sought the approval of RBI pursuant to a letter dated November 16, 2017 for the merger of our Bank with EHL within the stipulated time. The RBI vide its letter dated January 29, 2018 refused to give approval for the proposed merger. Our Bank, pursuant to letters dated October 3, 2018 and December 28, 2018 to the RBI, sought extension of timeline for listing of our Bank for a further three year period over the initial period of three years and to review its decision on the proposed merger. The RBI rejected such requests vide its letters dated October 24, 2018 and April 8, 2019 respectively and stated that our Bank should comply with the SFB Licensing Guidelines. Thereafter, our Bank approached the RBI for its approval of a new scheme of arrangement proposed between our Bank and EHL and their respective shareholders effective from September 4, 2021 and for seeking extension of timeline for listing of our Bank vide letters dated February 6, 2019, April 15, 2019 and June 1, 2019. The RBI vide its letter dated June 6, 2019 reiterated that our Bank must comply with the conditions of the RBI Final Approval in a timely manner. On August 5, 2019, our Bank sought extension of timeline from the RBI for listing of Equity Shares. By a letter dated September 6, 2019 the RBI refused to extend the timeline for listing of our Bank. Further, it found our Bank to be in violation of para 6 of the SFB Licensing Guidelines for having breached the timeline for listing of our Bank and imposed the following regulatory actions on our Bank with immediate effect ("**Regulatory Actions**"):

    (a) our Bank is not permitted to open any new branches till further advice; and

    (b) the remuneration of our MD and CEO stands frozen at the existing level, till further advice.

    The RBI also stated that further restrictions may be imposed if our Bank fails to make satisfactory progress towards listing of its shares.

    On September 9, 2019 our Bank requested the RBI to stay the restrictions imposed on our Bank, at least on the opening of new branches. On September 13, 2019 our Bank informed the RBI that the Board of the Bank pursuant to its meeting dated September 10, 2019 had decided to initiate steps for listing of Equity Shares through initial public offer by March, 2020. The RBI pursuant to its letter dated September 18, 2019 refused to stay the regulatory actions taken against our Bank due to non-compliance with the terms and conditions of the RBI Final Approval.

    Subsequently, the RBI has, pursuant to a letter dated December 31, 2019, accorded our Bank the permission to open 240 banking outlets, subject to certain conditions, in order to enable us to comply with the SFB Licensing Guidelines and RBI Final Approval which require 25% of our banking outlets to be in URCs, and to further meet contractual obligations in respect of 12 banking outlets. The RBI letter further stated that the Bank should not proceed for the opening of 30 banking outlets for which RBI had earlier given in-principle permission prior to the letter dated September 6, 2019, until further advice from the RBI.

    Further, our Bank, pursuant to an email dated March 30, 2020, requested the RBI to grant it time till the first week of November 2020 to list the Equity Shares, on account of the current circumstances. The Bank also requested the RBI to remove the two penalties levied pursuant to the RBI letter dated September 6, 2019. The RBI, pursuant to its email dated April 3, 2020, took on record our submission in relation to extension of the timeline for the listing of Equity Shares. Pursuant to the letter dated November 9, 2020 from the RBI, the abovementioned Regulatory Actions were lifted.

2. Our Bank received the RBI Final Approval to carry on the business of an SFB in India on June 30, 2016 subject to certain terms and conditions. One of the conditions of the RBI Final Approval was that our Bank should be listed within three years of commencement of operations. To ensure compliance with such condition, our Bank pursuant to its Board meeting held on January 31, 2019 ("**Board Meeting**"), had approved a draft scheme of arrangement ("**Scheme**") envisaging issue of 892,062,982 Equity Shares for no cash consideration to the shareholders of EHL. Prior to the Board Meeting, the authorised share capital of the Bank was ₹1,155.00 crores, comprising of 1,155,000,000

