DRAFT RED HERRING PROSPECTUS
Dated: August 14, 2019
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
Please read Section 32 of the Companies Act, 2013
100% Book Built Issue

UJJIVAN SMALL FINANCE BANK LIMITED

Our Bank was incorporated as Ujjivan Small Finance Bank Limited on July 4, 2016 at New Delhi as a public limited company under the Companies Act, 2013, and was granted the certificate of incorporation by the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**"). Our Promoter, Ujjivan Financial Services Limited ("**UFSL**") was granted the in-principle approval to establish a small finance bank ("**SFB**"), by the RBI, pursuant to its letter dated October 7, 2015. Subsequently, UFSL received the final approval for our Bank to carry on the SFB business in India, pursuant to a letter dated November 11, 2016 issued by the RBI. Our Bank commenced its business with effect from February 1, 2017 and was included in the second schedule to the RBI Act pursuant to a notification dated July 3, 2017 issued by the RBI. For further details, see "*History and Certain Corporate Matters*" on page 128.

Registered Office: Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi 110 008, India; **Tel**: +91 11 3043 2121
Corporate Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India; **Tel**: +91 80 4071 2121
Website: www.ujjivansfb.in; **Contact Person**: Chanchal Kumar, Company Secretary and Compliance Officer; **E-mail**: ipo@ujjivan.com
Corporate Identity Number: U65110DL2016PLC302481

OUR PROMOTER: UJJIVAN FINANCIAL SERVICES LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF UJJIVAN SMALL FINANCE BANK LIMITED ("BANK" OR "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) AGGREGATING UP TO ₹12,000 MILLION ("ISSUE"). THE ISSUE INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES, AGGREGATING UP TO ₹1,200 MILLION, FOR SUBSCRIPTION BY ELIGIBLE UFSL SHAREHOLDERS ("UFSL SHAREHOLDER RESERVATION PORTION"). THE UFSL SHAREHOLDER RESERVATION PORTION SHALL NOT EXCEED [●]% OF OUR POST-ISSUE PAID-UP EQUITY SHARE CAPITAL. THE ISSUE LESS THE UFSL SHAREHOLDER RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND THE NET ISSUE SHALL CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

OUR BANK MAY, IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS ("BRLMS"), CONSIDER A PRE-ISSUE PLACEMENT OF AN AGGREGATE AMOUNT NOT EXCEEDING ₹3,000 MILLION (THE "PRE-IPO PLACEMENT"). THE PRE-IPO PLACEMENT, IF UNDERTAKEN, WILL BE AT A PRICE TO BE DECIDED BY OUR BANK IN CONSULTATION WITH THE BRLMS AND THE PRE-IPO PLACEMENT WILL BE UNDERTAKEN PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE ROC. IF THE PRE-IPO PLACEMENT IS UNDERTAKEN, THE AMOUNT RAISED FROM THE PRE-IPO PLACEMENT WILL BE REDUCED FROM THE ISSUE, SUBJECT TO THE MINIMUM ISSUE SIZE CONSTITUTING AT LEAST 10% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR BANK.

THE FACE VALUE OF OUR EQUITY SHARES IS ₹10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT SHALL BE DECIDED BY OUR BANK IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN [●] EDITIONS OF [●], AN ENGLISH NATIONAL DAILY NEWSPAPER AND [●] EDITIONS OF [●], A HINDI NATIONAL DAILY NEWSPAPER (HINDI ALSO BEING THE REGIONAL LANGUAGE OF NEW DELHI WHERE OUR REGISTERED OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ ISSUE OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH SEBI ICDR REGULATIONS.

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

The Issue is being made through the Book Building Process, in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("**SCRR**") read with Regulation 31 of the SEBI ICDR Regulations and in compliance with Regulation 6(2) of the SEBI ICDR Regulations, wherein not less than 75% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Portion**"), provided that our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations ("**Anchor Investor Portion**"), of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not more than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Investors and not more than 10% of the Net Issue shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price. All potential Bidders (except Anchor Investors) are required to mandatorily utilise the Application Supported by Blocked Amount ("**ASBA**") process providing details of their respective ASBA accounts, and UPI ID (in case of RIBs) if applicable, in which the corresponding Bid Amounts will be blocked by the SCSBs or under the UPI Mechanism, as applicable. Anchor Investors are not permitted to participate in the Issue through the ASBA process. For details, see "*Issue Procedure*" on page 325.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of our Bank, there has been no formal market for the Equity Shares of our Bank. The face value of the Equity Shares is ₹10. The Floor Price, Cap Price and Issue Price as determined and justified by our Bank, in consultation with the BRLMs, in accordance with the SEBI ICDR Regulations, as stated under "*Basis for Issue Price*" on page 75 should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors must rely on their own examination of our Bank and the Issue, including the risks involved. The Equity Shares in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "*Risk Factors*" on page 21.

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. Our Bank has received 'in-principle' approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the Prospectus shall be delivered to the RoC in accordance with Section 26(4) of the Companies Act 2013. For details of the material contracts and documents available for inspection from the date of the Red Herring Prospectus up to the Bid/ Issue Closing Date, see "*Material Contracts and Documents for Inspection*" on page 344.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
Kotak Mahindra Capital Company Limited 1st Floor, 27 BKC, Plot No. 27 G Block, Bandra Kurla Complex Bandra (East), Mumbai 400 051 Maharashtra, India **Tel:** +91 22 4336 0000 **E-mail:** ujjivansfb.ipo@kotak.com **Investor grievance e-mail:** kmccredressal@kotak.com **Website:** www.investmentbank.kotak.com **Contact Person:** Ganesh Rane **SEBI Registration No.:** INM000008704	**IIFL Securities Limited** 10th Floor, IIFL Centre Kamala City, Senapati Bapat Marg Lower Parel (West), Mumbai 400 013 Maharashtra, India **Tel.:** +91 22 4646 4600 **E-mail:** usfbl.ipo@iiflcap.com **Investor grievance e-mail:** ig.ib@iiflcap.com **Website:** www.iiflcap.com **Contact Person:** Vishal Bangard/ Anant Gupta **SEBI Registration No.:** INM000010940	**JM Financial Limited** 7th Floor Cnergy, Appasaheb Marathe Marg Prabhadevi, Mumbai 400 025 Maharashtra, India **Tel:** +91 22 6630 3030 **E-mail:** ujjivansfb.ipo@jmfl.com **Investor grievance e-mail:** grievance.ibd@jmfl.com **Website:** www.jmfl.com **Contact Person:** Prachee Dhuri **SEBI Registration No.:** INM000010361	**Karvy Fintech Private Limited**# Karvy Selenium, Tower B, Plot No. 31-32 Gachibowli Financial District Nanakramguda, Hyderabad 500 032 **Tel:** +91 40 6716 2222 **E-mail:** einward.ris@karvy.com **Investor grievance e-mail:** USFB.ipo@karvy.com **Website:** www.karisma.karvy.com **Contact Person:** Murali Krishna **SEBI Registration No.:** INR000000221 #*Formerly known as KCPL Advisory Services Private Limited*

BID/ ISSUE SCHEDULE			
BID/ ISSUE OPENS ON	[●](1)	**BID/ ISSUE CLOSES ON**	[●](2)

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

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

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

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

The words and expressions used in this Draft Red Herring Prospectus but not defined herein shall have, to the extent applicable, the same meaning ascribed to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder. Notwithstanding the foregoing, the terms used in "Industry Overview", "Key Regulations and Policies", "Statement of Special Tax Benefits", "Financial Statements", "Basis for Issue Price", "History and Certain Corporate Matters", "Selected Statistical Information", "Financial Indebtedness", "Other Regulatory and Statutory Disclosures", "Outstanding Litigation and Material Developments" and "Description of Equity Shares and Terms of Articles of Association" on pages 80, 120, 77, 187, 75, 128, 162, 290, 307, 292 and 338 respectively shall have the meaning ascribed to them in the relevant section.

General Terms

Term	Description
"our Bank", "the Bank", "the Issuer"	Ujjivan Small Finance Bank Limited, a company incorporated under the Companies Act, 2013 and a small finance bank registered with the RBI, having its Registered Office at Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi, 110 008, India
"we", "us" or "our"	Unless the context otherwise indicates or implies, refers to our Bank

Bank Related Terms

Term	Description
ALCO	Asset Liability Management Committee
"Articles of Association" or "AoA"	Articles of association of our Bank, as amended
Audit Committee	Audit committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations, guidelines issued by the RBI from time to time, and as described in "*Our Management*" on page 133
"Auditors" or "Statutory Auditors"	MSKA & Associates, Chartered Accountants, current statutory auditors of our Bank
"Board" or "Board of Directors"	Board of directors of our Bank
Business Transfer Agreement	The business transfer agreement dated January 12, 2017, together with the addendum dated February 9, 2017 and the agreement dated February 10, 2017, entered into between UFSL and our Bank for the transfer of the business undertaking of UFSL, comprising of its lending and financing business
Corporate Office	Corporate office of our Bank, located at Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India
Corporate Social Responsibility Committee	Corporate social responsibility committee of our Bank constituted in accordance with the applicable provisions of the Companies Act, 2013 and as described in "*Our Management*" on page 133
CRISIL Report	Report titled '*Industry Report – Small Finance Bank (SFBs)*' dated July 2019, issued by CRISIL Limited
CRMC	Credit Risk Management Committee of our Bank
Director(s)	The directors on the Board of our Bank
Equity Shares	Equity shares of our Bank of face value of ₹10 each
Group Company	Our group company, namely Parinaam Foundation, as disclosed in *"Our Group Company"* on page 159
Independent Directors	Independent directors on the Board, as described in "*Our Management*" on page 133
IAD	Internal Audit Department of our Bank
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations as described in "*Our Management*" on page 133
Listing Committee	The listing committee of our Bank as described in "*Our Management*" on page 133
Managing Director and Chief Executive Officer	Managing Director and Chief Executive Officer of our Bank, namely Samit Kumar Ghosh
"Memorandum of Association" or "MoA"	Memorandum of association of our Bank, as amended

Term	Description
Nomination and Remuneration Committee	Nomination and remuneration committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013, the Listing Regulations and guidelines issued by the RBI from time to time and as described in "*Our Management*" on page 133
Preference Shares	11% perpetual, non-convertible, non-cumulative, preference shares of our Bank of face value of ₹10 each
"Promoter" or "UFSL"	Our Promoter, namely, Ujjivan Financial Services Limited
RBI Final Approval	RBI letter dated November 11, 2016 bearing no. DBR.NBD.(SFB-UFSL) No. 5443/16.13.216/2016-17, pursuant to which RBI granted license no. MUM:123 to UFSL 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, pursuant to which our Promoter was granted an in-principle approval no. DBR.PSBD.NBC (SFB-UFSPL) No. 4922/16.13.216/2015-16, to establish an SFB under Section 22 of the Banking Regulation Act
Registered Office	Registered office of our Bank located at Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi 110 008, India
"Registrar of Companies" or "RoC"	Registrar of Companies, National Capital Territory of Delhi and Haryana
Restated Financial Statements	Restated standalone financial statements of our Bank, as at and for the quarters ended June 30, 2019 and June 30, 2018 and for the Financial Years ended March 31, 2019, March 31, 2018 and March 31, 2017 (prepared in accordance with Indian GAAP read with Section 133 of the Companies Act, 2013 and restated in accordance with the SEBI ICDR Regulations) which comprises the restated statement of assets and liabilities, the restated statement of profit and loss, the restated statement of cash flows and the restated statement of changes in equity and notes thereto
Shareholders	Shareholders holding Equity Shares of our Bank from time to time
Stakeholders' Relationship Committee	Stakeholders' relationship committee of our Bank, constituted in accordance with the applicable provisions of the Companies Act, 2013 and the Listing Regulations and as described in "*Our Management*" on page 133
USFB ESOP Plan 2019	Ujjivan Small Finance Bank - Employee Stock Option Plan 2019
USFB ESPS 2019	Ujjivan Small Finance Bank - Employee Stock Purchase Scheme 2019

Issue Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by a Designated Intermediary to a Bidder as proof of registration of the Bid cum Application Form
"Allot" or "Allotment" or "Allotted"	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Issue to successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus and who has Bid for an amount of at least ₹100 million
Anchor Investor Allocation Price	Price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Bank in consultation with the Book Running Lead Managers during the Anchor Investor Bid/Issue Period
Anchor Investor Application Form	Form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of the Red Herring Prospectus and Prospectus
Anchor Investor Bid/Issue Period	One Working Day prior to the Bid/ Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Issue Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price The Anchor Investor Issue Price will be decided by our Bank in consultation with the Book Running Lead Managers
Anchor Investor Portion	Up to 60% of the QIB Portion which may be allocated by our Bank in consultation with the Book Running Lead Managers, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price, in accordance with the SEBI ICDR Regulations

Term	Description
"Application Supported by Blocked Amount" or "ASBA"	Application, whether physical or electronic, used by ASBA Bidders to make a Bid and authorizing an SCSB to block the Bid Amount in the ASBA Account and will include applications made by RIBs using the UPI Mechanism where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by RIBs using the UPI Mechansim
ASBA Account	Bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of an RIB which is blocked upon acceptance of a UPI Mandate Request made by the RIBs using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Bankers to the Issue	Collectively, Escrow Collection Bank(s), Public Issue Bank(s), Sponsor Bank(s) and Refund Bank(s), as the case may be
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in "*Issue Structure*" beginning on page 322
Bid	Indication to make an offer during the Bid/ Issue Period by an ASBA Bidder pursuant to submission of the ASBA Form, or during the Anchor Investor Bid/Issue Period by an Anchor Investor, pursuant to submission of the Anchor Investor Application Form, to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto as permitted under the SEBI ICDR Regulations and in terms of the Red Herring Prospectus and the Bid cum Application Form. The term "Bidding" shall be construed accordingly
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and, in the case of Retail Individual Bidders Bidding at the Cut off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Retail Individual Bidder and mentioned in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid. Eligible UFSL Shareholders applying in the UFSL Shareholder Reservation Portion can apply at the Cut Off Price and the Bid Amount shall be Cap Price, multiplied by the number of Equity Shares Bid for such Eligible UFSL Shareholders and mentioned in the Bid cum Application Form. The maximum Bid Amount under the Eligible UFSL Shareholder Reservation Portion is ₹200,000.
Bid cum Application Form	Anchor Investor Application Form or the ASBA Form, as the context requires
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Bid/ Issue Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, which shall be notified in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper (Hindi also being the regional language of New Delhi, where our Registered Office is located), each with wide circulation, and in case of any such extension, the extended Bid/Issue Closing Date shall also be notified on the website and terminals of the Syndicate Members and communicated to the designated intermediaries and the Sponsor Bank. Our Bank, in consultation with the Book Running Lead Managers may, consider closing the Bid/Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date in accordance with the SEBI ICDR Regulations. In case of any revision, the extended Bid/ Issue Closing Date shall also be notified on the websites of the BRLMs and at the terminals of the Syndicate Members, which shall also be notified in an advertisement in same newspapers in which the Bid/Issue Opening Date was published, as required under the SEBI ICDR Regulations.
Bid/ Issue Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, which shall be notified in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper (Hindi also being the regional language of New Delhi, where our Registered Office is located), each with wide circulation
Bid/ Issue Period	Except in relation to Anchor Investors, the period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e., Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XIII of the SEBI ICDR Regulations, in terms of which the Issue is being made
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Issue, namely, Kotak Mahindra Capital Company Limited, IIFL Securities Limited and JM Financial Limited

Term	Description
Broker Centres	Centres notified by the Stock Exchanges where Bidders can submit the ASBA Forms to a Registered Broker The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
"CAN" or "Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bid/ Issue Period
Cap Price	Higher end of the Price Band, above which the Issue Price and the Anchor Investor Issue Price will not be finalised and above which no Bids will be accepted
Cash Escrow and Sponsor Bank Agreement	Agreement to be entered amongst our Bank, the Book Running Lead Managers, Syndicate Members, the Bankers to the Issue and Registrar to the Issue, *inter alia*, for collection of the Bid Amounts from Anchor Investors, transfer of funds to the Public Issue Account and where applicable, refunds of the amounts collected from Bidders, on the terms and conditions thereof
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
"Collecting Depository Participant" or "CDP"	A depository participant as defined under the Depositories Act, 1996 registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 issued by SEBI as per the list available on the websites of BSE and NSE
Cut-off Price	Issue Price, finalised by our Bank in consultation with the Book Running Lead Managers, which shall be any price within the Price Band Only Retail Individual Bidders Bidding in the Retail Portion and Eligible UFSL Shareholders bidding in the UFSL Shareholder Reservation Portion are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Demographic Details	Details of the Bidders including the Bidders' address, name of the Bidders' father/husband, investor status, occupation, bank account details and UPI ID, wherever applicable
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where Bidders can submit the ASBA Forms The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Bank(s) transfer funds from the Escrow Account to the Public Issue Account or the Refund Account, as the case may be, and the instructions are issued to the SCSBs (in case of RIBs using UPI Mechanism, instruction issued through the Sponsor Bank) for the transfer of amounts blocked by the SCSBs in the ASBA Accounts to the Public Issue Account or the Refund Account, as the case may be, in terms of the Red Herring Prospectus following which Equity Shares will be Allotted in the Issue
Designated Intermediary(ies)	In relation to ASBA Forms submitted by RIBs by authorising an SCSB to block the Bid Amount in the ASBA Account, Designated Intermediaries shall mean SCSBs In relation to ASBA Forms submitted by RIBs where the Bid Amount will be blocked upon acceptance of UPI Mandate Request by such RIB using the UPI Mechanism, Designated Intermediaries shall mean Syndicate, sub-syndicate/agents, Registered Brokers, CDPs and RTAs In relation to ASBA Forms submitted by QIBs and non-institutional Bidders, Designated Intermediaries shall mean Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs
Designated RTA Locations	Such locations of the RTAs where Bidders can submit the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	[●]
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated August 14, 2019 issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Issue, including any addenda or corrigenda thereto
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an Issue or invitation under the Issue and in relation to whom the ASBA Form and the Red Herring Prospectus will constitute an invitation to subscribe to or to purchase the Equity Shares
Eligible UFSL Shareholders	Individuals and HUFs who are the public equity shareholders of UFSL, our Promoter, (excluding such persons who are not eligible to invest in the Issue under applicable laws) as on the date of the Red Herring Prospectus. The maximum Bid Amount under the UFSL Shareholder Reservation Portion by an Eligible UFSL Shareholder shall not exceed ₹200,000

Term	Description
Escrow Account	Accounts to be opened with the Escrow Collection Bank(s) and in whose favour the Anchor Investors will transfer money through NACH/direct credit/NEFT/RTGS in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank(s)	Bank(s) which are a clearing members and registered with SEBI as banker(s) to an issue and with whom the Escrow Account will be opened, in this case being [●]
First or sole Bidder	Bidder whose name shall be mentioned in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name shall also appear as the first holder of the beneficiary account held in joint names
Floor Price	Lower end of the Price Band, subject to any revision(s) thereto, not being less than the face value of Equity Shares, at or above which the Issue Price and the Anchor Investor Issue Price will be finalised and below which no Bids will be accepted
General Information Document	The General Information Document for investing in public issues prepared and issued in accordance with the circular (CIR/CFD/DIL/12/2013) dated October 23, 2013, notified by SEBI and updated pursuant to the circular no. (CIR/CFD/POLICYCELL/11/2015) dated November 10, 2015, the circular no. (CIR/CFD/DIL/1/2016) dated January 1, 2016 and (SEBI/HO/CFD/DIL/CIR/P/2016/26) dated January 21, 2016, circular (SEBI/HO/CFD/DIL2/CIR/P/2018/138) dated November 1, 2018, circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019 and circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, as amended from time to time. The General Information Document shall be available on the websites of the Stock Exchanges and the Book Running Lead Managers
IIFL	IIFL Securities Limited
Issue	The initial public offer of up to [•] Equity Shares aggregating up to ₹12,000 million, comprising of the Net Issue and the UFSL Shareholder Reservation Portion Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank
Issue Agreement	Agreement dated August 14, 2019 entered amongst our Bank and the Book Running Lead Managers, pursuant to which certain arrangements have been agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be Allotted to ASBA Bidders in terms of the Red Herring Prospectus and the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Issue Price which will be decided by our Bank in consultation with the Book Running Lead Managers) in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our in consultation with the Book Running Lead Managers on the Pricing Date in accordance with the Book Building Process and the Red Herring Prospectus
Issue Proceeds	The gross proceeds of the Issue which shall be available to our Bank, based on the total number of Equity Shares Allotted at the Issue Price. For further information about use of the Issue Proceeds, see "*Objects of the Issue*" on page 71
JM Financial	JM Financial Limited
Kotak	Kotak Mahindra Capital Company Limited
Maximum RIB Allottees	Maximum number of RIBs who can be allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot, subject to valid Bids being received at or above the Issue Price
Mutual Fund Portion	5% of the Net QIB Portion, or [●] Equity Shares which shall be available for allocation to Mutual Funds only, subject to valid Bids being received at or above the Issue Price
NBFC	Non-banking financial company
Net Issue	The Issue, less the UFSL Shareholder Reservation Portion
Net Proceeds	Proceeds of the Issue less Issue expenses. For further details regarding the use of the Net Proceeds and the Issue expenses, see "*Objects of the Issue*" on page 71
Net QIB Portion	The QIB Portion less the number of Equity Shares allocated to the Anchor Investors
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	Portion of the Issue being not more than 15% of the Net Issue consisting of [●] Equity Shares which shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price
Non-Resident	Person resident outside India, as defined under FEMA
Pre-IPO Placement	A pre-Issue placement of Equity Shares by our Bank, in consultation with the BRLMs, for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and the Pre-IPO Placement will be completed

Term	Description
	prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank
Price Band	Price band of a minimum price of ₹[●] per Equity Share (Floor Price) and the maximum price of ₹[●] per Equity Share (Cap Price) including any revisions thereof The Price Band and the minimum Bid Lot size for the Issue will be decided by our Bank in consultation with the Book Running Lead Managers, and will be advertised, at least two Working Days prior to the Bid/ Issue Opening Date, in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper (Hindi also being the regional language of New Delhi, where our Registered Office is located), each with wide circulation and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	Date on which our Bank in consultation with the BRLMs, will finalise the Issue Price
Prospectus	Prospectus to be filed with the RoC after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, *inter alia*, the Issue Price, the size of the Issue and certain other information, including any addenda or corrigenda thereto
Public Issue Account	Bank account to be opened with the Public Issue Account Bank, under Section 40(3) of the Companies Act, 2013 to receive monies from the Escrow Account and ASBA Accounts on the Designated Date
Public Issue Bank(s)	A bank which is a clearing member and registered with SEBI as a banker to an issue and with which the Public Issue Account will be opened, in this case being [●]
QIB Portion	The portion of the Issue (including the Anchor Investor Portion) being not less than 75% of the Net Issue consisting of [●] Equity Shares which shall be available for allocation to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Issue Price or Anchor Investor Issue Price (for Anchor Investors)
Qualified Institutional Buyers or QIBs or QIB Bidders	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	Red Herring Prospectus to be issued in accordance with Section 32 of the Companies Act, 2013 and the provisions of the SEBI ICDR Regulations, which will not have complete particulars of the Issue Price and the size of the Issue, including any addenda or corrigenda thereto. The Red Herring Prospectus will be registered with the RoC at least three Working Days before the Bid/Issue Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	Account to be opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount to the Bidders shall be made
Refund Bank(s)	Banker(s) to the Issue and with whom the Refund Account will be opened, in this case being [●]
Registered Brokers	Stock brokers registered under SEBI (Stock Brokers) Regulations, 1992, as amended with the Stock Exchanges having nationwide terminals, other than the BRLMs and the Syndicate Members and eligible to procure Bids in terms of Circular No. CIR/ CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	Agreement dated August 14, 2019 entered amongst our Bank and the Registrar to the Issue, in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to the Issue
"Registrar and Share Transfer Agents" or "RTAs"	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations as per the list available on the websites of BSE and NSE, and the UPI Circulars
"Registrar to the Issue" or "Registrar"	Karvy Fintech Private Limited (Formerly known as KCPL Advisory Services Private Limited)
"Retail Individual Bidder(s)" or "RIB(s)"	Individual Bidders, who have Bid for the Equity Shares for an amount not more than ₹200,000 in any of the bidding options in the Issue (including HUFs applying through their Karta and Eligible NRIs)
Retail Portion	Portion of the Issue being not more than 10% of the Net Issue consisting of [●] Equity Shares which shall be available for allocation to Retail Individual Bidders (subject to valid Bids being received at or above the Issue Price)
Revision Form	Form used by the Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA Form(s) or any previous Revision Form(s) QIB Bidders and Non-Institutional Bidders are not allowed to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders and the Eligible UFSL Shareholders Bidding in the UFSL Shareholder Reservation Portion can revise their Bids during the Bid/ Issue Period and withdraw their Bids until Bid/ Issue Closing Date
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA services, (i) in relation to ASBA, where the Bid Amount will be blocked by authorising an SCSB, a list of which is available on the website of SEBI at www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time, (ii) in relation to RIBs using the UPI Mechanism, a list of which is available on the website of SEBI at https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 or such other website as updated from time to time

Term	Description
	Applications through UPI in the Issue can be made only through the SCSBs mobile applications (apps) whose name appears on the SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI mechanism is provided as Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019. The said list shall be updated on SEBI website
Specified Locations	Bidding Centres where the Syndicate shall accept ASBA Forms from Bidders
Sponsor Bank	[•], being a Banker to the Issue, appointed by our Bank to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the RIBs using the UPI and carry out other responsibilities, in terms of the UPI Circulars
"Syndicate" or "Members of the Syndicate"	Together, the BRLMs and the Syndicate Members
Syndicate Agreement	Agreement to be entered amongst our Bank, the Book Running Lead Managers, the Syndicate Members and the Registrar to the Issue, in relation to collection of Bids by the Syndicate
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [●]
Systemically Important Non-Banking Financial Company	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
UFSL Shareholder Reservation Portion	The portion of the Issue being up to [●] Equity Shares aggregating up to ₹1,200 million, available for allocation to Eligible UFSL Shareholders, on a proportionate basis
Underwriters	[●]
Underwriting Agreement	Agreement to be entered amongst our Bank and the Underwriters to be entered into on or after the Pricing Date but prior to filing of the Prospectus with the RoC
UPI	Unified payments interface which is an instant payment mechanism, developed by NPCI
UPI Circulars	The SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 and any subsequent circulars or notifications issued by SEBI in this regard
UPI ID	ID created on the UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the RIB by way of a notification on the UPI linked mobile application as disclosed by SCSBs on the website of SEBI and by way of an SMS on directing the RIB to such UPI linked mobile application) to the RIB initiated by the Sponsor Bank to authorise blocking of funds on the UPI application equivalent to Bid Amount and subsequent debit of funds in case of Allotment
UPI Mechanism	The bidding mechanism that may be used by an RIB in accordance with the UPI Circulars to make an ASBA Bid in the Issue
Working Day	All days on which commercial banks in Mumbai are open for business. In respect of announcement of Price Band and Bid/Issue Period, Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. In respect of the time period between the Bid/ Issue Closing Date and the listing of the Equity Shares on the Stock Exchanges, Working Day shall mean all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Technical/Industry Related Terms/Abbreviations

Term	Description
ABOEP	Annual Banking Outlet Expansion Plan
ANBC	Adjusted Net Bank Credit
ALM	Asset Liability Management
ACR	Automated Cash Recycler
Asset Centres	The asset financing branches of UFSL that were acquired pursuant to the Business Transfer Agreement and where banking operations are yet to commence
ATM	Automated Teller Machine
Banking Outlet	As defined under RBI's Statement on Developmental and Regulatory Policies released on April 6, 2017, a banking outlet is a fixed point service delivery unit, manned by either bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week
Banking Regulation Act	Banking Regulation Act, 1949, as amended
BC	Business Correspondent
CAR	Capital Adequacy Ratio

Term	Description
CASA	Current Account Savings Account
CIC	Credit Information Companies
CLSS	Credit Linked Subsidy Scheme
CMS	Cash Management Services
Cost of Funds	Cost of funds is interest expense divided by average interest-bearing liabilities calculated on the basis of month end balances
CRAR	Capital-to-Risk Weighted Asset Ratio
CRR	Cash Reserve Ratio
CRWA	Capital Risk Weighted Assets
DOSP	DOSP – Domestic other service provider
EIR	Effective Interest Rate
GLP	Gross Loan Portfolio
Gross Advances (including securitization / IBPC)	Total loan book outstanding of our Bank including portfolio under securitization / IBPC and provision on NPAs
HFCs	Housing Finance Companies
IBPC	Inter-Bank Participation Certificate
IMPS	Immediate Payment Service
IT	Information Technology
LAP	Loan Against Property
Loan Yield	Loan yield is interest income divided by average of gross interest-earning advances
MACC	Mutually Agreed Code of Conduct
MCLR	Marginal Cost of Funds based Lending Rate
MFIN	Microfinance Institutions Network
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
MUDRA	Micro Units Development and Refinance Agency Limited
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NBFC – MFI	Non-Banking Financial Company – Microfinance Institutions
Net Advances	Gross Advances (including securitization / IBPC) less securitization, IBPC and provision on NPAs
Net Interest Income	Net interest income is difference of total interest earned and total interest expended
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
NPA	Non-Performing Assets
PFRDA	Pension Fund Regulatory and Development Authority
PCR	Provision Cover Ratio
PMAY-G	Pradhan Mantri Awas Yojana – Gramin
PMAY-U	Pradhan Mantri Awas Yojana – Urban
POS	Point of Sale
PSL	Priority Sector Lending
PSLC	Priority Sector Lending Certificate
QR Code	Quick response code
RERA	Real Estate (Regulation and Development) Act, 2016
Return on Assets (ROA)	Our Bank's profit after tax as restated divided by average total assets for the specified period/year
Return on Average Assets	Return on average assets is the ratio of the net profit after tax to the average assets
Return on Average Equity	Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves excluding revaluation reserves)
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 Payment Banks in the Private Sector dated January 01, 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 Bank dated October 6, 2016 issued by the RBI
SHG	Self-Help Group

Term	Description
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
Spread	Spread is the difference between Loan Yield and Cost of Funds
SRO	Self-Regulatory Organization
TASC	Trust, Association, Society and Club
TReDS	Trade Receivables Discounting System
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
UPI	Unified Payment Interface
Yield	Yield is interest income divided by average interest-earning assets

Conventional and General Terms or Abbreviations

Term	Description
₹/Rs./Rupees/INR	Indian Rupees
AIFs	Alternative Investments Funds
Basel Master Circular	Master Circular – Basel III Capital Regulations, RBI/2015-16/58, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015
Category I AIF	AIFs who are registered as "Category I Alternative Investment Funds" under the SEBI AIF Regulations
Category II AIF	AIFs who are registered as "Category II Alternative Investment Funds" under the SEBI AIF Regulations
Category II FPIs	FPIs who are registered as "Category II Foreign Portfolio Investors" under the SEBI FPI Regulations
Category III AIF	AIFs who are registered as "Category III Alternative Investment Funds" under the SEBI AIF Regulations
Category III FPIs	FPIs who are registered as "Category III Foreign Portfolio Investors" under the SEBI FPI Regulations
CCIL	Clearing Corporation of India Limited
CDSL	Central Depository Services (India) Limited
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CFO	Chief Financial Officer
CIN	Corporate Identity Number
Civil Code	The Code of Civil Procedure, 1908
Companies Act	Companies Act, 2013, along with the relevant rules made thereunder
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIN	Director Identification Number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as the Department of Industrial Policy and Promotion*)
DP ID	Depository Participant Identification
DP/ Depository Participant	Depository participant as defined under the Depositories Act
EBITDA	Earnings before interest (net), taxes, depreciation and amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign direct investment
FDI Policy	Consolidated Foreign Direct Investment Policy notified by the DPIIT through notification dated August 28, 2017 effective from August 28, 2017
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations there under
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017
FIMMDA	Fixed Income Money Market and Derivates Association of India
Financial Year/ Fiscal/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIR	First information report
FPI(s)	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI(s)	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAR	General Anti Avoidance Rules
Gazette	Gazette of India
GoI or Government or Central Government	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
IFSC	Indian Financial System Code
Ind AS/ Indian Accounting Standards	Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015

Term	Description
India	Republic of India
Indian GAAP/ IGAAP	Generally Accepted Accounting Principles in India
IPC	Indian Penal Code, 1860
IPO	Initial public offering
IRDAI	Insurance Regulatory and Development Authority of India
IST	Indian Standard Time
IT	Information Technology
IT Act	The Income Tax Act, 1961
KYC	Know your customer
Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
MCA	Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund (s)	Mutual Fund(s) means mutual funds registered under the SEBI (Mutual Funds) Regulations, 1996
N/A	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
NEFT	National Electronic Funds Transfer
NPCI	National Payments Corporation of India
NRI	Person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016 or an overseas citizen of India cardholder within the meaning of section 7(A) of the Citizenship Act, 1955
NRE Account	Non-resident rupee account
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Issue
p.a.	Per annum
P/E	Price/earnings
P/E Ratio	Price/earnings ratio
PAN	Permanent account number
PAT	Profit after tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 as repealed pursuant to the SEBI AIF Regulations
SFB	Small Finance Bank within the meaning of the SFB Licensing Guidelines
State Government	The government of a state in India
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
TAN	Tax deduction account number
U.S. Securities Act	U.S. Securities Act of 1933, as amended
U.S. QIBs	"Qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs"
U.S./USA/United States	United States of America
URCs	Unbanked rural centres
USD/US$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations
Wilful Defaulter	An entity or person categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in terms of regulation 2(1)(lll) of the SEBI ICDR Regulations

ISSUE DOCUMENT SUMMARY

The following is a general summary of the terms of the Issue and is neither exhaustive, nor purports to contain a summary of all the disclosures in this Draft Red Herring Prospectus, Red Herring Prospectus or Prospectus, or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including "Risk Factors", "Objects of the Issue", "Our Business", "Industry Overview", "Capital Structure", "The Issue", "Financial Statements", "Outstanding Litigation and Material Developments" ,"Issue Procedure" and "Description of Equity Shares and Terms of Articles of Association" on pages 21, 71, 98, 80, 61, 49, 187, 292, 325 and 338 respectively.

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

We are a mass market focused SFB, catering to unserved and underserved segments and committed to building financial inclusion in India. On October 7, 2015, UFSL received the RBI In-Principle Approval to set up an SFB, following which it incorporated our Bank, as a wholly-owned subsidiary. We obtained the RBI Final Approval on November 11, 2016 and commenced operations on February 1, 2017. In the short span of time that we have been operational as an SFB, we are among the leading SFBs in India in terms of deposits, branch count and geographical spread, as of March 31, 2019 (*Source: CRISIL Report*).

Name of Promoter

Ujjivan Financial Services Limited

Issue size

Issue of up to [●] Equity Shares for cash at a price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹12,000 million. The Issue shall constitute [●]% of the post-Issue paid up Equity Share capital of our Bank. The Issue includes a reservation of up to [●] Equity Shares, aggregating up to ₹1,200 million, for subscription by Eligible UFSL Shareholders. The UFSL Shareholder Reservation Portion shall not exceed [●]% of our post-Issue paid-up Equity Share capital.

The Issue less the UFSL Shareholder Reservation Portion is the Net Issue. The Net Issue shall constitute [●] % of the post-Issue paid up Equity Share capital of our Bank.