Equity Shares while the issued, subscribed and paid-up capital was ₹1,005.94 crores comprising of 1,005,943,363 Equity Shares. Therefore, to enable the issue and allotment of shares under the Scheme, our Bank vide a shareholders' resolution dated January 31, 2019 increased the authorised share capital from ₹1,155.00 crores to ₹2,500.00 crores. Our Bank received a letter dated August 29, 2019 from the RBI advising us to furnish reasons for non-compliance with section 12(1)(i) of Banking Regulation Act which stipulates that a banking company can carry on business in India subject to the condition that the subscribed capital of the company is not less than one-half of its authorised capital, and the paid-up capital of the company is not less than one-half of its subscribed capital and that, if the capital of the company is increased, it must comply with the conditions prescribed within such period not exceeding two years as the RBI may allow, and directed our Bank submit a proposal to comply with the same. Our Bank in its response dated September 5, 2019 stated that the authorized share capital was increased only in order to issue Equity Shares under the Scheme to comply with the timeline for listing of our Bank given under the RBI Final Approval and for achieving partial dilution of promoter shareholding as required under the SFB Licensing Guidelines and that once the above Scheme comes into effect and Equity Shares are allotted under the Scheme, our Bank would once again become compliant with section 12(1)(i) of Banking Regulation Act. The RBI, pursuant to its letter dated September 30, 2019, noted with serious concern that our Bank had neither noticed non-compliance with the provisions of section 12(1)(i) of the Banking Regulation Act, 1949 nor sought exemption from the RBI and advised our Bank to be more careful in future. The RBI has also directed our Bank to comply with the provisions of section 12(1)(i) of the Banking Regulation Act, 1949 by March 31, 2020. Our Bank vide its letter dated October 16, 2019 to the RBI, assured that all necessary steps, including reduction in authorized share capital to the extent necessary will be undertaken on or before March 31, 2020. Further, as the reduction in authorized share capital would result in an amendment to the memorandum of association, our Bank sought the approval of RBI for such amendment. Subsequently, the Board of Directors pursuant to a resolution dated November 7, 2019 approved the decrease in the authorised share capital of the Bank under Section 61(1)(e) of the Companies Act, 2013, from ₹2,500.00 crores divided into 2,50,00,00,000 Equity Shares of ₹10 each to ₹1,700.00 crores divided into 1,70,00,00,000 Equity Shares of ₹10 each subject to the receipt of no objection from the RBI and approval of the Shareholders. Our Bank vide its letter dated November 8, 2019 sought 'no-objection' of the RBI for such reduction in authorized share capital. The RBI has pursuant to its letter dated November 18, 2019 taken on record the proposed amendment to the MoA and the reduction of authorized share capital of our Bank and the Shareholders have given their approval pursuant to their resolution dated November 22, 2019. The reduction of authorised share capital of the Bank has been completed as on the date of this Preliminary Placement Document.

Litigations or legal action pending or taken against the Promoter taken by any Ministry, Department of the Government or any statutory authority in the last three years

As on the date of this Preliminary Placement Document, there are no litigations or legal action pending or taken against the Promoter taken by any Ministry, Department of the Government or any statutory authority in the last three years.

Prosecutions filed against, fines imposed on, or compounding of offences by our Bank under the Companies Act, 2013 in the last three years

As on the date of this Preliminary Placement Document, there are no prosecutions filed against, fines imposed on, or compounding of offences by our Bank under the Companies Act, 2013 in the last three years.

Inquiries, inspections or investigations initiated or conducted under the Companies Act, 2013 against our Bank in the last three years

As on the date of this Preliminary Placement Document, there are no inquiries, inspections or investigations initiated or conducted under the under the Companies Act, 2013 against our Bank in the last three years.

Details of default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon

There is no default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon.

Details of significant and material orders passed by the Regulators, Courts and Tribunals impacting the going concern status of our Bank and its future operations

There has been no order passed by any regulator, court or tribunal which impacts the going concern status of our Bank and/or its future operations.

Details of default in annual filings under the Companies Act, 2013 or rules made thereunder

There has been no default in the annual filings under the Companies Act, 2013 or the rules made thereunder.

Tax Claims

Except as disclosed below, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoter.

Nature of case	Number of cases	Amount involved (in ₹ crore)
Bank		
Indirect Tax	6	3.96
Promoter		
Direct Tax	3	11.59

OUR STATUTORY AUDITORS

In terms of the RBI guidelines, given that the Bank's asset size is more than the stipulated threshold of ₹15,000 crores as on March 31, 2021, the Bank is required to appoint a minimum of two joint statutory auditors for Fiscal 2022 onwards. The Bank has appointed T R Chadha & Co LLP, Chartered Accountants and Varma & Varma, Chartered Accountants as its Joint Statutory Auditors on August 12, 2021, in accordance with the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines prescribed by the RBI.

Pursuant to the approval of the shareholders of our Bank, T R Chadha & Co LLP, Chartered Accountants were appointed on July 28, 2020 as the statutory auditors of the Bank for four years from Fiscal 2021 to Fiscal 2024. Pursuant to the shareholders' resolution dated August 12, 2021, their term was revised from four years to three years up to Fiscal 2023, until the conclusion of the seventh AGM and Varma and Varma, Chartered Accountants were appointed for a term of three years up to Fiscal 2024, till the conclusion of the eighth AGM.