Objects of the Issue

The objects for which the Net Proceeds shall be utilised are as follows:

(In ₹ million)

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

(1) To be finalised upon determination of the Issue Price and updated in the Prospectus prior to filing with the RoC

Aggregate pre-Issue shareholding of our Promoter and Promoter Group as a percentage of our paid up Equity Share capital

The aggregate pre-Issue shareholding of our Promoter as a percentage of the pre-Issue paid-up Equity Share capital of the Bank is set out below:

Promoter	Number of Equity Shares held	Percentage of the pre-Issue paid-up capital (%)
UFSL*	1,440,036,800	100
Total	1,440,036,800	**100**

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G., as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

Our Promoter also holds 200,000,000 Preference Shares aggregating to 100% of the issued and paid-up Preference Share capital of the Bank as on the date of this Draft Red Herring Prospectus.

Other than UFSL, our Promoter, the Bank does not have a promoter group in terms of the SEBI ICDR Regulations.

Summary Financial Information

The details of our share capital, net worth, the net asset value per Equity Share and total borrowings as at June 30, 2019 and March 31, 2019, 2018, 2017, as per the Restated Financial Statements are as follows:

(₹ in million, except per share data)

Particulars	As at June 30, 2019	As at March 31,		
		2019	2018	2017
Share capital	14,400.37	14,400.37	14,400.37	14,400.37
Net worth	19,141.15	18,196.31	16,469.35	16,400.71
Net asset value per Equity Share	13.29	12.64	11.44	11.39
Total borrowings	39,460.68	41,660.90	38,528.45	62,914.04

The details of our total income, profit after tax and earnings per Equity Share (basic and diluted) for the quarter ended June 30, 2019 and for the Fiscals 2019, 2018 and 2017 as per the Restated Financial Statements are as follows:

	(₹ in million, except per share data) <table><tr><th rowspan="2">Particulars</th><th rowspan="2">For the quarter ended June 30, 2019</th><th colspan="3">For the period ended March 31,</th></tr><tr><th>2019</th><th>2018</th><th>2017</th></tr><tr><td>Total income</td><td>7,055.00</td><td>20,375.75</td><td>15,793.55</td><td>2,238.74</td></tr><tr><td>Profit after tax</td><td>944.84</td><td>1,992.18</td><td>68.63</td><td>0.35</td></tr><tr><td>Earnings per Equity Share</td><td></td><td></td><td></td><td></td></tr><tr><td>- Basic</td><td>0.66</td><td>1.20</td><td>0.05</td><td>0.00</td></tr><tr><td>- Diluted</td><td>0.66</td><td>1.20</td><td>0.05</td><td>0.00</td></tr></table>
Auditor qualifications which have not been given effect to in the Restated Financial Statements	The Restated Financial Statements do not contain any qualifications by the Statutory Auditor.
Summary table of outstanding litigations	A summary of outstanding litigation proceedings involving our Bank and Promoter and Directors as of the date of this Draft Red Herring Prospectus is provided below:

Litigation against our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	Nil(1)	Nil
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil
Outstanding actions by regulatory and statutory authorities	Nil	Nil

Litigation by our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	710	41.85
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil

Litigation against our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	Nil(2)	Nil
Material civil cases	1	Nil
Taxation matters	1(3)	4.23
Outstanding actions by regulatory and statutory authorities	1(4)	0.02
Disciplinary actions in the last five years	Nil	Nil

Litigation by our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	94	16.53
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil

Litigation against our Directors

Type of proceeding	Number of cases	Amount, to the extent quantifiable (in ₹ million)
Criminal cases	Nil	Nil
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil
Outstanding actions by regulatory and statutory authorities	Nil	Nil

1) *There are three FIRs and one private compliant filed by third parties against employees/ ex-employees in connection with actions taken by such individuals during the course of their employment with the Bank*
2) *There are five FIRs and one private complaint filed by third parties against employees/ ex-employees in connection with actions taken by such individuals during the course of their employment with the Promoter*
3) *In addition to the notice dated May 21, 2013 issued to the Promoter by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, under Section 18C of the Kerala Money-lenders Act, 1958*
4) *Notice dated May 21, 2013 issued to the Promoter by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, under Section 18C of the Kerala Money-lenders Act, 1958*

For further details, see "*Outstanding Litigation and Material Developments*" on page 292

Risk Factors

For details of the risks applicable to us, see "*Risk Factors*" on page 21

Summary table of contingent liabilities

The following is a summary table of our contingent liabilities as of March 31, 2019 and June 30, 2019:

(₹ in million)

Contingent Liabilities	As at March 31, 2019	As at June 30, 2019
Claims against the Bank not acknowledged as debts		
- Taxation (service tax)	4.22	4.23
- Other legal cases	1.88	2.30
Guarantees given on behalf of constituents	2.50	2.50
Other items for which Bank is contingently liable		
- Capital commitments not provided	231.81	295.14
- Others - cash collateral - securitization	68.12	68.12
- Amount transferred to Depositor Education and Awareness Fund	-	0.42
Total	**308.53**	**372.71**

For further details, see "*Financial Statements – Annexure 17 – Restated Statement of Contingent Liabilities"* on page 202

Summary of related party transactions

A summary of related party transactions entered into by our Bank with related parties are as follows:

(₹ in million, except per share data)

Particulars		For the quarter ended June 30, 2019	For the period ended March 31,		
			2019	2018	2017
Deposit	Promoter	1,232.96	1,215.44	-	1,000
	KMPs	29.58	30.84	65.84	1.19
	Others	68.87	84.31	20	-
Reimbursement of expenses - amount paid	Promoter	-	0.94	16.24	14.41
	KMPs	-	-	-	-
	Others	-	-	-	-
Reimbursement of expenses - amount received	Promoter	0.20	0.94	0.68	3.63
	KMPs	-	-	-	-
	Others	0.06	0.75	0.61	0.11
Intercompany transfer- amount received	Promoter	-	0.84	127.61	119.96
	KMPs	-	-	-	-
	Others	-	-	-	-
Intercompany transfer- amount paid	Promoter	-	1.09	0.53	-
	KMPs	-	-	-	-
	Others	-	3.42	-	-
Bank Contribution to Ujjivan Welfare and Relief Trust	Promoter	-	-	-	-
	KMPs	-	-	-	-
	Others	2.73	0.69	-	-
Interim Preference Dividend (excluding DDT)	Promoter	-	220	-	-
	KMPs	-	-	-	-
	Others	-	-	-	-
Interest Expense on Deposits	Promoter	25.29	48.03	60.91	0.18
	KMPs	3.58	2.74	1.55	-
	Others	1.48	3.21	0.02	-
Payment of Remuneration	Promoter	-	-	-	-
	KMPs	5.38	20.31	19.73	2.70
	Others	-	-	-	-
Rendering of services	Promoter	-	-	-	-
	KMPs	-	-	-	-
	Others	-	2.99	1.90	0.50
Capital	Promoter	-	-	-	16,400.37
	KMPs	-	-	-	-
	Others	-	-	-	-

	For further details, see "*Financial Statements*" on page 187
Details of all financing arrangements whereby the Promoter, members of the Promoter Group, the directors of our Promoter, our Directors and their relatives have financed the purchase by any other person of securities of the Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus	Our Promoter, the directors of our Promoter, our Directors and their relatives have not financed the purchase by any other person of securities of our Bank other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus. Other than UFSL, our Promoter, the Bank does not have a promoter group in terms of the SEBI ICDR Regulations.
Weighted average price at which the Equity Shares were acquired by our Promoter or selling shareholders, in the last one year	Not applicable as our Promoter has not acquired any Equity Shares in the last one year. There are no selling shareholders in the Issue.
Average cost of acquisition of Equity Shares of our Promoter	The average cost of acquisition of Equity Shares of our Promoter is as follows: **Name** / **Number of Equity Shares** / **Average cost of acquisition per Equity Share* (in ₹)** UFSL / 1,440,036,800 / 10 **As certified by our Statutory Auditors pursuant to the certificate dated August 14, 2019*
Size of the pre-IPO placement and allottees, upon completion of the placement	A Pre-IPO Placement of Equity Shares by our Bank, in consultation with the BRLMs, for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank.
Any issuance of Equity Shares in the last one year for consideration other than cash	Our Bank has not issued any Equity Shares in the last one year from the date of this Draft Red Herring Prospectus, for consideration other than cash
Any split/consolidation of Equity Shares in the last one year	Our Bank has not split or consolidated the face value of the Equity Shares in the last one year

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

Certain Conventions

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

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

Financial Data

Unless stated otherwise or the context otherwise requires, the financial data in this Draft Red Herring Prospectus is derived from the Restated Financial Statements prepared in accordance with the Companies Act, 2013, Indian GAAP and restated in accordance with the SEBI ICDR Regulations.

Our Bank's Financial Year commences on April 1 and ends on March 31 of the next year. Accordingly, all references to a particular Financial Year, unless stated otherwise, are to the 12 month period ended on March 31 of that year. Further, while our Bank was incorporated on July 4, 2016, we began our operations with effect from February 1, 2017. As a result, our financial statements for Fiscal 2017 reflect only two months of operations starting from February 1, 2017.

There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS. The Restated Financial Statements included in this DRHP are based on our audited financial statements for Fiscal 2017, 2018 and 2019 and the quarters ended June 30, 2018 and 2019, prepared in accordance with Indian GAAP. As a subsidiary of UFSL, a company listed on the Stock Exchanges, we are required to prepare select financial information in accordance with Ind AS from transition date April 1, 2017 onwards, for the limited purpose of consolidation with UFSL's financials. We have included in this DRHP reconciliation information between (i) our Bank's audited Indian GAAP financial statements for Fiscal 2019 with our Bank's audited Ind AS financial statements for Fiscal 2019 and (ii) our Bank's audited Indian GAAP financial statements for the three months ended June 30, 2019, with our Bank's Ind AS financial results for the three months ended June 30, 2019 subject to a limited review. Such reconciliation information has been presented as adjustments to total comprehensive income and total equity of our Bank under Indian GAAP. For details of the reconciliation of our financial information prepared as per Ind AS and Indian GAAP, see "*Reconciliation of Total Comprehensive Income*" on page 252.

Our Bank has not attempted to explain those differences or quantify their impact on the financial data included in this Draft Red Herring Prospectus and it is urged that you consult your own advisors regarding such differences and their impact on our Bank's financial data. For risks in this regard, see "*Risk Factor - Banking companies in India, including us, will be required to report financial statements under the Ind AS in the future. However, our Promoter, UFSL, reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UFSL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition."* and "*Risk Factor - Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition."* on pages 23 and 42, respectively. Accordingly, the degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting policies and practices, the Companies Act and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting policies and practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. Our Bank does not provide reconciliation of its financial information to IFRS or U.S. GAAP.

Unless the context otherwise indicates, any percentage amounts, as set forth in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 21, 98 and 260 respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of the Restated Financial Statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations.

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

Non-GAAP Financial Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (together, "**Non-GAAP Financial Measures**" and each, a "**Non-GAAP Financial Measure**") in this Draft Red Herring Prospectus, for example, in the chapter "*Selected Statistical Information*" on page 162. These Non-GAAP Financial Measures are not required by or presented in accordance with Indian GAAP. 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. However, note that these Non-GAAP Financial Measures and other statistical 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 small finance banks or financial services companies. See also Risk Factors – "*We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial 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.*" on page 31.

Currency and Units of Presentation

All references to:

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

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

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

Exchange Rates

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

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

Currency	As at			
	June 30, 2019(3)	March 31, 2019(2)	March 31, 2018(1)	March 31, 2017
1 USD	68.92	69.17	65.04	64.84

Source: RBI reference rate and www.fbil.org.in

(1)Exchange rate as on March 28, 2018, as RBI reference rate is not available for March 31, 2018, March 30, 2018 and March 29, 2018 being a Saturday and public holidays, respectively
(2)Exchange rate as on March 29, 2019, as RBI reference rate is not available for March 31, 2019 and March 30, 2019 being a Sunday and Saturday, respectively
(3)Exchange rate as on June 28, 2019, as RBI reference rate is not available for June 30, 2019 and June 29, 2019 being a Sunday and Saturday, respectively

Industry and Market Data

Unless otherwise indicated, industry and market data used throughout this Draft Red Herring Prospectus has been obtained or derived from the report titled '*Industry Report – Small Finance Bank (SFBs)*' dated July 2019 by CRISIL Limited which has been commissioned by our Bank, and which is subject to the following disclaimer:

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

For risks in this regard, see "*Risk Factors - Industry information included in this Draft Red Herring Prospectus has been derived from an industry report commissioned by us for such purpose. There can be no assurance that such third-party statistical, financial and other industry information is either complete, reliable or accurate*" on page 40.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Bank is conducted, and methodologies and assumptions may vary widely among different industry sources.

Accordingly, no investment decision should be made solely on the basis of such information. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" on page 21.

In accordance with the SEBI ICDR Regulations, "*Basis for the Issue Price*" on page 75 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and neither we, nor the BRLMs or any of their affiliates have independently verified such information. Accordingly, no investment decision should be made solely on the basis of such information.

Notice to Prospective Investors in the United States

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

Notice to Prospective Investors in the European Economic Area

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

Information to Distributors

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

FORWARD-LOOKING STATEMENTS

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

- Any inability to comply with stringent regulatory requirements and prudential norms applicable to our Bank may have an adverse effect on our business, results of operations, financial condition and cash flows.

- Our dependence on our micro banking business, particularly group loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows.

- 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 operations.

- Banking companies in India, including us, will be required to report financial statements as per Ind AS in the future. However, our Promoter, UFSL, currently reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UFSL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition.

- Given that we have a continuous requirement of funds, any 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 and financial condition.

- Our ability to compete effectively in the competitive Indian banking industry.

- Any inability to control the level of non-performing assets in our portfolio or any increase in RBI mandated provisioning requirements could adversely affect our business, financial conditions and results of operations.

- We have recently introduced several 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 new lines of business, which may materially and adversely affect our business prospects and impact our future financial performance.

- We rely extensively and continuously 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 business is dependent on our operations in certain regions of India, and any adverse changes in the conditions affecting these markets can adversely impact our business, financial condition and results of operations.

For further discussion of factors that could cause the actual results to differ from the expectations, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 21, 98 and 260, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated and are not a guarantee of future performance.

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

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

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all the information disclosed in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only risks relevant to us or the Equity Shares or the industry in which we currently operate. Additional risks and uncertainties, not presently known to us or that we currently deem immaterial may also impair our business prospects, results of operations and financial condition. 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", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 98, 162 and 260, respectively, as well as the other financial and statistical information included in this Draft Red Herring Prospectus. If any of the risks described below, or other risks that are not currently known or are currently deemed immaterial actually occur, our business prospects, results of operations and financial condition could be adversely affected, the trading price of the Equity Shares could decline, and investors may lose all or part of the value of their investment. The financial and other related implications of the risk factors, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where the financial impact is not quantifiable and, therefore, cannot be disclosed in such risk factors. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in this Issue.

This Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. Please see "Forward-Looking Statements" on page 19.

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, the financial information included herein is based on our Restated Financial Statements included in this Draft Red Herring Prospectus. Our Bank was incorporated on July 4, 2016, however, we began our operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities pursuant to receipt of the license to operate as a small finance bank. As a result, our financial statements for Fiscal 2017 reflect only two months of operations from February 1, 2017 to March 31, 2017. Accordingly, the financial and statistical data for Fiscal 2017 will not be comparable with information for Fiscal 2018 and 2019 and for the three months ended June 30, 2018 and 2019. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 187 and 260, respectively.

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

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Industry Report – Small Finance Bank (SFBs)" dated July 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, nor any other person connected with the Issue has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year.*

RISKS RELATING TO OUR BUSINESS

1. 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 Final Approval, SFB Licensing Guidelines and SFB Operating Guidelines require us to comply with certain conditions in order to operate our business, including, among others:

- we are required to be controlled by residents in accordance with FEMA at all times from the date of commencement of our operations;
- our Promoter is required to reduce its shareholding in our Bank to 40% of our paid-up Equity Share capital within a period of five years from the date of commencement of our business operations and thereafter required to reduce its shareholding in our Bank to 30% and 26% of our paid-up Equity Share capital within a period of 10 years and 12 years, respectively, from the date of commencement of our business operations;
- we are required to maintain a minimum paid-up Equity Share capital and a minimum net worth of ₹ 1,000 million;
- any change of our shareholding by way of fresh issue or transfer of shares to the extent of 5% or more of our equity share capital requires prior RBI approval;
- at least 25% of our total Banking Outlets have to be located in unbanked rural centres;
- the maximum loan size and investment limit exposure to a single and group obligor is to be restricted to 10% and 15% of our capital funds, respectively;
- at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹ 2.50 million;

- we are required to extend 75% of our ANBC to sectors eligible for PSL;
- our Equity Shares are required to get listed on the stock exchanges within three years from the date of commencement of business of our Bank, i.e., on or before January 31, 2020;
- a strategic non-promoter investor should not hold more than 20% or more of the share capital our Promoter at any time from the date of commencement of our business operations;
- 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, 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. 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. We are 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 and SLR), authorization of Banking Outlets, permissible exposures, requisite disclosures in financial statements, fraud classification and reporting, and periodic disclosure requirements (including in presentation of financial information and financial statements). All scheduled commercial banks (other than regional rural banks) are required to comply with the statutory reserve requirements prescribed by the RBI. Currently, scheduled commercial banks are required to maintain a CRR of 4% of their net demand and time liabilities ("**NDTL**") with the RBI, on which no interest is paid. Further, scheduled commercial banks are also required to maintain, under the current requirements, a SLR equivalent to 19.00% of their NDTL, to be invested in state or central government or other RBI-approved securities. 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 for which a banking company would require RBI approval. The RBI may also impose additional conditions on us, and may terminate our banking license, if we are unable to comply with applicable requirements.

Certain requirements that are applicable to SFBs in terms of the SFB Operating Guidelines and other banking laws and regulations are significantly more stringent in comparison to scheduled commercial banks and non-banking financial companies, and have and will continue to limit our revenue to ensure compliance. 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 would statutorily require us to place the shortfall amount in Rural Infrastructure Development Fund which would earn us a lower rate of interest compared to PSL advances. In case of any failure to comply with the applicable directives and reporting requirements or meet the prescribed prudential norms, the RBI may charge penalties, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals, in respect of any proposed actions for which we may seek RBI approval in the future, or even cancel our banking license in view of any major and/or sustained non-compliance.

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, purchase, construction and repair of residential buildings, setting up of and operating a treasury and adopting a robust asset liability management system, migration to a new or upgraded technology platform, digitalising 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 put 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.

2. We significantly depend on our micro banking business, particularly group loans, and any adverse developments in this segment could adversely affect our business, results of operations, financial condition and cash flows.

Our loan portfolio contains significant advances towards our micro banking segment, particularly through group loans. As of March 31, 2017, 2018, 2019 and June 30, 2019, advances in our micro banking business accounted for 97.50%, 92.55%, 84.67% and 81.97%, respectively, of our total Gross Advances (including securitization/ IBPC). As of March 31, 2017, 2018, 2019 and June 30, 2019, the percentage of our micro banking gross NPAs to total micro banking advances was 0.29%, 3.90%, 0.85% and 0.73%, respectively. Consequently, our financial performance significantly depends on our micro banking business, which in turn depends on various factors, including the ability of our borrowers to repay their loan, the results of operations of such borrowers and their business, changes in regulations and policies, natural disasters, calamities, political and social risks, including any adverse publicity or litigation relating to the microfinance sector (such as a public interest litigation filed against all microfinance institutions in Maharashtra), public criticism of the microfinance sector and religious beliefs relating to loans and interest payments. Microfinance loan customers are also susceptible to event-based risks, such as, demonetization and natural calamities like the Kerala floods and cyclone 'Gaja', which hampered microfinance borrowers' repayment ability. In addition, micro-loan customers are also exposed to regulatory change based risks, such as demonetisation and implementation of GST. Imposition of GST on leather goods and textiles affected the profitability in the sector, which, in turn affected the piece-rate leather workers in Agra and textile workers in Uttar Pradesh, some of whom were our microfinance customers. These and other factors could lead to an increase in impairment losses and adversely affect our business and results of operations.

Further, in our microfinance business, we rely primarily on non-traditional guarantee mechanisms rather than any tangible assets such as collateral, such as the joint liability group model. There can however be no assurance that such joint liability arrangements will ensure repayment by the other members of a joint liability group 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 decline in sales of, or in demand for our micro banking products could adversely affect our business, results of operations, financial condition and cash flows.

3. ***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 operations. Accordingly, our future results may not be reflective of our past performance. Further, we cannot effectively compare our financial statements for Fiscal 2017 with our financial statements for Fiscal 2018 and 2019 due to non-comparable reporting periods.***

We were incorporated on July 4, 2016 and began operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities. As a result of our limited operating history as an SFB, there is limited historical financial and operational information available to help prospective investors to evaluate our past performance as a commercial banking entity.

UFSL's total liability in respect of its indemnification obligations under the Business Transfer Agreement is limited to the purchase consideration under the agreement. Further, while all, amongst others, claims, proceedings and suits, in relation to UFSL as on the completion date, i.e., February 1, 2017, are required to be dealt with and managed by UFSL, our Bank is required to be liable for any payments which may become due on account of such matters. Similarly, where any payments become due and payable to UFSL pursuant to such matters, USFB will be entitled to receive payments in this regard. For further information, see "*Outstanding Litigation and Material Developments*" on page 292.

Our business in each sector and our business overall is growing and the results and amounts set forth in our financial statements may not provide a reliable indication of our future performance. Accordingly, investors should evaluate our business and prospects in light of the risks, uncertainties and difficulties frequently encountered by both high growth companies and banks that are in the early stages of development. Our failure to mitigate these risks and uncertainties successfully could materially adversely affect our business and operating results, and consequently result in a decline in the trading price of our Equity Shares.

Further, our financial statements for Fiscal 2017 only reflect operating activities for two month period from February 1, 2017 to March 31, 2017 while our financial statements for Fiscal 2018 and 2019 are for full 12-month periods. Accordingly, our financial statements for Fiscal 2017 are not comparable with our financial statements for Fiscal 2018 and Fiscal 2019 and for the three months ended June 30, 2018 and 2019. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 260.

4. ***Banking companies in India, including us, will be required to report financial statements as per Ind AS in the future. However, our Promoter, UFSL, currently reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UFSL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition.***

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. In compliance of such regulatory requirements, we have submitted proforma Ind AS financial statements for the quarter ended June 30, 2017 and subsequently, since June 2018 we have continued to submit such proforma Ind AS financial statements every quarter to the RBI. However, the RBI, through its notification dated March 22, 2019, decided to defer the implementation of Ind AS till further notice for all scheduled commercial banks (except regional rural banks). Under applicable regulations, scheduled commercial banks, including our Bank, are not permitted to early adopt Ind AS financial statements. Accordingly, we continue to prepare and present our financial statements only under Indian GAAP.

However, as a subsidiary of UFSL, our Promoter, which was required to prepare its financial statements in accordance with Ind AS with effect from April 1, 2018, we also prepared financial statements in accordance with Ind AS for the limited purpose of consolidation with UFSL's financial statements. Our Ind AS financial statements have not been made been publicly available, as these were only prepared for the limited purpose of consolidation with UFSL's financial statements. Since there is not a significant difference in our Bank's business operations and that of UFSL, there is not a significant difference between our Bank's financial condition and results of operations from that of UFSL. Consequently, our Bank's Ind AS financial information is to an extent indirectly publicly available, as may be derived from or reflected in the publicly available consolidated Ind AS financial information of UFSL.

Ind AS differs in many respects from Indian GAAP, and our financial statements prepared under Ind AS (for the limited purpose of inclusion in UFSL'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 it applies to our Bank include accounting of financial instruments, consolidation accounting, accounting of fee income, fair value of ESOP calculation, leasing and calculation of credit cost. 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. Investors should rely solely on our Restated Financial Statements, included in this DRHP and to be included in the RHP, for an assessment of our financial position. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements*" and "*Reconciliation of Total Comprehensive Income*" on pages 265 and 252, respectively.

The Restated Financial Statements included in this DRHP are based on our Indian GAAP audited financial statements for Fiscal 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019 which have been restated in accordance with the SEBI ICDR Regulations. We have therefore included in this DRHP reconciliation information between (i) our Bank's audited Indian GAAP financial statements for Fiscal 2019 with our Bank's audited Ind AS financial statements for Fiscal 2019 and (ii) our Bank's audited Indian GAAP financial statements for the three months ended June 30, 2019, with our Bank's Ind AS financial results for the three months ended June 30, 2019 subject to a limited review. Such reconciliation information has been presented as adjustments to total comprehensive income and total equity of our Bank under Indian GAAP. For further information, see "*Reconciliation of Total Comprehensive Income*" on page 252.

To the extent that the Ind AS financial information relating to our Bank can be indirectly derived from the consolidated Ind AS financial statements of UFSL as well as related investor presentations and investor interaction information made available publicly in the ordinary course by UFSL as a publicly listed entity, investors are cautioned against placing reliance on such Ind AS financial information relating to our Bank. Investors should rely solely on our Restated Financial Statements included in this DRHP and to be included in the RHP for an assessment of our financial position and any investment decision.

5. ***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 and financial condition.***

Historically, as an NBFC-MFI, UFSL raised majority of its funding requirements through a combination of term loans from banks and financial institutions and issuance of non-convertible debentures. However, post transitioning into an SFB, our primary source of funding has been deposits. As of March 31, 2019 and June 30, 2019, majority of our funding consists of retail deposits accounting for 37.07% and 43.09%, respectively, of our total deposits, with a CASA ratio of 10.63% and 10.39%, 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 refinance from NABARD and SIDBI 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 and financial condition. While we have 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.

The SFB Operating Guidelines exempt SFBs from the existing regulatory ceiling on inter-bank borrowings in respect to the loans availed as an NBFC-MFI till such loans mature or up to three years from commencement of operations, whichever is earlier. However, while the SFB Operating Guidelines provide an exemption with respect to legacy borrowings, any new borrowings made by us after commencing operations as an SFB, is subject to inter-bank borrowing limits, at par with scheduled commercial banks. The SFB Operating Guidelines also provide that the restrictions on loans and advances applicable to scheduled commercial banks will be applicable to SFBs as well. 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 will be required to be qualified as 'inter bank lending' and accordingly, our access to loans from banks and financial institutions will be limited. In addition, while banks in India are precluded from creating floating charges on its assets, any existing floating charge created on our assets pursuant to the Business Transfer Agreement have to be grandfathered till their maturity, 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 '*Ujjivan*' 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.

6. 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 small finance banks, NBFCs, microfinance institutions, 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 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 network and better access to, and lower costs of funding than we do. Further, recently, the RBI has stated that it will issue draft guidelines for on-tap licensing of SFBs, which will allow applicants to apply for the SFB license at any time and in return, increase competition for us. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. 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 117.

7. If we are not able to control the level of non-performing assets in our portfolio or any increase in RBI mandated provisioning requirements could adversely affect our business, financial conditions and results of operations.

As of March 31, 2019 and June 30, 2019, our gross NPAs were ₹ 978.51 million and ₹ 957.75 million, respectively, representing 0.92% and 0.84%, respectively, of our gross advances, while our NPAs (net of provisions) were ₹ 275.48 million and ₹ 291.23 million, respectively, representing 0.26% and 0.26%, respectively, of our Net Advances as of such periods. Our NPAs may increase in the future, due to several factors, including 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 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 accurate, properly designed, or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are accurate and appropriate, we may 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 and results of operations.

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 any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. Our provision cover ratio (including technical write-offs) was 71.90% and 69.64% in Fiscal 2019 and the three months ended June 30, 2019, respectively, and there can be no assurance that our provision coverage 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. Further, we employ and monitor third party collection agencies and non-performance by them may lead to further delinquencies and increase NPAs. This increase in provisions may adversely impact our financial performance. While we have already made provisions for NPAs, there can be no assurance that the transition to Ind AS, which would result in computing provisions on the basis of the expected credit loss method as against the current method for incurred credit loss, 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 and results of operations and as a result, our return ratios may not be consistent with our previous performance.

8. ***We have recently introduced several 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 several new products and services, such as personal loans, vehicle, agriculture loans and certain products of MSE loans and affordable housing loans. For further information, see "*Our Business – Description of our Business – Our Product Portfolio"* on page 105. 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 personal loans, agriculture loans and vehicle loans as well as in certain products of MSE loans and affordable housing loans, and certain of our competitors may have a longer operating history and more experience as compared to us in these businesses. 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 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.

We will have limited experience in the new lines of business and asset segments that are targeted at a different customer segment, and may encounter additional risks by entering into such new lines of business including management and market-related risks. We cannot assure 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 commercial banks, housing finance companies and other NBFCs that are already well established in this market segment. Further, new businesses will require significant capital investment and commitment of time from our senior management. There also 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.

9. ***We rely extensively on and continuously 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 are a critical part of our business that help us manage, among other things, our risk management, financial controls, transaction processing, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services. See "*Our Business – Information Technology"* on page 116. Our business is also dependent on us constantly introducing new and upgrading our existing information technology systems. Our front end, data processing, and back-end operations are automated. As a result, 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 regional or zonal information to 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 both 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 have a lack of 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 although we have taken adequate measures to safeguard against system-related and other failures, we cannot assure you that we will be able to prevent 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. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that instances of IT infringements and security breaches will not take place in the future or that our security measures will be adequate or successful. For instance, a breach in a third-party software system used to store data for certain microfinance customers and the resultant crash in October 2018 led to data loss, and was subsequently reported to the RBI. Failed security measures could have a material adverse effect on our business, our future financial performance and the trading price of the Equity Shares. Any such security breaches or compromises of technology systems 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 companies to set up IT infrastructure and have established new technology enabled centralized processing units. If our IT vendors are unable to fulfil their contractual obligations or 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. 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 a recent judgement, held that private entities will be barred from using Aadhaar numbers for e-KYC authentication purposes. Pursuant to a recent amendment to the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, which was effected after the Supreme Court judgment, entities will be able to carry out e-KYC subject to meeting certain specific conditions, including compliance with such standards of privacy and security as may be prescribed. Further, entities are allowed to carry out e-KYC only if they are permitted to offer authentication services under any other law, or if such authentication is for certain specified purposes, as the central government may prescribe. These developments are expected to severely impact banking and fintech companies, requiring them to rely on alternate means for authentication which may not be as streamlined or cost efficient.

10. Our business is dependent on our operations in certain regions of India, and any adverse changes in the conditions affecting these markets can adversely impact our business, financial condition and results of operations.

While our operations are spread out in all four zones of the country, a large number of our Banking Outlets are located in the southern and eastern states of India, particularly, Karnataka, Tamil Nadu and West Bengal. Consequently, a majority of our advances are from customers in these states. As of March 31, 2019 and June 30, 2019, 45.01% and 45.21%, respectively, of our Gross Advances (including securitization/ IBPC) were contributed by these states. For further information in relation to our geographical outreach, see "*Our Business – Our Operations – Regional Concentration*" on page 177.

In the event of a regional slowdown in the economic activity in Karnataka, Tamil Nadu or West Bengal, or any other developments including political unrest, disruption or sustained economic downturn in these regions that make our products in these states less beneficial, we may experience an adverse impact on our financial condition and results of operations, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economies of these states. The market for our products in these states 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 these regions.

11. 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 "*Ujjivan*" or to our reputation could substantially impair our ability to maintain or grow our business, or have a material adverse effect on our overall business, financial condition, results of operations and cash flows. We are currently using the word mark, '*Ujjivan*', pursuant to a license agreement dated August 22, 2017 entered between our Promoter, UFSL, the original adopter and owner of the trademark, and us. Further, the license agreement permitted us to create derivatives of the licensed trademarks. In addition, pursuant to another trademark licensing agreement, our Promoter, UFSL, is permitted to use certain licensed trademarks owned and developed by us only for purposes specifically permitted by us. Further, UFSL is also permitted to develop variations/ derivations of these licensed trademarks under our supervision and any use of such variations/ derivations shall be subject to our prior written approval. Accordingly, any negative publicity on UFSL could therefore, adversely affect our brand 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 whom we have limited control over. 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 some of the terms coined by us, like *"Ujjivan - DigiBuddy*" (under classes 16, 35 and 36) and *"Ujjivan MicroBanking"* (under classes 16, 35, 36 and 41). Currently, our corporate logo is for which an application for registration has been made with the trademark registry under classes 16, 35, 36 and 41. Our domain name "*ujjivansfb.in*" has been registered with the trademark registry as a word mark in classes 16, 35, 36 and 41. In addition, we have recently applied for trademark registration for "*Ujjivan Sampoorna Family Banking*" (word and logo). There can be no assurances that these applications will be registered and we will be able to gain trademark protection over key business names. For further information, see "*Our*

Business – Intellectual Property" on page 306. Moreover, we might 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 and results of operations.

12. ***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.***

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 strive to monitor, detect and prevent fraud or misappropriation by our employees, through various internal control measures and insurance coverage, 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, assault and misappropriation committed by or involving our customers/ employees. Such acts could also bind us to transactions that exceed authorised limits or present unacceptable risks or hiding 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 forging of signatures, asking for bribe and negligence in relation to verifying original KYC documents. We have taken severe actions against our employees in regards to such instances, including, termination, suspension, show cause notice, counselling and initiation of legal proceedings before relevant authorities. For further information, see " *Outstanding Litigation and Material Developments*" and "*Financial Statements*" on pages 292 and 187, respectively.

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 agents or 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.

13. ***Non-compliance with RBI inspection/ observations 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 or results of operation.***

We are subject to periodic inspections by the RBI under the Banking Regulation Act and the RBI Act, pursuant to which, the RBI advises on issues related to various risk and regulatory non-compliances. For instance, during the recent inspection conducted between January and February 2019, for Fiscal 2018, RBI has made certain observations regarding our business and operations in relation to, amongst others, (i) the lack of a system to tag PSL advances, miscategorising of PSL advances, and earning of processing fees on PSL loans; (ii) lack of a rating methodology to assess borrowers; (iii) high proportion of bulk deposits, and concentration of deposits in our top 20 depositors; (iv) liability products being offered from certain Asset Centres without RBI approval; (v) lack of a fraud management system, weak customer grievances redressal mechanism and deficiencies in AML and KYC protocols; (vi) the rate of interest mentioned in certain sanction letters being different from those mentioned in the loan agreements; (vii) discriminatory interest rate on a particular date for deposit of the same tenor and same amount; (viii) non-optimising of core banking software customised for micro-loans; and (ix) the lack of an independent compliance department. While we have responded to such observations and addressed them, and moreover for certain observations even provided a timeline by which they would be resolved, we cannot assure you that the RBI will not make similar or other observations including divergences in the future and in the event we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, the RBI may initiate adverse observations/ remarks against us. Imposition of any penalty or adverse findings by the RBI during ongoing or any future inspections may have an adverse effect on our business, results of operations, financial condition and reputation.

14. ***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 and results of operations.***

We are dependent on a limited customers for a substantial portion of our deposits. Our 20 largest depositors accounted for 41.84% of our total deposits in Fiscal 2019. Reduction or loss of such deposit accounts 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 predictable or under our control. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition and results of operations. Our clients 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 and results of operations could be materially and adversely affected.