The financial statements for Fiscal 2019 and 2020 have been prepared in accordance with the IGAAP and Companies Act, 2013, which were audited by our previous statutory auditors, S.R. Batliboi & Associates LLP, Chartered Accountants.

The financial statements for Fiscal 2021 has been prepared in accordance with the IGAAP and Companies Act, 2013, which were audited by our statutory auditor, T R Chadha & Co LLP, Chartered Accountants.

The Unaudited Condensed Interim Financial Statements of the Bank as of and for the nine-month period ended December 31, 2021, have been subjected to a limited review by our Joint Statutory Auditors, and the statement of profit and loss for the nine-month period ended December 31, 2020 has been subjected to a limited review by T R Chadha & Co LLP, Chartered Accountants.

The Unaudited Interim Financial Results have been subjected to a limited review by our Joint Statutory Auditors.

GENERAL INFORMATION

- Our Bank was originally incorporated as V.A.P. Finance Private Limited on June 21, 1993 at Madras, Tamil Nadu as a private limited company under the Companies Act, 1956, and was granted the certificate of incorporation by the Registrar of Companies, Tamil Nadu at Chennai. Our Bank became a deemed public limited company under section 43A of Companies Act, 1956 on March 5, 1994 and the name of our Bank was changed to V.A.P. Finance Limited and the certificate of incorporation of our Bank was endorsed by the RoC to that effect. Our Bank thereafter became a private limited company under section 31(1) of the Companies Act, 1956 and a fresh certificate of incorporation dated March 30, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Limited to V.A.P. Finance Private Limited. A fresh certificate of incorporation dated August 12, 2011 was granted by the RoC consequent upon change of name from V.A.P. Finance Private Limited to Equitas Finance Private Limited. A fresh certificate of incorporation was granted by the RoC on September 29, 2015 consequent upon change of name from Equitas Finance Private Limited to Equitas Finance Limited pursuant to conversion of our Bank into a public limited company.

- Our Promoter, EHL was granted the RBI In-Principle and RBI Final Approval on October 7, 2015 and June 30, 2016 respectively, to establish a small finance bank.

- Subsequently, our Bank was converted into an SFB. A fresh certificate of incorporation dated September 2, 2016 was granted by the RoC consequent upon change of name of our Bank from Equitas Finance Limited to Equitas Small Finance Bank Limited.

- Our Bank was included in the second schedule to the RBI Act pursuant to a notification dated December 23, 2016 issued by the RBI and published in the Gazette of India dated February 4 – February 10, 2017.

- Our Registered Office and Corporate Office is located at : 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India.

- The CIN of the Bank is L65191TN1993PLC025280

- The Equity Shares are listed on BSE and NSE.

- The Issue was authorised and approved by our Board pursuant to a resolution dated October 18, 2021, and by the shareholders of our Bank pursuant to a special resolution passed through a postal ballot resolution dated November 28, 2021, the results of which were declared on November 29, 2021

- Our Bank has received in-principle approvals under Regulation 28(1) of the SEBI Listing Regulations to list the Equity Shares to be issued pursuant to the Issue, on BSE and NSE, on February 14, 2022.

- Copies of our Memorandum of Association and Articles of Association will be available for inspection between 9:30 am to 5:30 pm on any weekday (except Saturdays and public holidays) during the Issue Period at our Registered Office and Corporate Office.

- Our Bank has obtained all consents, approvals and authorisations required in connection with the Issue.

- There has been no material change in the financial or trading position of our Bank since December 31, 2021, the date of the Unaudited Condensed Interim Financial Statements prepared in accordance with applicable accounting standards included in this Preliminary Placement Document, except as disclosed herein.

- Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us, or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue. For further details, see "*Legal Proceedings*" on page 446.

- The Floor Price is ₹ 56.40 per Equity Share, calculated in accordance with the provisions of Chapter VI of the SEBI ICDR Regulations, as certified by the Joint Statutory Auditors. Our Bank may offer a discount of not more than 5% on the Floor Price in accordance with Regulation 176(1) of the SEBI ICDR Regulations.

- Sampathkumar K. Raghunathan is the Company Secretary and Compliance Officer of our Bank. His details are as follows:

Sampathkumar K. Raghunathan
4th Floor, Phase II, Spencer Plaza
No. 769, Mount Road, Anna Salai
Chennai – 600 002

Tamil Nadu, India
Tel: +91 44 4299 5000
E-mail: cs@equitasbank.com

PROPOSED ALLOTTEES

The names of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue and the percentage of post-Issue capital that may be held by them is set forth below. These details of the proposed Allottees, assuming that the Equity Shares are Allotted to them pursuant to the Issue, will be included in the Placement Document to be sent to such proposed Allottees.