15. ***All our Banking Outlets and Asset Centres along with our Registered Office and Corporate Office are on leased premises and we are also in the process of entering into new lease arrangements for our proposed Banking Outlets. Any inability on our part to identify suitable premises or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations.***

As of June 30, 2019, our operations were spread across 24 states and union territories through 474 Banking Outlets including 120 Banking Outlets in URCs, and 50 Asset Centres, all located on leased premises. Further, our Registered Office and Corporate Office are also located on leased premises. In addition, we intend to gradually open additional Banking Outlets on leased premises in the future. We are currently in the process of identifying such premises and entering into lease agreements. 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, 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, Asset Centres, Registered Office and Corporate Office and incur additional costs in 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 disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations 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. Although we procure space that satisfies the safety, operational and financial criteria for our Banking Outlets, we cannot assure you that we will be able to identify such space at commercially reasonable terms or at all.

16. ***Our micro banking loan portfolio, personal loans, and certain categories of our MSE loans 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 micro banking loans are offered through our micro banking business, for example, to individuals and families to assist in starting home-based businesses and to invest in income-generating activities. Certain categories of our personal loans and MSE loans are at higher credit risk than secured loan portfolios because they may not be supported by realisable collateral that could help ensure an adequate source of repayment for the loan. As of March 31, 2019, micro banking loans, personal loans and unsecured MSE loans contributed 84.67%, 0.10%, and 1.64%, respectively, of our total advances, while as of June 30, 2019, micro banking loans, personal loans and unsecured MSE loans contributed 81.97%, 0.31%, and 1.34%, respectively, of our total advances. We may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our micro banking loan portfolio, personal loans portfolio or MSE loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings.

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

Litigation against our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable *(₹ million)*
Criminal cases	Nil[(1)]	Nil
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil
Outstanding actions by regulatory and statutory authorities	Nil	Nil

Litigation by our Bank

Type of proceeding	Number of cases	Amount, to the extent quantifiable *(₹ million)*
Criminal cases	710	41.85
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil

Litigation against our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable *(₹ million)*
Criminal cases	Nil[(2)]	Nil
Material civil cases	1	Nil
Taxation matters	1[(3)]	4.23
Outstanding actions by regulatory and statutory authorities	1[(4)]	0.02
Disciplinary actions in the last five years	Nil	Nil

Litigation by our Promoter

Type of proceeding	Number of cases	Amount, to the extent quantifiable *(₹ million)*
Criminal cases	94	16.53
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil

Litigation against our Directors

Type of proceeding	Number of cases	Amount, to the extent quantifiable *(₹ million)*
Criminal cases	Nil	Nil
Material civil cases	Nil	Nil
Taxation matters	Nil	Nil
Outstanding actions by regulatory and statutory authorities	Nil	Nil

1. *There are three FIRs and one private compliant filed by third parties against employees/ ex-employees in connection with actions taken by such individuals during the course of their employment with the Bank*
2. *There are five FIRs and one private complaint filed by third parties against employees/ ex-employees in connection with actions taken by such individuals during the course of their employment with the Promoter*
3. *In addition to the notice dated May 21, 2013 issued to the Promoter by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, under Section 18C of the Kerala Money-lenders Act, 1958*
4. *Notice dated May 21, 2013 issued to the Promoter by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, under Section 18C of the Kerala Money-lenders Act, 1958*

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

Pursuant to the Business Transfer Agreement, our Promoter, UFSL is responsible for all claims by employees until the completion date under the agreement, i.e., February 1, 2017, including any payment of costs, expenses, damages and liabilities in this regard. However, our Bank is required to be liable for any payments which may become due on account of all other claims, proceedings, suits etc., in relation to our Promoter which were pending as on the completion date (i.e., February 1, 2017) under the Business Transfer Agreement.

For further information, see "*Outstanding Litigation and Material Developments*" on page 292.

18. ***Our inability to expand our Banking Outlets network, ATMs or manage our infrastructure or if we are unable to attract new customers may adversely affect our business, results of operations, financial condition and cash flows.***

We have a large and diverse Banking Outlet and Asset Centre network across India. As of June 30, 2019, we operated in 474 Banking Outlets that included 120 in URCs of which seven were business correspondents and additionally operated 50 Asset Centres across 24 states and union territories in India. In Fiscal 2019, we operationalized 287 Banking Outlets in India including 150 Banking Outlets in URCs and rural and semi-urban areas. We intend to grow our network of Banking Outlets in our existing markets and new markets in India and attract new customers. We have incurred substantial expenditure in setting up such Banking Outlets. Our newly opened Banking Outlets may not be profitable immediately upon their opening or may take time to break even. In the event of a delay in achieving break even by the newly opened Banking Outlets within a reasonable period as envisaged by us, our profitability may be affected. We have also increased our number of ATMs from 12 as of March 31, 2017 to 385 as of March 31, 2019 and 387 ATMs (including nine ACRs) as of June 30, 2019. 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. However, we cannot assure you that we will succeed in implementing such strategies, as their successful implementation is subject to many factors beyond our control. Factors such as competition and customer requirements, in these new markets may differ from those in our existing markets. 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.

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. 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.

19. ***We have in this Draft Red Herring Prospectus included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial 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 Draft Red Herring Prospectus. For further information, see "*Selected Statistical Information*" on page 162. 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. 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.

20. ***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. Changes in asset prices may cause the value of our collateral to decline. Further, as part of our strategy, we intend to increase the proportion of secured to unsecured products in our MSE and affordable housing segments, thereby further exposing us to the risk involving value and enforcement of collaterals. Our secured advances have grown from ₹ 1,169.77 million as of March 31, 2017 (which constituted 1.83% of our Gross Advances (including securitization/ IBPC)) to ₹ 15,014.62 million as of March 31, 2019 (which constituted 13.59% of our Gross Advances (including securitization/ IBPC)) and were ₹ 19,371.97 million as of June 30, 2019 (which constituted 16.44% of our Gross Advances (including securitization/ IBPC)).

While we factor in any reduction in value to an extent, it may not be sufficient if the value of the collateral reduces substantially. This is particularly applicable in situation where the advances are secured by highly depreciating fixed assets such as, amongst others, vehicles. As a result, if our customers default, we may receive less money from liquidating the collateral than is owed under the relevant financing facility, and incur losses, even in cases where we are able to successfully seize and liquidate the collateral. Our group loan products are built on the peer-guarantee loan model, wherein borrowers form a joint liability group 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. Though members of a joint liability group are inter-dependent, there can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of the joint liability group in the event of default by any one of them. Further, individual loans, which are not based on the joint liability group model, impose a higher risk on us in terms of our ability to recover the loan amount. In addition, the collateral for our secured MSE loans and affordable housing 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 as well as the fact that there is no centralized land title registry in India. 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.

21. ***Our business is particularly 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 upon the nature of gaps in rate sensitive assets and rate sensitive liabilities. Any change in interest rates or their volatility would affect our interest expense on our interest-bearing liabilities as well as 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 Fiscal 2017, 2018, 2019 and in the three months ended June 30, 2019, interest expended represented 48.86%, 38.59%, 39.45% and 41.39%, respectively, of our total expenses. In Fiscal 2017, 2018, 2019 and in the three months ended June 30, 2019, our Net Interest Margins were 8.36%, 10.31%, 10.93% and 10.51%, respectively. For further information, see "*Selected Statistical Information"* on page 162.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, which have historically generated a relatively high degree of volatility in interest rates in India. In the event of an increase in the interest rates that we are required to pay on our borrowings, we cannot assure you that we will be able to pass such increased costs to our customers. Further, to the extent our borrowings are linked to market interest rates which increase, or to the extent we are unable to supplement our sources of liquidity with deposits from our customers, we may have to pay interest on our borrowings at a higher rate. Our inability to effectively manage interest rate risk may cause our Net Interest Income and Net Interest Margins to decline, which may adversely affect our business, result of operations, financial condition and cash flows.

The requirement that we maintain a portion of our assets in fixed income government securities could also have a negative impact on our Net Interest Income and Net Interest Margins since we typically earn interest on this portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. We are also exposed to interest rate risk through our treasury operations when we commence trading in securities. Any rise in interest rates or any greater interest rate volatility could adversely affect our income from treasury operations. In addition, any change in the volume of business in our treasury operations and profitability, could have an adverse impact on the overall profitability of the Bank.

22. ***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 principal risks defined under applicable Basel II guidelines, i.e., credit risk, market risk, operational risk, information technology risk and liquidity risk. While we believe we have a well-defined risk management governance framework that comprises of a risk management committee of our Board and management sub committees for management of credit, market, liquidity, information technology and operational risk, to the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures, in particular to market environments or against particular types of risk. We have devoted significant resources to develop our risk management policies and procedures and aim to continue to devote such resources in the future. See "*Our Business - Risk Management*" on page 114. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based upon 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 and results of operations.

We intend to continue to periodically test and update our risk management functions. However, 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.

23. 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 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. Remittances are increasingly required to be covered under our scrutiny and monitoring. 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 regularly adopt policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. In addition, there may be significant inconsistencies in the manner in which specific operational and KYC/AML/CFT policies are actually interpreted and implemented at an operational level in each of the Banking Outlet 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 continue to strengthen our AML and KYC 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.

24. 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 and financial conditions.

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, 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 or payment of dividend in case of default, and amending constitutional documents. Further, under certain financing agreements, we are required to maintain specific credit ratings and if we fail to do so, it would result in an event of default. We are also required to maintain certain financial ratios and ensure compliance with regulatory requirements such as maintenance of capital adequacy ratios, qualifying asset norms and ensure positive net worth. Failure to comply with such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. Some of our lenders are also entitled to appoint directors on the Board of our Bank.

In addition, our lenders may recall all or part of such unsecured amounts borrowed by us on short or no notice. Such recalls on borrowed amounts may be contingent upon happening of an event beyond our control and there can be no assurance that we will be able to persuade our lenders to give us extensions or to refrain from exercising such recalls which may adversely affect our 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.

25. ***We do not have certain supporting documents for the educational qualifications included as a part of the biography of one of our Key Managerial Personnel included in the "Our Management" section of this Draft Red Herring Prospectus.***

We do not have certain documents supporting the educational qualification of one of our Key Managerial Personnel, namely, Rajat Singh. The said Key Managerial Personnel is unable to trace the copy in his records and has therefore, applied to the relevant educational institution for obtaining copies of the supporting documents, a response in this regard is awaited. In absence of such documents, we have provided disclosure in this DRHP based on an affidavit provided by him. Therefore, we have been unable to independently verify and cannot assure you that such information relating to the educational background of the said Key Managerial Personnel included in the section "*Our Management*" on page 133, is complete, true and accurate.

26. ***Our inability to grow our CASA ratio may result in higher cost of deposits and impact our financial condition.***

As of March 31, 2019 and June 30, 2019, the share of CASA to total deposits ratio was at 10.63% and 10.39%, respectively. We may not be able to grow our CASA deposits and 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.

27. ***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 seek prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5% 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 Regulations Act read with gazette notification dated 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.

Further, any acquisition of shareholding/voting rights of 5% or more of the paid-up capital of the bank or total voting rights of the bank shall be subject to obtaining prior approval from the RBI. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5% of our total voting rights from exercising voting rights in excess of 5%, if such person is deemed to be not fit and proper by the RBI. For details, see "*Key Regulations and Policies*" on page 120.

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

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 phone banking services and licenses from other regulatory authorities, such as the IRDAI and PFRDA, for distribution of insurance or pension products. Our RBI In-Principle Approval and RBI Final Approval also require us to comply with certain terms and conditions. In the event that we are unable to comply with any or all of these terms and conditions, or seek waivers or extensions of time for complying with these terms and conditions, it is possible that the RBI may revoke this license or may place stringent restrictions on our operations. 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 and renew our existing ones, which expire from time to time. In the event that we are unable to renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

In addition, we are required to obtain certain approvals, including shops and establishment licenses, trade licenses, contract labour registration, employee provident fund and tax registrations. See "*Government and Other Approvals"* on page 304. 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.

29. 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 and financial condition.

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 vehicle loans, principally focuses on first time users who have limited access to capital through formal banking channels and housing finance focuses on relatively small ticket loans and the affordable housing segment. Further, MSE advances are eligible to be classified as PSL loans only if requisite documentation is provided by the borrower to attest to its investment in plant and machinery, and if such documents are not submitted, MSE loans cannot be classified as PSL compliant. A significant majority of our customers belong to the low income group and may not have any credit history supported by tax returns, credit card statements, statements of previous loan exposures or other related documents. They may also have limited formal education, and 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. Although, we believe that our risk management controls are stringently applied, there can be no assurance that they 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. Further, 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. Although our micro banking business operates through a system of joint liability, and certain of our MSE finance business involve collaterals, we may still be exposed to defaults in payment, which we may not be able to recover in full. If our borrowers fail to repay loans in a timely manner or at all, our financial condition and results of operations will be adversely impacted.

30. 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 fee and commission based services was ₹ 105.86 million, ₹ 792.05 million, ₹ 1,394.57 million and ₹ 453.44 million in Fiscal 2017, 2018, 2019 and in the three months ended June 30, 2019, respectively and contributed 4.73%, 5.02%, 6.84% and 6.43%, respectively, of our total income, in the same periods. Our fee and commission based activities include distribution of third party insurance and bancassurance. Further, as part of our growth strategy, we intend to focus on increasing our non-interest income by focusing on bancassurance, fee and processing charges from loan and advances, foreign exchange business, credit and debit card business. 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 and results of operations.

31. 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.

While we are covered by a range of insurance that we believe is consistent with industry practice in India and in accordance with the guidelines provided by RBI to cover risks associated with our business, we cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. For instance, we maintain a group health insurance policy, group personal accident insurance policy, group life insurance policy, workmen's compensation policy, burglary policy, standard fire and perils policy, directors' and officers' liability policy and special perils policy. 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.

32. 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 continued success of our business operations is attributable to 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 details in relation to the experience of our key managerial personnel, see "*Our Management*" on page 133. 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. For instance, Samit Kumar Ghosh, our Managing Director and Chief Executive Officer, will be retiring in Fiscal 2020. Further, 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. In Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, our attrition rate was 18.08%, 20.26% and 26.51%, respectively. 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.

33. 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 online banking services to our customers. Our online banking channel includes multiple services such as electronic funds transfer, bill payment services, requesting account statements, and requesting check 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; and (ii) hacking, wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; and (iii) 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. In the past, we have faced a breach in a third-party software system used for our loan origination, which resulted in a crash in October 2018 and led to data loss and was also subsequently reported to the RBI. 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 certain checks and measures to prevent such threats such as, amongst others, customer sensitization, there can be no assurance that cyber threats will not take place in the future.

34. 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. 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 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.

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. While we periodically test and update, as necessary, our internal control systems, 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 2019, the number of frauds detected were 149, having an aggregate pecuniary implication of ₹ 2.03 million, while in the three months ended June 30, 2019, the number of frauds detected were 40 having an aggregate pecuniary implication of ₹ 0.14 million.

35. 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. 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. 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 and financial conditions would be materially and adversely affected.

36. A portion of our interest income is derived from loans that have a tenure of six to 24 months. Any significant reduction in such short-term loans may result in a corresponding decrease in our interest income and adversely affect our operations and profitability.

Our micro banking portfolio comprises of loans that have a tenure of six to 24 months. For further information, see "*Selected Statistical Information*" on page 162. Our customers may not obtain new loans from us upon maturity of their existing loans, particularly if competition increases. Further, asset liability mismatches create liquidity surplus or liquidity crunch situations and depending upon the interest rate movement, such situations may adversely affect our Net Interest Income. The potential instability of our interest income could materially and adversely affect our results of operations, financial position and cash flows. In addition, there can be no assurance that we will be able to maintain a positive ALM. Any mismatch in our ALM, may lead to a liquidity risk and have an adverse effect on our operations and profitability.

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

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

Particulars	**Fiscal**			**Three months ended June 30, 2018**	**Three months ended June 30, 2019**
	2017	**2018**	**2019**		
	(₹ million)				
Net cash generated from operating activities	(70,837.89)	23,137.09	4,777.17	(619.66)	(1,253.75)

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our cash flows, business, prospects, results of operations and financial condition may be materially and adversely affected. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 260.

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

As of June 30, 2019, we had 15,626 employees. Although we have not experienced any material labour unrest as on the date of the Draft Red Herring Prospectus, we cannot assure you that we will not experience disruptions in work due to disputes or other problems with our work force in the future. Any labour unrest directed against us could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to disruptions in our operations. For details of disputes with our employees, see "*Outstanding Litigation and Material Developments*" on page 292. These actions are impossible for us to predict or control and any such event could adversely affect our business, results of operations and financial condition. While we believe that we have a strong working relationship with our employees, 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. 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.

39. We have not paid dividend in the past on our Equity Shares. Our ability to pay dividends in the future will depend upon 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 declared dividends on our Equity Shares since our incorporation. We intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will be at the discretion of the Board, guidelines as may be prescribed by the RBI from time to time and will depend upon 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. Further, the Preference Shareholders are entitled to priority in respect of any dividend payment vis-à-vis Equity Shareholders.

40. Any downgrade of our debt ratings could adversely affect our business.

Our debt is rated by various agencies, including by CRISIL Limited and CARE Ratings Limited. Our long term bank facilities and non-convertible debentures have been rated CARE A+; Stable by CARE Ratings Limited, our certificate of deposits have been rated CRISIL A1+ by CRISIL Limited and our non-convertible debentures programme is rated CARE A+; Stable by CARE Ratings Limited. 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 and results of operations.

41. The rise of digital platforms and payment solutions may adversely impact our fees, and there may be disintermediation in the loan market by fintech companies.

Through our electronically linked Banking Outlets network and centralized processing, we effectively provide a nationwide collection, disbursement and payment systems for our customers. Disruption from digital platforms could have an adverse effect on the fees that we have traditionally received on such services. We also face threat to our loan market from newer business models, including partnering with fintech companies, that leverage technology to bring together savers and borrowers. Over a period, we may not be competitive in facing up to the challenges from such newer entrants. This may, accordingly, have an adverse impact on our business and growth strategy.