S. No.	Name of the proposed Allottees	Percentage of the post-Issue share capital held (%)^
1.	[●]	[●]
2.	[●]	[●]
3.	[●]	[●]

^ *Based on beneficiary position as on [●], 2022.*

Note: Subject to receipt of funds and allotment in the Issue. The above table has been intentionally left blank and shall be updated in the Placement Document.

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VI read with Schedule VII of the SEBI ICDR Regulations have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter VI and Schedule VII of the SEBI ICDR Regulations. Our Bank further certifies that all the statements in this Preliminary Placement Document are true and correct.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

____

Vasudevan Pathangi Narasimhan
MD and CEO

DIN: 01550885

Date: February 14, 2022

Place: Chennai

DECLARATION

We, the Board of the Bank, certify that:

(i) the Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules thereunder does not imply that payment of dividend or interest or repayment of preference shares or debentures, if applicable, is guaranteed by the Central Government;

(iii) the monies received under the Issue shall be used only for the purposes and objects indicated in the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4).

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

____

Vasudevan Pathangi Narasimhan
Managing Director and Chief Executive Officer
DIN: 01550885

I am authorized by the Merger Committee, a committee of the Board of the Bank, vide resolution dated February 14, 2022 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoter subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

____

Sampathkumar K Raghunathan
Company Secretary and Compliance Officer

Date: February 14, 2022

Place: Chennai

EQUITAS SMALL FINANCE BANK LIMITED

Registered Office and Corporate Office:
4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road,
Anna Salai, Chennai 600 002, Tamil Nadu, India

Tel: +91 44 4299 5000
Email: cs@equitasbank.com **|** **Website**: www.equitasbank.com
CIN: L65191TN1993PLC025280

Contact Person:
Sampathkumar K. Raghunathan
Designation: Company Secretary and Compliance Officer
Tel: +91 44 4299 5000
E-mail: cs@equitasbank.com
Address: 4th Floor, Phase II, Spencer Plaza No. 769, Mount Road, Anna Salai
Chennai – 600 002

BOOK RUNNING LEAD MANAGERS

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai 400 013
Maharashtra, India

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Maharashtra, India

JOINT STATUTORY AUDITORS OF OUR BANK

T R Chadha & Co LLP, Chartered Accountants 5D, Fifth Floor, Mount Chambers 758, Anna Salai, Mount Road Chennai 600 002	**Varma & Varma, Chartered Accountants** Sreela Terrace, Level 4, Unit -D|#105, 1st Main Road, Gandhi Nagar, Adyar, Chennai - 600 020

LEGAL COUNSEL TO OUR BANK

As to Indian law

Cyril Amarchand Mangaldas
Prestige Falcon Tower
3rd Floor, 19, Brunton Road, Off MG Road
Bengaluru 560 025, Karnataka, India

LEGAL COUNSEL TO THE BOOK RUNNING LEAD MANAGERS

As to Indian law

S&R Associates
One World Center
1403 Tower 2 B
841, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Maharashtra, India

As to United States federal securities law

Hogan Lovells Lee & Lee
50 Collyer Quay
#10-01 OUE Bayfront,
Singapore 049 321

APPLICATION FORM

An indicative format of the Application Form is set forth below:

EQUITAS SMALL FINANCE BANK LIMITED **LEI: 335800MZBFLSP1VQKJ89**	**APPLICATION FORM** **Name of the Bidder** ________________________ **Form. No.**__________________
(Incorporated in the Republic of India under the provisions of the Companies Act, 1956) **Registered Office and Corporate Office**: 4th Floor, Phase II, Spencer Plaza, No. 769, Mount Road, Anna Salai, Chennai 600 002, Tamil Nadu, India; **CIN**: L65191TN1993PLC025280; **Website**: www.equitasbank.com ; **Tel**: +91 44 4299 5000; **Email**: cs@equitasbank.com	**Date:**

QUALIFIED INSTITUTIONS PLACEMENT OF UP TO [●] EQUITY SHARES OF FACE VALUE ₹ 10 EACH (THE "EQUITY SHARES") FOR CASH, AT A PRICE OF ₹[●] PER EQUITY SHARE (THE "ISSUE PRICE"), INCLUDING A PREMIUM OF ₹[●] PER EQUITY SHARE AGGREGATING TO ₹ [●] CRORE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013, AND THE RULES MADE THEREUNDER, EACH AS AMENDED (THE "COMPANIES ACT"), READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED (THE "PAS RULES") AND CHAPTER VI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED (THE "SEBI ICDR REGULATIONS") BY EQUITAS SMALL FINANCE BANK LIMITED (THE "BANK" AND SUCH ISSUE, THE "ISSUE").

Only Qualified Institutional Buyers ("QIBs") as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations and which are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; or (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws, including foreign exchange related laws ; are eligible to submit this Application Form. The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold by the Bank (a) in the United States only to persons who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) (a "U.S. QIB") pursuant to Section 4(a)(2), and (b) outside the United States in "offshore transactions" as defined in, and in reliance on Regulation S under the Securities Act ("Regulation S") and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in the PPD (as defined below) as "QIBs". You should note and observe the solicitation and distribution restrictions contained in the sections entitled "Selling Restrictions" and "Transfer Restrictions" of the preliminary placement document dated February 14, 2022 (the "PPD")

ELIGIBLE NON-RESIDENT QIBS CAN PARTICIPATE IN THE ISSUE IN COMPLIANCE WITH FEMA RULES. ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER THE RESPECTIVE SCHEDULES OF FEMA RULES, IN THIS ISSUE, SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF ELIGIBLE FPIS DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD. ALLOTMENTS MADE TO AIFs AND VCFs IN THE ISSUE SHALL REMAIN SUBJECT TO THE RULES AND REGULATIONS APPLICABLE TO EACH OF THEM RESPECTIVELY. PURSUANT TO THE FDI POLICY READ ALONG WITH THE 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 RULE 6 OF THE FEMA RULES, INVESTMENTS BY AN ENTITY OF A COUNTRY WHICH SHARES LAND BORDER WITH INDIA OR WHERE THE BENEFICIAL OWNER OF SUCH INVESTMENT IS SITUATED IN OR IS A CITIZEN OF SUCH COUNTRY, MAY ONLY BE MADE THROUGH THE GOVERNMENT APPROVAL ROUTE.

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

STATUS (Please ✓)			
FI	Banks & Financial Institutions	FPI	Foreign Portfolio Investor*
MF	Mutual Funds	NIF	National Investment Fund
AIF	Alternative Investment Funds	SI-NBFC	Systematically Important Non-Banking Financial Company
VCF	Venture Capital Funds	OTH	Others ____________ (Please Specify)
IC	Insurance Companies		
IF	Insurance Funds		

**Foreign portfolio investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 excluding individuals, corporate offices and family offices who are not allowed to apply in the Issue.*

Dear Sirs,

On the basis of the serially numbered PPD of the Bank and subject to the terms and conditions contained therein, and in this Application Form, we hereby submit our Application Form for the Allotment of the Equity Shares in the Issue, on the terms and price indicated below. We confirm that we are an Eligible QIB in terms of Regulation 2(1)(ss) of the SEBI ICDR Regulations and are not: (a) excluded pursuant to Regulation 179(2)(b) of the SEBI ICDR Regulations; and (b) restricted from participating in the Issue under SEBI ICDR Regulations and other applicable laws and that we are not a promoter of the Bank (as defined in the SEBI ICDR Regulations), or any person related to the promoter of the Bank, directly or indirectly and this Application Form does not directly or indirectly represent the promoter or promoter group or persons related to the promoter. Further, we confirm that we do not have any right under a shareholders' agreement or voting agreement entered into with promoter or persons related to promoter of the Bank, veto rights or right to appoint any nominee director on the board of the Bank. We confirm that we are either a QIB which is resident in India, or an Eligible FPI, participating through Schedule II of the FEMA Rules or a multilateral or bilateral development financial institution eligible to invest in India under applicable law. We confirm that we are not a FVCI. We confirm that the bid size / aggregate number of the Equity Shares applied for by us, and which may be Allocated to us thereon will not exceed the relevant regulatory or approved limits and further confirm that our Bid does not result in triggering an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**"). We further understand and agree that (i) our names, address, contact details, PAN and bank account details will be recorded by the Bank as required in terms of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended ("**PAS Rules**") ; (ii) in the event that any Equity Shares are Allocated to us in the Issue, our names (as proposed Allottees) and the percentage of our to be post-Issue shareholding in the Bank will be disclosed in the Placement Document pursuant to the requirements under Form PAS-4 of the PAS Rules; and (iii) in the event that Equity Shares are Allotted to us in the Issue, the Bank will place our name in the register of members of the Bank as a holder of such Equity Shares that may be Allotted to us and in the Form PAS-3 filed by the Bank with the Registrar of Companies, Tamil Nadu at Chennai (the "**RoC**") as required in terms of the PAS Rules. Further, we are aware and agree that if we, together with any other QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares in the Issue, the Bank will disclose our name, along with the names of such other Allottees and the number of Equity Shares Allotted to us and to such other Allottees, on the websites of National Stock Exchange of India Limited and BSE Limited (together referred to as the "**Stock Exchanges**"), and we consent to such disclosure. In addition, we confirm that we are eligible to invest in Equity Shares under the SEBI Regulations and other applicable laws. We are aware that, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015 read with the Reserve Bank of India (Ownership in Private Sector Banks) Direction, 2016 dated May 12, 2016, no person (along with his relatives, associate enterprises or persons acting in concert with him) can acquire or hold 5% or more of the total paid-up share capital of the Issuer or be entitled to exercise 5% or more of the total voting rights of the Issuer, without prior approval of the RBI. Accordingly, we hereby represent that our (direct or indirect) aggregate holding in the paid-up share capital of the Issuer, whether beneficial or otherwise: (i) after subscription to the Equity Shares in the Issue by us, our relatives, our associate enterprises or persons acting in concert with us, aggregated with any pre-Issue shareholding in the Issuer of us, our relatives, our associate enterprises or persons acting in concert; or (ii) after subscription of the Equity Shares in the Issue by us aggregated with any pre-Issue shareholding in the Issuer of us, our relatives, our associate enterprises or persons acting in concert with us, shall not amount to 5% or more of the total paid-up share capital of the Issuer or would not entitle us to exercise 5% or more of the total voting rights of the Issuer, except with the prior approval of the RBI.