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

In the future, should the guidelines for small finance banks be modified, we may utilize a variety of financial instruments, such as interest rate futures for proprietary hedging and derivatives for proprietary hedging. Hedging transactions may limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. 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. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss.

43. Our Promoter, certain of our Directors and Key Managerial Personnel have interests in us other than reimbursement of expenses incurred and normal remuneration or benefits.

Our Promoter, certain of our Directors and Key Managerial Personnel may be regarded as having an interest in our Bank other than reimbursement of expenses incurred and normal remuneration or benefits. Our Promoter, certain Directors and Key Managerial Personnel may be deemed to be interested to the extent of Equity Shares held by them as well as to the extent of any dividends, employee stock options, bonuses, rights pursuant to the USFB ESPS 2019 or other distributions on such Equity Shares. We cannot assure you that our Promoter, Directors and our Key Managerial Personnel will exercise their rights as shareholders to the benefit and best interest of our Bank. For further information, see "*Capital Structure*", "*Our Management*" and "*Our Promoter and Promoter Group – Interests of our Promoter*" on pages 61, 133 and 157, respectively.

44. One of our Independent Directors may be engaged in a similar line of business as our Bank. Any conflict of interest which may occur between our business and the activities undertaken by our independent Director, could adversely affect our business, prospects, results of operations and financial condition.

Sachin Bansal, an Independent Director on our Board, is in the process of evaluating, investing, acquiring or setting up financial services entities, i.e., including entities in similar line of business as our Bank. These entities are in sectors including, micro-finance, stock broking, investment advisory, fintech, asset management, and insurance services. There can be no assurance that such entities will not provide comparable services, expand their presence, solicit our employees or acquire interests in competing ventures in the locations or segments in which we operate. A conflict of interest may occur between our business and the business of such entity, which could have an adverse effect on our business, prospects, results of operations and financial condition.

45. 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 for payment of salaries and wages of key management persons. The RBI had, pursuant to an inspection between January and February 2019, for Fiscal 2018, made an observation that we had not maintained arm's length relations with related parties. While we believe that all such transactions have been conducted on an arm's length basis and contain commercially reasonable terms and we have responded to the RBI confirming the same, 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 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 "*Financial Statements*" on page 187. We cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, results of operations, financial condition and cash flows.

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

We propose to use the Net Proceeds to augment our Bank's Tier-I capital base to meet our Bank's future capital requirements such as organic growth and expansion and to comply with regulatory requirements for enhanced capital base, as may be prescribed in the future. Our proposed deployment of Net Proceeds has not been appraised and it is based on management estimates. Our management will have broad discretion to use the Net Proceeds.

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

47. 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/ card related services, business correspondents, facility management services related to information technology, software services and call centre services. We are also dependent on various vendors for certain elements of our operations including 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. We cannot assure 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 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 and results of operations. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Banks are required to ensure outsourced service providers obtain prior approval for the use of subcontractors. The RBI has also directed banks to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition and results of operations.

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

As of the date of this Draft Red Herring Prospectus, our Promoter along with its nominees holds 100% of the issued, subscribed and paid-up Equity Share capital of our Bank. Upon completion of the Issue, our Promoter (by itself and nominees) 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. 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, some of our KMPs and employees hold vested and unvested employee stock options issued by UFSL. In addition, our Promoter holds 100% of the Preference Shares issued by the Bank which ranks superior to the claims of Equity Shareholders and *inter-alia* entitles them to priority with respect to payment of dividend vis-à-vis Equity Shares, participation in the surplus assets and profits, on winding up, and dividend at the rate of 11% per annum or at such rate as may be specified under applicable law. For further information on the terms of the Preference Shares, see "*History and Certain Corporate Matters*" on page 128.

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

We have availed the services of an independent third party research agency, CRISIL Research, a division of CRISIL Limited, to prepare an industry report titled "*Industry Report – Small Finance Bank (SFBs)*" dated July 2019, for purposes of inclusion of such information in this Draft Red Herring Prospectus. This report is subject to various limitations and based upon certain assumptions that are subjective in nature. We have not independently verified data from this industry report. Although we believe that the data may be considered to be reliable, the accuracy, completeness and underlying assumptions are not guaranteed and dependability cannot be assured. While we have taken reasonable care in the reproduction of the information, the information has not been prepared or independently verified by us, or the BRLMs or any of our or their respective affiliates or advisors or any other person connected with the Issue and, therefore, we make no representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Draft Red Herring Prospectus.

50. We and 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.

Through our Banking Outlets we may provide various services to customers doing business with countries to which certain economic sanctions apply. 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.

External Risk Factors

51. 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 necessarily dependent on the health of the overall Indian economy. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect 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 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 GoI 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 decline in India's foreign exchange reserves may also affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition. 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.

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

A large part of our business and customers are located in India or are related to and influenced by the Indian economy. The Government of India has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Unfavourable government policies including those relating to the internet and e-commerce, consumer protection and data-privacy, 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, including coalition 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 the 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. For example, there may be an increasing number of laws and regulations pertaining to the internet and e-commerce, which may relate to liability for information retrieved from or transmitted over the internet or mobile networks, user privacy, content restrictions and the quality of services and products sold or provided through the internet. Furthermore, the growth and development of e-commerce may also result in more stringent consumer protection laws that may impose additional burdens on online businesses generally. 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.

53. Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in, 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 and our general and microfinance businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.
In addition, unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our business, operations and investments in our Bank by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For instance, the Government of India has implemented a comprehensive national goods and services tax ("**GST**") regime with effect from July 1, 2017 that combines taxes and levies by the central and state governments into a unified rate structure. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

The Government of India has announced the interim union budget for the Financial Year 2020. Further, the Finance Act, 2019 (the "**Finance Act**") has made various amendments. The Finance Act stipulates the sale, transfer and issue of securities through exchanges, depositories or otherwise to be charged with stamp duty. 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 for 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.

Further, the Government of India has also announced the union budget for Financial Year 2020, pursuant to which the Finance (No.2) Bill, 2019 proposes to introduce various amendments. As such, there is no certainty on the impact that the Finance (No. 2) Bill, 2019 may have on our business and operations or on the industry in which we operate. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations and group structure could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future.

Further, as of June 30, 2019, we had a total of 15,626 full-time employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as defined benefit gratuity plan, among others. In addition to our full-time employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis. We are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits. A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all can affect the productivity of the employees.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. If we fail to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this could materially and adversely affect our business, future financial performance and results of operations.

54. 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 subject to change. Such changes, including the instances briefly mentioned below, may adversely affect our business, financial condition, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with such changes in applicable law and policy.

Further, in case of any change in tax laws including upward revision to the currently applicable normal corporate tax rate of 30% along with applicable surcharge and excess, our tax burden will also increase. Such changes may also affect our other benefits such as exemption for income earned by way of dividend from investments in other domestic companies and units of mutual funds, exemption for interest received in respect of tax free bonds, and long-term capital gains on equity shares if withdrawn by the statute in the future, and the same may no longer be available to us. Any adverse order passed by the appellate authorities/tribunals/courts would have an effect on our profitability. In addition, we are subject to various regulations and as part of compliance with such legislations including tax legislations; we may be subject to inquiries and claims. We may be particularly affected by claims from tax authorities on account of income tax assessment and GST. Similarly, in relation to the applicable law on indirect taxation, the Government of India has notified a comprehensive national GST regime that combines taxes and levies by the central and state governments into one unified rate of interest with effect from July 1, 2017. We cannot predict whether any new tax laws or regulations impacting our services will be enacted, what the nature and impact of the specific terms of any such laws or regulations will be or whether, if at all, any laws or regulations would have an adverse effect on our business.

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

Our 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 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.

56. Banking is a heavily regulated industry and material changes in the regulations which govern our Bank, may adversely affect our business.

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, the financial condition and results of operations of banks are susceptible to material change pursuant to changes in law, as well as to changes in regulations, government policies and accounting principles. Any such changes may adversely affect our Bank's business, future financial performance and the price of the Equity Shares. For further information in relation to the laws applicable to us, see "*Key Regulations and Policies*" on page 120.

57. 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 and results of operations.

58. 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 in India have been volatile in recent years, and such volatility may continue in the future. India has experienced high inflation in the recent 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.

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 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 increase the amount of commission to 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.

Further, the GoI has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. There can be no assurance that Indian inflation levels will not worsen in the future.

59. 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. Financial turmoil in Europe and elsewhere in the world in recent years has affected the Indian economy. In recent times, the Indian financial markets had been negatively affected by the volatility in global financial market, including on account of certain European nations' debt troubles and move to break away by the United Kingdom from the European Union. 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, amongst other, the announcements by the U.S. government that it may consider reducing its quantitative easing measures. 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, such as the European sovereign debt crisis, 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.

60. The ability of small finance banks to raise borrowings in foreign currencies may be constrained by Indian law.

As a small finance bank, we 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, and financial condition.

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

India’s sovereign rating is Baa2 with a “stable” outlook (Moody’s), BBB-with a “stable” outlook (S&P) and BBB-with a “stable” outlook (Fitch). Any adverse change in India’s credit ratings by international rating agencies may adversely impact the Indian economy and consequently our business.

62. 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. 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.

63. Financial difficulty and other problems in certain 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 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, 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 expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

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

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

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

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

65. 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 disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations, cash flows or financial condition. For instance, two Banking Outlets of our Bank were affected by cyclone 'Gaja'. 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.

66. 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

67. Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in the Issue.

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

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

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

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

We may be required to finance our growth, whether organic or inorganic, through future equity offerings. Any future equity issuances by us, including a primary offering, may lead to the dilution of investors' shareholdings in us. Any future issuances of Equity Shares (including under an employee benefit scheme) or the disposal of Equity Shares by our Promoter or any of our other principal shareholders or any other change in our shareholding structure to comply with the minimum public shareholding norms applicable to listed companies in India or any public perception regarding such issuance or sales may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of the Equity Shares or incurring debt. There can be no assurance that we will not issue further Equity Shares or that the shareholders will not dispose off the Equity Shares. Our Promoter is required by applicable regulations to reduce its shareholding in our Bank to 40% of our total paid-up Equity Share capital within five years from commencement of our operations and thereafter 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. Any future issuances could also dilute the value of shareholder's investment in the Equity Shares. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of the Equity Shares.

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

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

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

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

The Finance Act has proposed various amendments, which has been passed by the Parliament and has received the assent of the President of India. The Finance Act stipulates the sale, transfer and issue of securities through exchanges, depositories or otherwise to be charged with stamp duty. 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 for 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.

As such, there is no certainty on the impact that the Finance Act may have on our Bank's business and operations. Further, our Bank cannot predict whether any tax laws or other regulations impacting it will be enacted, or predict the nature and impact of any such laws or regulations or whether, if at all, any laws or regulations would have a material adverse effect the Bank's business, financial condition and results of operations.

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

Under foreign exchange regulations which are currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the valuation and reporting requirements specified by the RBI. If a transfer of shares is not in compliance with such requirements and does not fall under any of the exceptions specified by the RBI, then the RBI's prior approval is required. Additionally, shareholders who seek to convert Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India require a no-objection or a tax clearance certificate from the Indian income tax authorities. Further, this conversion is subject to the shares having been held on a repatriation basis and, either the security having been sold in compliance with the pricing guidelines or, the approval of RBI approval having been obtained for the sale of shares and corresponding remittance of the sale proceeds. We cannot assure you that any required approval from the RBI or any other governmental agency can be obtained with or without any particular terms or conditions.

For further information, see "*Restriction on Foreign Ownership of Indian Securities*" on page 337. Our ability to raise any foreign capital under the FDI route is therefore constrained by Indian law, which may adversely affect our business, financial condition, results of operation and prospects.

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

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

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

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

74. QIBs and Non-Institutional Investors are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the submission of their Bid, and Retail Individual Investors are not permitted to withdraw their Bids after closure of the Issue.

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

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

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

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

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

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

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

Our Bank believes it was not a PFIC for fiscal year ended March 31, 2019, and does not expect to be a PFIC for the current year or any future years. However, no assurance can be given that our Bank will or will not be considered a PFIC in the current or future years. The determination of whether or not our Bank is a PFIC is a factual determination that is made annually after the end of each taxable year, and there can be no assurance that our Bank will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of our Bank's income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Further, our Bank's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

SECTION III: INTRODUCTION

THE ISSUE

The following table sets forth details of the Issue:

Equity Shares Issued	
Issue of Equity Shares(1)#*	Up to [●] Equity Shares, aggregating up to ₹12,000 million
Of which	
UFSL Shareholder Reservation Portion(2)	Up to [●] Equity Shares, aggregating up to ₹1,200 million
The Net Issue consists of:	Up to [●] Equity Shares, aggregating up to ₹10,800 million
A) QIB Portion(3)(4)	Not less than [●] Equity Shares
of which:	
- Anchor Investor Portion	Up to [●] Equity Shares
- Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
of which:	
- Mutual Fund Portion	[●] Equity Shares
- Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion	Not more than [●] Equity Shares
C) Retail Portion	Not more than [●] Equity Shares
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	1,440,036,800 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Net Proceeds	See "*Objects of the Issue*" on page 71 for information about the use of the proceeds from the Issue.

A Pre-IPO Placement may be undertaken by our Bank, in consultation with the BRLMs, for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank.

* *In terms of the Banking Regulation Act and circulars issued thereunder, prior approval from the RBI is required for any issue/ acquisition of shares which results in a person holding (by himself or acting in concert with any other person) five percent or more of the paid-up Equity Share capital or voting rights of our Bank.*

(1) *The Issue has been authorised by our Board of Directors and our Shareholders pursuant to the resolutions passed at their respective meetings dated July 30, 2019 and August 3, 2019.*

(2) *The UFSL Shareholder Reservation Portion shall not exceed [●]% of our post-Issue paid-up Equity Share capital. Any unsubscribed portion remaining in the UFSL Shareholder Reservation Portion shall be added to the Net Issue. For further details, see "Issue Structure" on page 322.*

(3) *Our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the remaining Equity Shares shall be added to the Net QIB Portion. For details, see "Issue Procedure" on page 325.*

(4) *Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the QIB Portion would not be allowed to be met with spill-over from other categories or a combination of categories. Further, an Eligible UFSL Shareholder Bidding in the UFSL Shareholder Reservation Portion can also Bid under the Net Issue and such Bids will not be treated as multiple Bids. For further details, see "Issue Structure" on page 322.*

Allocation to all categories, except the Anchor Investor Portion and the Retail Portion, shall be made on a proportionate basis subject to valid Bids received at or above the Issue Price, as applicable. The allocation to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. For further details, see "*Issue Structure – Basis of Allotment*" on page 322.

SUMMARY OF FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with "*Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 187 and 260.

[***The remainder of this page has intentionally been left blank*.]**

UJJIVAN SMALL FINANCE BANK LIMITED
Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES					
Capital	16,400.37	16,400.37	16,400.37	16,400.37	16,400.37
Reserves and Surplus	2,740.78	534.53	1,795.94	68.98	0.35
Deposits	79,567.64	38,034.50	73,794.40	37,725.18	2,064.05
Borrowings	39,460.68	39,446.43	41,660.90	38,528.45	62,914.04
Other Liabilities and Provisions	4,756.64	2,766.58	3,770.54	2,005.75	2,980.24
TOTAL	**142,926.11**	**97,182.41**	**137,422.15**	**94,728.73**	**84,359.05**
ASSETS					
Cash and Balances with Reserve Bank of India	2,996.92	2,175.89	4,464.64	2,496.34	2,609.29
Balances with Banks and Money at Call and Short Notice	4,217.56	2,640.87	6,479.96	2,452.01	5,018.92
Investments	16,596.81	12,038.14	15,266.22	12,324.79	14,466.77
Advances	113,275.05	76,057.92	105,524.55	73,362.11	58,610.45
Fixed Assets	2,947.28	2,166.11	2,844.50	1,983.45	1,397.69
Other Assets	2,892.49	2,103.48	2,842.28	2,110.03	2,255.93
TOTAL	**142,926.11**	**97,182.41**	**137,422.15**	**94,728.73**	**84,359.05**
Contingent Liabilities	372.71	475.91	308.53	195.09	283.36
Bills for Collection	-	-	-	-	-

UJJIVAN SMALL FINANCE BANK LIMITED
Restated Summary Statement of Profit and Loss

(Rs. in Millions)

	Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
I.	**INCOME**					
	Interest Earned	6,053.71	4,063.18	18,316.11	14,678.75	2,170.10
	Other Income	1,001.29	533.10	2,059.64	1,114.80	68.64
	TOTAL	**7,055.00**	**4,596.28**	**20,375.75**	**15,793.55**	**2,238.74**
II.	**EXPENDITURE**					
	Interest Expended	2,529.20	1,608.02	7,251.99	6,068.64	1,093.58
	Operating Expenses	2,913.44	2,143.24	10,033.54	6,528.70	1,091.90
	Provisions and Contingencies	667.52	379.47	1,098.04	3,127.58	52.91
	TOTAL	**6,110.16**	**4,130.73**	**18,383.57**	**15,724.92**	**2,238.39**
III.	**PROFIT**					
	Net Profit/ (Loss) for the period/year	944.84	465.55	1,992.18	68.63	0.35
	Profit/ (Loss) brought forward	1,183.63	51.73	51.73	0.26	-
	TOTAL	**2,128.47**	**517.28**	**2,043.91**	**68.89**	**0.35**
IV.	**APPROPRIATIONS**					
	Transfer to					
	a) Statutory Reserves	236.21	-	498.05	17.16	0.09
	b) Investment Reserve	-	-	-	-	-
	c) Interim Preference Dividend Paid (includes tax on dividend)	-	-	265.22	-	-
	d) Investment Fluctuation Reserve	31.78	-	97.01	-	-
	e) Balance Carried over to Balance Sheet	1,860.48	517.28	1,183.63	51.73	0.26
	TOTAL	**2,128.47**	**517.28**	**2,043.91**	**68.89**	**0.35**
V.	**Earnings per Equity Share (Face value of Rs. 10 per share)***					
	Basic (Rs.)	0.66	0.32	1.20	0.05	0.00
	Diluted (Rs.)	0.66	0.32	1.20	0.05	0.00