We confirm, that we have a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to us in accordance with Chapter VI of the SEBI ICDR Regulations and undertake to comply with the SEBI ICDR Regulations, and all other applicable laws, including any reporting obligations. We confirm that, in relation to our application, each foreign portfolio investor ("**FPI**") as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, as amended (other than individuals, corporate offices and family offices), and including persons who have been registered under these regulations (such FPIs, "**Eligible FPIs**"), have submitted separate Application Form, and asset management companies or custodians of mutual funds have specified the details of each scheme for which the application is being made along with the price and amount to be Allotted under each such scheme. We undertake that we will sign all such documents, provide such documents and do all such acts, if any, necessary on our part to enable us to be registered as the holder(s) of the Equity Shares that may be Allotted to us. We confirm that the signatory is authorized to apply on behalf of the Applicant and the Applicant has all the relevant approvals. We note that the Board of Directors of the Bank, or any duly authorized committee thereof, is entitled, in consultation with IIFL Securities Limited and SBI Capital Markets Limited (the "**BRLMs**"), in their absolute discretion, to accept or reject this Application Form without assigning any reason thereof. We hereby accept the Equity Shares that may be Allocated to us pursuant to the CAN and request you to credit the same to our beneficiary account as per the details given below, subject to receipt of Application Form and Application Amount towards the Equity Shares that may be allocated to us. The amount payable by us as Application Amount for the Equity Shares applied for has been/will be remitted to the designated bank account set out in this Application Form through electronic mode, along with this Application Form within the Issue Closing Date and such Application Amount has been/will be transferred from a bank account maintained in our name. We are aware that (i) Allocation and Allotment in the Issue shall be at the sole discretion of the Bank, in consultation with the BRLMs; and (ii) in the event that Equity Shares that we have applied for are not Allotted to us in full or at all, and/or the Application Amount is in excess of the amount equivalent to the product of the Equity Shares that will be Allocated to us and the Issue Price, or the Bank is unable to issue and Allot the Equity Shares offered in the Issue or if there is a cancellation of the Issue, the Application Amount or a portion thereof, as applicable, will be refunded to the same bank account from which the Application Amount has been paid by us. Further, we agree to comply with the rules and regulations that are applicable to us, including in relation to the lock-in requirements. In this regard, we authorize the Bank to issue instructions to the depositories for such lock-in requirements, as may be applicable to us.

By signing and submitting this Application Form, we hereby confirm and agree that the representations and warranties as provided in the "*Notice to Investors*", "*Representations by Investors*", "*Issue Procedure*", "*Selling Restrictions*" and "*Transfer Restrictions*" sections of the PPD are true and correct and acknowledge and agree that these representations and warranties are given by us for the benefit of the Bank and the BRLMs, each of which is entitled to rely on and is relying on these representations and warranties in consummating the Issue.

By signing and submitting this Application Form, we hereby represent, warrant, acknowledge and agree as follows: (1) we have been provided a serially numbered copy of the PPD along with the Application Form, have read it in its entirety including in particular, the section titled "*Risk Factors*" therein and we have relied only on the information contained in the PPD and not on any other information obtained by us either from the Bank, the BRLMs or from any other source, including publicly available information; (2) we will abide by the PPD and the Placement Document, this Application Form, the CAN and the terms, conditions and agreements contained therein; (3) that if Equity Shares are Allotted to us pursuant to the Issue, we shall not sell such Equity Shares otherwise than on a recognised stock exchange in India for a period of one year from the date of Allotment; (4) we will not have the right to withdraw our Bid or revise our Bid downwards after the Issue Closing Date; (5) we will not trade in the Equity Shares credited to our beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges; (6) Equity Shares shall be Allocated and Allotted at the discretion of the Bank in consultation with the BRLMs and the submission of this Application Form and payment of the corresponding Application Amount by us does not guarantee any Allocation or Allotment of Equity Shares to us in full or in part; (7) in terms of the requirements of the Companies Act, 2013 upon Allocation, the Bank will be required to disclose names and percentage of our post-Issue shareholding of the proposed Allottees in the Placement Document; however, disclosure of such details in relation to us in the Placement Document will not guarantee Allotment to us, as Allotment in the Issue shall continue to be at the sole discretion of the Bank, in consultation with the BRLMs; (8) the number of Equity Shares Allotted to us pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50% of the Issue. For the purposes of this representation: The expression 'belong to the same group' shall derive meaning from Regulation 180(2) of the SEBI ICDR Regulations i.e. entities where (i) any of them controls, directly or indirectly, through its subsidiary or holding company, not less than 15% of the voting rights in the other; (ii) any of them, directly or indirectly, by itself, or in combination with other persons, exercise control over the others; or (iii) there is a common director, excluding nominee and independent directors, amongst the Eligible QIBs, its subsidiary or holding company and any other QIB; and 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations; (9) We agree to accept the Equity Shares applied for, or such lesser number of Equity Shares as may be Allocated to us, subject to the provisions of the memorandum of association and articles of association of the Bank, the applicable laws and regulations, the terms of the PPD and the Placement Document, this Application Form, the CAN upon its issuance and the terms, conditions and agreements mentioned therein and request you to credit the same to our beneficiary account with the Depository Participant as per the details given below.

We acknowledge that the Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. By signing this Application Form and checking the applicable box above, we hereby represent that we are either (i) a U.S. QIB purchasing the Equity Shares pursuant to Section 4(a)(2) under the Securities Act, or (ii) located outside the United States and purchasing the Equity Shares in an offshore transaction in reliance on Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales are made. We confirm that we have read the representations, warranties and agreements contained in the sections entitled "Selling Restrictions" and "Transfer Restrictions" of the PPD.

By signing and submitting this Application Form, we further represent, warrant and agree that we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of the prospective investment in the Equity Shares and we understand the risks involved in making an investment in the Equity Shares. No action has been taken by us or any of our affiliates or representatives to permit a public offering of the Equity Shares in any jurisdiction. We satisfy any and all relevant suitability standards for investors in Equity Shares, have the ability to bear the economic risk of our investment in the Equity Shares, have adequate means of providing for our current and contingent needs, have no need for liquidity with respect to our investment in Equity Shares and are able to sustain a complete loss of our investment in the Equity Shares. We acknowledge that once a duly filled Application Form is submitted by an Eligible QIB, whether signed or not, and the Application Amount has been transferred to the Escrow Account, such Application Form constitutes an irrevocable offer and cannot be withdrawn or revised downwards after the Issue Closing Date. In case Bids are being made on behalf of the Eligible QIB and this Application Form is unsigned, we confirm that we are authorized to submit this Application Form and provide necessary instructions for transfer of the Application Amount to the Escrow Account, on behalf of the Eligible QIB.

APPLICANT DETAILS (In Block Letters)	
NAME OF APPLICANT*	
REGISTERED ADDRESS	
CITY AND CODE	
COUNTRY	
PHONE NO.	
EMAIL	
FOR FPIs**	SEBI FPI REGISTRATION NO. ____________________ ____________________
FOR AIFs[1]***	SEBI AIF REGISTRATION NO. ____________________ ____________________
FOR MFs***	SEBI MF REGISTRATION NO. ____________________
FOR VCFs	SEBI VCF REGISTRATION NO. ____________________ ____________________
FOR SI-NBFC	RBI REGISTRATION DETAILS. ____________________ ____________________
FOR INSURANCE COMPANIES	IRDAI REGISTRATION DETAILS. . ____________________ ____________________

[1] Allotments made to Alternative Investment Funds in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. Alternative Investment Funds should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.