*For three months EPS not annualised

UJJIVAN SMALL FINANCE BANK LIMITED
Restated Summary Statement of Cash Flows

(Rs. in Millions)

	Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
A.	**Cash Flow from Operating Activities**					
	Net Profit before taxation	**1,424.46**	**695.63**	**2,684.24**	**85.43**	**11.94**
	Adjustments for :					
	Depreciation on Bank's Property	172.52	121.12	605.98	413.73	51.04
	Loss on sale of Land, Building & Other assets (net)	0.85	2.57	11.43	6.37	0.10
	Fixed Assets Written off (including goodwill written off)	-	0.02	0.14	0.08	162.57
	Provision for Non Performing Assets	124.20	131.95	231.72	3,868.95	21.01
	Provision for Standard Assets	63.70	17.44	174.17	(761.20)	23.35
	Amortisation of premium on HTM Investments	7.66	5.12	24.84	17.37	2.36
	Profit on revaluation of Investments	-	-	-	(41.97)	41.97
	Operating Profit before Working Capital changes	**1,793.39**	**973.85**	**3,732.52**	**3,588.76**	**314.34**
	Adjustments for :					
	Increase in Advances	(7,874.70)	(2,827.76)	(32,394.16)	(18,620.61)	(58,631.46)
	(Increase)/Decrease in Investments	(1,338.25)	281.53	(2,966.27)	2,166.58	(14,511.10)
	(Increase)/Decrease in Other Assets	(269.58)	(17.00)	(865.11)	891.21	(3,022.52)
	Increase in Deposits	5,773.24	309.32	36,069.22	35,661.13	2,064.05
	Increase/ (Decrease) in Other Liabilities	922.40	743.39	1,590.62	(213.29)	2,956.90
	Cash generated from Operations	**(993.50)**	**(536.67)**	**5,166.82**	**23,473.78**	**(70,829.79)**
	Direct Taxes Paid	(260.25)	(82.99)	(389.65)	(336.69)	(8.10)
	Net Cash generated from Operating Activities (A)	**(1,253.75)**	**(619.66)**	**4,777.17**	**23,137.09**	**(70,837.89)**
B.	**Cash Flow from Investing Activities**					
	Proceeds from sale of Fixed Assets	2.77	1.04	11.33	3.68	-
	Purchase of Fixed Assets including WIP	(278.92)	(307.41)	(1,489.93)	(1,009.62)	(1,611.40)
	Net Cash used in Investing Activities (B)	**(276.15)**	**(306.37)**	**(1,478.60)**	**(1,005.94)**	**(1,611.40)**
C.	**Cash Flow from Financing Activities**					
	Proceeds from issue of equity shares (net of issue expenses)	**-**	**-**	**-**	**-**	16,400.37
	Increase/(Decrease) in Borrowings (Net)	(2,200.22)	917.98	3,132.45	(24,385.59)	62,914.04
	Preference dividend paid during the period/year	-	-	(220.00)	-	-
	Dividend distribution tax paid during the period/year	-	-	(45.22)	-	-
	Net Cash generated from/(used in) Financing Activities (C)	**(2,200.22)**	**917.98**	**2,867.23**	**(24,385.59)**	**79,314.41**
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(3,730.12)**	**(8.05)**	**6,165.80**	**(2,254.44)**	**6,865.12**
	Cash and Cash Equivalents at the beginning of the period/year	10,776.48	4,610.68	4,610.68	6,865.12	-
	Cash and Cash Equivalents at the end of the period/year	**7,046.36**	**4,602.63**	**10,776.48**	**4,610.68**	**6,865.12**

Notes:

1 The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Account) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.

2 Cash and Cash Equivalents comprises of 'Cash & Balances with Reserve Bank of India' and 'Balances with Banks and Money at Call and Short Notice' with balances having original maturity of less than three months.

GENERAL INFORMATION

Our Bank was incorporated as 'Ujjivan Small Finance Bank Limited' on July 4, 2016 at New Delhi, as a public limited company under the Companies Act, 2013, and was granted a certificate of incorporation by the RoC. Our Promoter, UFSL was granted the RBI In-Principle Approval to establish an SFB on October 7, 2015. Subsequently, UFSL received the RBI Final Approval, for our Bank to carry on business as an SFB on November 11, 2016. For further details, see "*History and Certain Corporate Matters*" on page 128.

Registered Office

Ujjivan Small Finance Bank Limited
Plot No. 2364/ 8
Khampur Raya Village, Shadi Kampur
Main Patel Road
New Delhi 110 008
India
Registration Number: 302481
CIN: U65110DL2016PLC302481
RBI Registration Number: MUM:123

Corporate Office

Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd 'A' Cross
18th Main, 6th Block
Koramangala, Bengaluru 560 095
Karnataka, India

Address of the RoC

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

Registrar of Companies, National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower
61, Nehru Place
New Delhi 110 019
India

Company Secretary and Compliance Officer

Chanchal Kumar
Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd 'A' Cross
18th Main, 6th Block
Koramangala, Bengaluru 560 095
Karnataka, India
Tel: +91 80 4071 2121
Email: ipo@ujjivan.com

Board of Directors

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

Name	Designation	DIN	Address
Sunil Vinayak Patel	Part-Time Chairman and Independent Director	00050837	G-1, Avant Garde 193, 6th Main Road, Defence Colony, Indiranagar, Bengaluru North, Indiranagar, Bengaluru 560 038, Karnataka
Samit Kumar Ghosh	Managing Director and Chief Executive Officer	00185369	Pairi Daeza, 550/49, Borewell Road, 5th Cross, Whitefield, Bengaluru 560 066, Karnataka
Jayanta Kumar Basu	Non-Executive Director	01268046	I-1742, Chittaranjan Park, South Delhi, New Delhi 110 019, Delhi
Vandana Viswanathan	Non-Executive Director*	05192578	No. 303, Rex Haven Apartments, 19 Eagle Street, Langford Town, Bengaluru 560 025, Karnataka
Chitra Kartik Alai	Non-Executive Nominee Director	03138604	G9–Aashiana Apartments, Venus Colony, 2nd Cross Street, Near UDHI Eye Hospital, Alwarpet, Chennai 600 018, Tamil Nadu
Sachin Bansal	Independent Director	02356346	No. 16, Sunny Brooks Gated Community, Sarjapur Road, Doddakanelli, next to Wipro, Bengaluru South, Carmelaram, Bengaluru 560 035, Karnataka

Name	Designation	DIN	Address
Luis Miranda	Independent Director	01055493	801B, Deepali Street, St. Cyril Road, Bandra (West), Mumbai 400 050, Maharashtra
Biswamohan Mahapatra	Independent Director	06990345	502, 5th Floor, M1 Wing, Riddhi Gardens, CHSL Gen. A. K. Vaidya Marg, Malad (East), Mumbai 400 097, Maharashtra
Prabal Kumar Sen	Independent Director	02594965	Triveni Sangam, B-7/11, Diamond Park, P.O. Joka, Kolkata 700 014, West Bengal
Nandlal Laxminarayan Sarda	Independent Director	00147782	Villa no. D-34, Zonasha Paradisho, Alpine Eco Road, Kartik Nagar, Doddanekkundi, Bengaluru North, Mahadevapura, Bengaluru 560 048, Karnataka
Mona Kachhwaha	Independent Director**	01856801	1918A, DLF Magnolias, DLF City, Sector 42, Galleria DLF, Gurgaon 122 009, Haryana
Mahadev Lakshminarayanan	Independent Director	05003710	26, 25th Main, Near LIC Apartments, J.P. Nagar, 1st Phase, Bengaluru South, Bengaluru 560 078, Karnataka

* *Our Board and Shareholders pursuant to their resolutions dated July 30, 2019 and August 3, 2019, respectively, have approved the appointment/ re-designation of Vandana Viswanathan as an Independent Director of our Bank, with effect from September 22, 2019.*

** *Our Board has pursuant to its resolution dated July 30, 2019, approved the re-categorisation of Mona Kachhwaha as a Non-Executive Director of our Bank, with effect from September 22, 2019.*

For further details of our Directors, see "*Our Management*" on page 133.

Filing

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

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 32 of the Companies Act, 2013 would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act, 2013 would be delivered for registration with RoC at its office.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
1st Floor, 27 BKC, Plot No. 27
G Block, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051
Maharashtra, India
Tel: +91 22 4336 0000
E-mail: ujjivansfb.ipo@kotak.com
Investor grievance e-mail: kmccredressal@kotak.com
Website: www.investmentbank.kotak.com
Contact Person: Ganesh Rane
SEBI Registration No.: INM000008704

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

JM Financial Limited
7th Floor Cnergy
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India
Tel: +91 22 6630 3030
E-mail: ujjivansfb.ipo@jmfl.com
Investor grievance e-mail: grievance.ibd@jmfl.com
Website: www.jmfl.com
Contact Person: Prachee Dhuri

SEBI Registration No.: INM000010361

Syndicate Members

[●]

Legal Counsel to our Bank as to Indian Law

Cyril Amarchand Mangaldas
201, Midford House, Midford Garden
Off M.G. Road
Bengaluru 560 001
Karnataka, India
Tel: +91 80 2558 4870

Legal Counsel to the BRLMs as to Indian Law

L&L Partners*
1st & 9th Floors
Ashoka Estate, 24 Barakhamba Road
New Delhi 110 001
India
Tel.: +91 11 4121 5100
* *Formerly known as Luthra & Luthra Law Offices*

International Legal Counsel to the BRLMs

Squire Patton Boggs Singapore LLP
10 Collyer Quay
#03-01/03 Ocean Financial Centre
Singapore 049 315
Republic of Singapore
Tel: 65 6922 8668

Statutory Auditors to our Bank

MSKA & Associates, Chartered Accountants
The Ruby, North West Wing
9th Floor, Senapati Bapat Marg
Dadar West, Mumbai 400 028
India
Tel: +91 22 2439 3600
Email: swapnilkale@bdo.in
Firm Registration Number: 105047W
Peer Review Number: 011121

Except as stated below, there is no change in our auditors in the last three years:

Particulars	Date of change	Reason for change
MSKA & Associates, Chartered Accountants The Ruby, North West Wing 9th Floor, Senapati Bapat Marg Dadar West, Mumbai 400 028 India Tel: +91 22 2439 3600 Email: swapnilkale@bdo.in Firm Registration Number: 105047W Peer Review Number: 011121	September 28, 2018*	Appointment on account of casual vacancy due to resignation of Price Waterhouse Chartered Accountants LLP
Price Waterhouse Chartered Accountants LLP 252, Veer Sarvakar Marg, Shivaji Park, Dadar, Mumbai 400 028 Tel: +91 80 4079 5222 Email: vivek.prasad@pwc.com Firm Registration Number: 012754N/N500016 Peer Review Number: 011322	July 9, 2018	Resignation as the statutory auditor of the Bank
Price Waterhouse Chartered Accountants LLP 252, Veer Sarvakar Marg, Shivaji Park, Dadar, Mumbai 400 028 Tel: +91 80 4079 5222	February 9, 2017	Appointment on account of casual vacancy due to resignation of first

Particulars	Date of change	Reason for change
Email: vivek.prasad@pwc.com Firm Registration Number: 012754N/N500016 Peer Review Number: 011322		statutory auditor, Deloitte Haskins and Sells
Deloitte Haskins and Sells Deloitte Centre, Anchorage II, 100/2, Richmond Road, Bengaluru 560 025 Tel: +91 80 6627 6000 Email: ssundaresan@deloitte.com Firm Registration Number: 008072S Peer Review Number: 008781	January 19, 2017	Resignation as the first statutory auditor of the Bank
Deloitte Haskins and Sells Deloitte Centre, Anchorage II, 100/2, Richmond Road, Bengaluru 560 025 Tel: +91 80 6627 6000 Email: ssundaresan@deloitte.com Firm Registration Number: 008072S Peer Review Number: 008781	July 26, 2016	Appointment as the first statutory auditor of the Bank

* *Subsequently, the appointment of MSKA & Associates Chartered Accountants was regularised pursuant to resolutions passed by our Shareholders on July 12, 2019. Subject to the approval of the RBI on an annual basis, the appointment of MSKA & Associates Chartered Accountants as the statutory auditor is approved for a period of three years.*

Registrar to the Issue

Karvy Fintech Private Limited*
Karvy Selenium, Tower B, Plot No. 31-32
Gachibowli Financial District
Nanakramguda
Hyderabad 500 032
Tel: +91 40 6716 2222
E-mail: einward.ris@karvy.com
Investor grievance e-mail: USFB.ipo@karvy.com
Website: www.karisma.karvy.com
Contact Person: Murali Krishna
SEBI Registration No.: INR000000221

**Formerly known as KCPL Advisory Services Private Limited*

Bankers to the Issue

Escrow Collection Bank(s)

[●]

Refund Bank(s)

[●]

Public Issue Bank(s)

[●]

Sponsor Bank

[●]

Designated Intermediaries

Self-Certified Syndicate Banks

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

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

Syndicate SCSB Branches

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

Registered Brokers

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

Registrar and Share Transfer Agents

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

Collecting Depository Participants

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

Experts

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

Our Bank has received written consent dated August 14, 2019 from our Statutory Auditors namely, MSKA & Associates, Chartered Accountants, holding a valid peer review certificate from the Institute of Chartered Accountants of India, to include their name as an "expert" as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) of the Companies Act, 2013, in relation to the Restated Financial Statements, the report on the Restated Financial Statements dated August 14, 2019, and the statement of special tax benefits dated August 14, 2019 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the U. S. Securities Act.

Monitoring Agency

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

Appraising Entity

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

Credit Rating

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

IPO Grading

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

Trustees

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

Green Shoe Option

No green shoe option is contemplated under the Issue.

Inter-se allocation of responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the Book Running Lead Managers:

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

Book Building Process

Book Building Process, in the context of the Issue, refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and minimum Bid Lot size will be decided by our Bank, in consultation with the BRLMs, and advertised in [●] editions of [●], an English national daily newspaper and [●] editions of [●], a Hindi national daily newspaper (Hindi also being the regional language of New Delhi, where our Registered Office is located) at least two Working Days prior to the Bid/ Issue Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Issue Price shall be determined by our Bank, in consultation with the BRLMs after the Bid/ Issue Closing Date.

All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Issue by providing details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by SCSBs. In addition to this, the RIBs may participate through the ASBA process by either (a) providing the details of their respective ASBA Account in which the corresponding Bid Amount will be blocked by the SCSBs; or (b) through the UPI Mechanism. Anchor Investors are not permitted to participate in the Issue through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders and Eligible UFSL Shareholders Bidding in the UFSL Shareholder Reservation Portion (subject to the Bid Amount being up to ₹200,000) can revise their Bids during the Bid/Issue Period and withdraw their Bids on or before the Bid/Issue Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Issue Period. Allocation to the Anchor Investors will be on a discretionary basis.

For further details on the method and procedure for Bidding, see "*Issue Structure*" and "*Issue Procedure*" on pages 322 and 325, respectively.

Illustration of Book Building and Price Discovery Process

For an illustration of the Book Building Process and the price discovery process, see "*Issue Procedure"* on page 325.

Underwriting Agreement

After the determination of the Issue Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC, our Bank intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and offered in the Issue. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of each of the Underwriters will be several and will be subject to certain conditions specified therein.

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

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

Name, Address, Telephone Number and Email Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (in ₹ million)
[●]	[●]	[●]

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

In the opinion of our Board, the resources of the abovementioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with the SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board/ Listing Committee, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Bank.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment set forth in the table above.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors respectively procured by them in accordance with the Underwriting Agreement. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscribers for or subscribe to the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after determination of the Issue Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC. The extent of underwriting obligations and the Bids to be underwritten in the Issue shall be as per the Underwriting Agreement.

CAPITAL STRUCTURE

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

(In ₹, except share data)

Sr. No.	Particulars	Aggregate value at face value (₹)	Aggregate value at Issue Price*
A.	**AUTHORIZED SHARE CAPITAL**[(1)]		
	2,300,000,000 Equity Shares	23,000,000,000	-
	200,000,000 Preference Shares	2,000,000,000	-
	Total	**25,000,000,000**	-
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**		
	1,440,036,800 Equity Shares	14,400,368,000	-
	200,000,000 Preference Shares	2,000,000,000	-
C.	**PRESENT ISSUE**		
	Issue of up to [●] Equity Shares aggregating up to ₹12,000 million[(2)#]	[●]	[●]
	which includes		
	UFSL SHAREHOLDER RESERVATION PORTION[(3)]		
	Of up to [●] Equity Shares aggregating up to ₹1,200 million	[●]	[●]
D.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE ISSUE**		
	[●] Equity Shares (assuming full subscription in the Issue)	[●]	[●]
E.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Issue		Nil
	After the Issue		[●]

* *To be included upon finalisation of Issue Price*

\# *Our Bank, in consultation with the BRLMs, is considering, subject to the approval of our Shareholders, a Pre-IPO Placement of Equity Shares for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank*

(1) *For details in relation to the changes in the authorised share capital of our Bank, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association" on page 128*

(2) *The Issue has been authorized by our Board of Directors pursuant to a resolution passed on July 30, 2019 and by our Shareholders pursuant to a special resolution passed on August 3, 2019*

(3) *The UFSL Shareholder Reservation Portion shall not exceed [●]% of our post-Issue paid-up Equity Share capital.*

Notes to the Capital Structure

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

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

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

Date of allotment	Number of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital
July 4, 2016	50,000	10	10	Cash	Initial subscription to the Memorandum of Association[(1)]	50,000	500,000
July 30, 2016	109,986,800	10	10	Cash	Rights issue in the ratio of 2,200 Equity Shares for every one Equity Share held by existing Shareholders[(2)]	110,036,800	1,100,368,000
February 10, 2017	1,330,000,000	10	10*	Other than cash	Preferential allotment pursuant to the Business Transfer Agreement [(3)]	1,440,036,800	14,400,368,000
Total	**1,440,036,800**					**1,440,036,800**	**14,400,368,000**

(1) *Allotment of 49,994 Equity Shares to UFSL and one Equity Share each to Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G., as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

(2) *Allotment pursuant to a rights issuance of 109,986,800 Equity Shares in the ratio of 2,200:1 to UFSL*

(3) *Allotment of 1,330,000,000 Equity Shares to UFSL pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

* *The parties to the Business Transfer Agreement had assigned a value of ₹15.30 billion for the business undertaking, pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

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

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

Date of allotment	Number of Preference Shares allotted	Face value per Preference Share (₹)	Issue price per Preference Share (₹)	Nature of consideration	Reason for allotment	Cumulative number of Preference Shares	Cumulative paid-up Preference Share capital (in ₹)
February 10, 2017	200,000,000	10	10*	Other than cash	Preferential allotment pursuant to the Business Transfer Agreement [(1)]	200,000,000	2,000,000,000

(1) *Allotment of 200,000,000 Preference Shares to UFSL pursuant to transfer of business from UFSL to our Bank as per the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

* *The parties to the Business Transfer Agreement had assigned a value of ₹15.30 billion for the business undertaking, pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

For details of the terms of the Preference Shares, see "*History and Certain Corporate Matters*" on page 128.