**Name should exactly match with the name in which the beneficiary account is held. Application Amount payable on Equity Shares applied for by joint holders shall be paid from the bank account of the person whose name appears first in the application. Mutual Fund bidders are requested to provide details of the bids made by each scheme of the Mutual Fund. Each FPI is required to fill a separate Application Form. Further, any discrepancy in the name as mentioned in this Application Form with the depository records would render the application invalid and liable to be rejected at the sole discretion of the Issuer and the BRLMs.*

*** In case you are an FPI holding a valid certificate of registration and eligible to invest in the Issue, please mention your SEBI FPI Registration Number.*

**** Allotments made to AIFs and VCFs in the Issue are subject to the rules and regulations that are applicable to each of them respectively, including in relation to lock-in requirement. AIFs and VCFs should independently consult their own counsel and advisors as to investment in and related matters concerning the Issue.*

We are aware that the number of Equity Shares in the Bank held by us, together with the number of Equity Shares, if any, Allocated to us in the Issue will be aggregated to disclose the percentage of our post-Issue shareholding in the Bank in the Placement Document in line with the requirements under PAS-4 of the PAS Rules. For such information, the BRLMs have relied on the information provided by the Registrar for obtaining details of our shareholding and we consent and authorize such disclosure in the Placement Document.

DEPOSITORY ACCOUNT DETAILS									
Depository Name	National Securities Depository Limited								Central Depository Services (India) Limited
Depository Participant Name									
DP – ID	I	N							
Beneficiary Account Number									(16-digit beneficiary A/c. No. to be mentioned above)

The demographic details like address, bank account details etc., will be obtained from the Depositories as per the beneficiary account given above. However, for the purposes of refund, if any, only the bank details as mentioned below, from which the Application Amount shall be remitted for the Equity Shares applied for in the Issue, will be considered.

PAYMENT DETAILS
REMITANCE BY WAY OF ELECTRONIC FUND TRANSFER
By 1:00 p.m. (IST), [day] [date]

BANK ACCOUNT DETAILS FOR PAYMENT OF APPLICATION AMOUNT THROUGH ELECTRONIC FUND TRANSFER			
Name of the Account	EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW	**Account Type**	Escrow Account
Name of Bank	Equitas Small Finance Bank Limited	**Address of the Branch of the Bank**	Bhaggyam Galleria, Old No 80/ New, 18, Bazullah Rd, T. Nagar, Chennai, Tamil Nadu 600 017
Account No.	200000002022	**IFSC**	ESFB0001001
Phone No.	04442995000		

Kindly make your payment only by way of electronic fund transfers, towards the Escrow Account**.** Payment of the entire Application Amount should be made along with the Application Form on or before the closure of the Issue Period i.e. within the Issue Closing Date. All payments must be made in favor of "EQUITAS SMALL FINANCE BANK LIMITED A/C QIP ESCROW". The payment for subscription to the Equity Shares to be allotted in the Issue shall be made only from the bank account of the person subscribing to the Equity Shares and in case of joint holders, from the bank account of the person whose name appears first in the Application Form.

RUPEE BANK ACCOUNT DETAILS (FOR REMITTANCE)			
Bank Account Number		IFSC Code	
Bank Name		Bank Branch Address	

NO. OF EQUITY SHARES APPLIED FOR		**PRICE PER EQUITY SHARE (RUPEES)**	
(In Figures)	(In Words)	(In Figures)	(In Words)

DETAILS OF CONTACT PERSON
Name:
Address:
Tel. No:
Email: ____

OTHER DETAILS	
PAN*	
Signature of Authorized Signatory	

ENCLOSURES ATTACHED

- ☐ Copy of the PAN Card or PAN Allotment Letter
- ☐ FIRC
- ☐ Copy of the SEBI registration certificate as a Mutual Fund
- ☐ Copy of the SEBI registration certificate as an Eligible FPI
- ☐ Copy of the SEBI registration certificate as an AIF
- ☐ Copy of the SEBI registration certificate as a VCF
- ☐ Certified copy of the certificate of registration issued by the RBI, a certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditor(s), must be attached, in case of SI-NBFC/ Banks/public financial institutions
- ☐ Copy of the IRDAI registration certificate
- ☐ Certified true copy of power of attorney
- ☐ Others, please specify________________

**Please note that the Applicant should not submit the GIR number or any other identification number instead of the PAN as the application is liable to be rejected on this ground.*

Note 1: Capitalized terms used but not defined herein shall have the same meaning as ascribed to them in the PPD and Placement Document.

Note 2: The Application Form is liable to be rejected if any information provided is incomplete or inadequate.

The Application Form, the PPD and the Placement Document sent to you, either in physical form or in electronic form or both, are specific to you and you may not distribute or forward the same and are subject to the disclaimers and restrictions contained or accompanying these documents.