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

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

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

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

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

Date of allotment	No. of Equity Shares/ Preference Shares allotted	Face Value per Equity Share/ Preference Share (₹)	Issue price (₹)	Reason for allotment	Benefits accrued to our Bank
February 10, 2017	1,330,000,000 Equity Shares	10	10*	Preferential allotment of Equity Shares pursuant to Business Transfer Agreement[(1)]	The business undertaking comprising of the lending and financing business of UFSL was transferred to our Bank pursuant to the Business Transfer Agreement
February 10, 2017	200,000,000 Preference Shares	10	10*	Preferential allotment of Preference Shares pursuant to Business Transfer Agreement[(2)]	The business undertaking comprising of the lending and financing business of UFSL was transferred to our Bank pursuant to the Business Transfer Agreement

(1) *Allotment of 1,330,000,000 Equity Shares to UFSL pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

(2) *Allotment of 200,000,000 Preference Shares to UFSL pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

* *The parties to the Business Transfer Agreement had assigned a value of ₹15.30 billion for the business undertaking, pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128*

For more details, please see "- *Share Capital History of our Bank" and "History and Certain Corporate Matters"* on pages 61 and 128, respectively.

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

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

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

As on the date of this Draft Red Herring Prospectus, our Promoter holds 1,440,036,794 Equity Shares and the nominees of our Promoter hold six Equity Shares on behalf of our Promoter, equivalent to 100% of the issued, subscribed and paid-up Equity Share capital of our Bank.

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

The details regarding the equity shareholding of our Promoter since incorporation of our Bank is set forth in the table below.

Date of allotment and made fully paid-up	Nature of transaction	No. of Equity Shares	Nature of consideration	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Percentage of the pre-Issue capital (%)	Percentage of the post-Issue capital (%)
UFSL							
July 4, 2016	Initial subscription to the Memorandum of Association	50,000*	Cash	10	10	0.00	[●]
July 30, 2016	Rights issue in the ratio of 2,200 Equity Shares for every one Equity Share held by existing Shareholders	109,986,800	Cash	10	10	7.64	[●]
February 10, 2017	Preferential allotment pursuant to the Business Transfer Agreement	1,330,000,000	Other than cash	10	10**	92.36	[●]
Total		**1,440,036,800**				**100**	**[●]**

* *One Equity Share each to Samit Kumar Ghosh, Carol Furtado, Ittira Davis, Sudha Suresh, Rajat Singh and Premkumar G., as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

** *The Equity Shares were allotted to UFSL towards the discharge of purchase consideration for the business undertaking transferred to our Bank, pursuant to the Business Transfer Agreement. The parties to the Business Transfer Agreement had assigned a value of ₹15.30 billion for the business undertaking, pursuant to the Business Transfer Agreement. For further details, see "History and Certain Corporate Matters" on page 128.*

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

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

Our Promoter also holds 200,000,000 Preference Shares aggregating to 100% of the issued, subscribed and paid-up Preference Share capital of our Bank. For details, see *" – Share Capital History of our Bank*" on page 61.

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

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

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

Name of Promoter	Number of Equity Shares locked-in	Date of allotment of Equity Shares and when made fully-paid up*	Nature of transaction	Face Value per Equity Share (₹)	Issue/ Acquisition price per Equity Share (₹)	Percentage of the pre-Issue paid-up capital (%)	Percentage of the post-Issue paid-up capital (%)	Date up to which Equity Shares are subject to lock-in
UFSL	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total	[●]	[●]		[●]	[●]	[●]	[●]	

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

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

(iv) In this connection, please note that:

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

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

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

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

(e) Except for one Equity Share held by Premkumar G., all the Equity Shares held by our Promoter are in dematerialised form.

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

(i) In addition to the 20% of the fully diluted post-Issue shareholding of our Bank held by the Promoter locked in for three years as specified above, the entire pre-Issue Equity Share capital of our Bank will be locked-in for a period of one year from the date of Allotment except for any Equity Shares held by the employees (whether currently employees or not) of our Bank which have been or will be allotted to them under the USFB ESOP Plan 2019 or USFB ESPS 2019, prior to the Issue, except as required under applicable law. Equity Shares issued pursuant to the USFB ESPS 2019 will be subject to a one year lock-in from the date of allotment pursuant to the SEBI SBEB Regulations and the USFB ESPS 2019.

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

(iii) Further, pursuant to the SFB Licensing Guidelines, our Promoter's minimum initial contribution to the paid-up Equity Share capital of our Bank is required to be at least 40% and locked in for a period of five years from the date of commencement of business. Our Promoter's contribution is required to be diluted thereafter, in accordance with the SFB Licensing Guidelines as described in "*Key Regulations and Policies"* on page 120.

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

6. **Shareholding Pattern of our Bank**

The table below presents the equity shareholding pattern of our Bank as on the date of this Draft Red Herring Prospectus.

Category (I)	Category of shareholder (II)	Number of shareholders (III)	Number of fully paid up Equity Shares held (IV)	Number of Partly paid-up Equity Shares held (V)	Number of shares underlying Depository Receipts (VI)	Total number of shares held (VII) =(IV)+(V)+ (VI)	Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)			Number of shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialized form (XIV)
								Number of Voting Rights		Total as a % of (A+B+ C)			Number (a)	As a % of total Shares held (b)	Number (a)	As a % of total Shares held (b)	
								Class: Equity Shares	Total								
(A)	**Promoter and Promoter Group**	7*	1,440,036,800	-	-	1,440,036,800	100	1,440,036,800	100	100	-	-	-		-		1,440,036,799
(B)	**Public**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(C)	**Non Promoter- Non Public**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(C1)	**Shares underlying DRs**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
(C2)	**Shares held by Employee Trusts**	-	-	-	-	-	-	-	-	-	-	-	-		-		-
	Total	7*	1,440,036,800	-	-	1,440,036,800	100	1,440,036,800	100	100	-	-	-		-		1,440,036,799

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh, Ittira Davis and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

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

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

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Issue Equity Share capital (%) on a fully diluted basis
1.	UFSL	1,440,036,800*	100
	Total	**1,440,036,800**	**100**

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh, Ittira Davis and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

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

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Issue Equity Share capital (%) on a fully diluted basis
1.	UFSL	1,440,036,800*	100
	Total	**1,440,036,800**	**100**

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh, Ittira Davis and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

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

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Issue Equity Share capital (%) on a fully diluted basis
1.	UFSL	1,440,036,800*	100
	Total	**1,440,036,800**	**100**

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh, Ittira Davis and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

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

Sr. No.	Name of the Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of the pre- Issue Equity Share capital (%) on a fully diluted basis
1.	UFSL	1,440,036,800*	100
	Total	**1,440,036,800**	**100**

* *1,440,036,794 Equity Shares are held by UFSL and one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh, Ittira Davis and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

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

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

S. No.	Name	No. of Equity Shares	Percentage of the pre-Issue Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Issue of Equity Share Capital (%)
Directors					
1.	Samit Kumar Ghosh	1*	Negligible	Nil	[●]
Total (A)		1	Negligible	Nil	
Key Managerial Personnel					
2.	Carol Furtado	1*	Negligible	258,520	[●]
3.	Rajat Singh	1*	Negligible	129,997	[●]
4.	Jolly Zachariah	Nil	Nil	131,773	[●]
5.	Arunava Banerjee	Nil	Nil	34,650	[●]
6.	Upma Goel	Nil	Nil	156,986	[●]
7.	Sanjay Kao	Nil	Nil	163,580	[●]
8.	Jaya Janardanan	Nil	Nil	42,150	[●]

S. No.	Name	No. of Equity Shares	Percentage of the pre-Issue Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Issue of Equity Share Capital (%)
Directors					
9.	Alok Chawla	Nil	Nil	38,138	[●]
10.	Chanchal Kumar	Nil	Nil	82,974	[●]
Total (B)		2	Negligible	1,038,768	[●]
Total		**3**	Negligible	**1,038,768**	**[●]**

* *The beneficial ownership of Equity Shares is held by UFSL.*

(ii) Set out below are the details of the Equity Shares held by our Promoter and directors of our Promoter in our Bank:

S. No.	Name	No. of Equity Shares	Percentage of the pre-Issue Equity Share Capital (%)	Number of employee stock options outstanding	Percentage of the post-Issue Equity Share Capital (%)
Promoter					
1.	UFSL	1,440,036,799*	100	NA	[●]
Total (A)		1,440,036,799	**100**	-	[●]
Directors of UFSL					
1.	Ittira Davis	1**	Negligible	282,176	[●]
Total (B)		**1**	Negligible	282,176	[●]
Total (A+B)		**1,440,368,800**	**100**	282,176	[●]

* *Out of which one Equity Share each is held by Samit Kumar Ghosh, Carol Furtado, Sudha Suresh, Rajat Singh and Premkumar G, as nominees on behalf of UFSL, who is the beneficial owner of such Equity Shares*

** *UFSL is the beneficial owner of this Equity Share*

9. None of the BRLMs or their respective associates hold any Equity Shares in our Bank as on the date of this Draft Red Herring Prospectus.

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

11. Our Bank has not made any public issue since its incorporation, and has not made any rights issue of any kind or class of securities since its incorporation, other than as disclosed in "- *Share Capital History of our Bank*" on page 61.

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

13. **USFB ESOP Plan 2019**

Our Bank, pursuant to the resolutions passed by the Board on January 22, 2019 and Shareholders on March 29, 2019, adopted the USFB ESOP Plan 2019. The Bank may grant an aggregate number of up to 144,000,000 employee stock options under the USFB 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 USFB ESOP Plan 2019 shall not exceed 144,000,000 Equity Shares of face value ₹10 each. The USFB ESOP Plan 2019 is effective from March 29, 2019. The objectives of USFB ESOP Plan 2019 are, among others, to attract and retain critical senior talents with employee stock options as a compensation tool. Through USFB ESOP Plan 2019, our Bank offers an opportunity of sharing the value created with those employees who have contributed or are expected to contribute to the growth and development of our Bank.

The USFB ESOP Plan 2019 has been framed in compliance with the SEBI SBEB Regulations. As on the date of the Draft Red Herring Prospectus, 37,000,403 options have been granted by our Bank under the USFB ESOP Plan 2019. The details of the USFB ESOP Plan 2019 are as follows:

Particulars	Details
Options granted	37,000,403*
Exercise price on options (in ₹)	₹35 per employee stock option
Vesting period	5 years, equated vesting (20% annually)
Options vested and not exercised	Nil
Options exercised	Nil
The total number of Equity Shares arising as a result of exercise of options	37,000,403, assuming all grants are accepted and exercised. As on August 14, 2019, no options have been exercised.
Options forfeited/lapsed	Nil
Variation of terms of options	Nil
Money realized by exercise of options	Nil

Particulars	Details
Total number of options in force as of August 14, 2019	37,000,403, assuming all grants are accepted.
Employee-wise detail of options granted to:	
i. Key managerial personnel	**Name of the KMP** / **No. of options** Samit Ghosh: Nil Carol Furtado: 258,520 Rajat Singh: 129,997 Jolly Zachariah: 131,773 Arunava Banerjee: 34,650 Upma Goel: 156,986 Sanjay Kao: 163,580 Jaya Janardanan: 42,150 Alok Chawla: 38,138 Chanchal Kumar: 82,974
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil
iii. Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil
Fully diluted Earnings per Equity Share – (face value ₹10 per Equity Share) pursuant to issue of Equity Shares on exercise of options calculated in accordance with applicable accounting standard for 'Earnings per Share'	Not applicable as options are being granted after the date of the last audited financial statements
Lock-in	Not applicable
Difference, if any, between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options and its impact on profits and on the Earnings per Equity Share – (face value ₹10 per Equity Share)	Not applicable
Description of the pricing formula method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Black Scholes European Call Option Pricing Model
Impact on profit and Earnings per Equity Share – (face value ₹10 per Equity Share) of the last three years if the accounting policies prescribed in the SEBI SBEB Regulations had been followed in respect of options granted in the last three years	Not applicable as these options were issued after the date of the last audited financial statements
Intention of the Key managerial personnel and whole time directors who are holders of Equity Shares allotted on exercise of options granted to sell their equity shares within three months after the date of listing of Equity Shares pursuant to the Issue	Not applicable
Intention to sell Equity Shares arising out of an employee stock option scheme within three months after the listing of Equity Shares, by Directors, senior management personnel and employees having Equity Shares arising out of an employee stock option scheme , amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Not applicable

** Employees to whom options have been granted are required to confirm their acceptance of the grant by October 7, 2019, failing which the Bank is entitled to issue grant cancellation letters*

14. **USFB ESPS 2019**

Our Bank, pursuant to the resolutions passed by the Board on July 30, 2019 and Shareholders on August 3, 2019, adopted the USFB ESPS 2019. The USFB ESPS 2019 has been framed in compliance with the provisions of the SEBI SBEB Regulations. The objective of the USFB ESPS 2019 is *inter-alia* to reward the employees of our Bank for their association and performance as well as to motivate them to contribute to the growth and profitability of our Bank.

Pursuant to the USFB ESPS 2019, the Board is authorized to issue up to 72,001,840 fully paid up Equity Shares of face value of ₹10 each with *pari passu* voting rights, to the eligible employees (as defined under the USFB ESPS 2019), in accordance with the terms and conditions as may be decided. The Nomination and Remuneration Committee has been entrusted with the responsibility of administering the USFB ESPS 2019.

As on the date of this Draft Red Herring Prospectus, no Equity Shares have been allotted by the Bank under the USFB ESPS 2019. However, the Nomination and Remuneration Committee of the Bank has pursuant to its resolution dated August 8, 2019 authorised the opening of the subscription of the USFB ESPS 2019 for the eligible employees as defined under the USFB ESPS 2019 ("**ESPS Offer**"). The key terms of the ESPS Offer are as follows:

(i) *ESPS Offer price*: Employees participating in the ESPS Offer will be allotted Equity Shares at a price of ₹35 per Equity Share

(ii) *Subscription*: Subscription under the ESPS Offer will be undertaken in two phases:

(a) *Phase 1*: The subscription has been opened from August 9, 2019 to September 9, 2019 during which period employees can apply for Equity Shares up to a maximum of 20% of the employees's annual fixed pay

(b) *Phase 2:* Employees will be permitted to subscribe to the unsubscribed shares left over after Phase 1, on or prior to September 26, 2019 (subject to a cap of 1% of the issued and paid up Equity Share capital of the Bank per employee)

(iii) *Payment:* For both phases, employees will have the option to either (a) pay the entire subscription amount upfront or (ii) make payment in monthly instalments over a period of 12 months through monthly deductions from their salaries.

(iv) *Allotment:* Allotment of Equity Shares subscribed to in Phase 1 and Phase 2 will take place on or before October 11, 2019 (except in instances where employees have opted to make payments through monthly instalments over 12 months, in which case the allotment will take place at the end of 12 months). In case the ESPS Offer is oversubscribed, the Bank, subject to the approval of the Nomination and Remuneration Committee, proposes to make allotments on a pro-rata basis such that no employee receives more than 1% of total issued and paid up Equity Share capital of the Bank.

All Equity Shares allotted pursuant to the ESPS Offer will be locked-in for a period of one year in accordance with the SEBI SBEB Regulations.

(v) *Details in respect of Equity Shares allotted under USFB ESPS 2019*[(1)]

Particulars	Details
Total number of Equity Shares allotted under USFB ESPS 2019	Nil as of August 14, 2019
a) Employee-wise details of the Equity Shares that were issued to Key Managerial Personnel b) Any other employee who is issued Equity Shares in any one year amounting to 5% or more Equity Shares issued during that year c) Identified employees who were issued Equity Shares during any one year equal to or exceeding 1% of the issued capital of our Bank at the time of issuance	Not applicable
Intention of the holders, including whole-time Directors and Key Managerial Personnel, of the Equity Shares allotted under the USFB ESPS 2019 to sell their Equity Shares within three months after the date of listing of Equity Shares	Not applicable
Intention of the Directors, senior management personnel and employees having Equity Shares issued under the USFB ESPS 2019 amounting to more than 1% of the paid-up capital, to sell their Equity Shares within three months after the listing of Equity Shares (excluding outstanding warrants and conversions)	Not applicable
Diluted earning per Equity Shares pursuant to issuance of Equity Shares under USFB ESPS 2019	Not applicable
Consideration received against the issuance of Equity Shares	Not applicable

(1) To be updated in the Red Herring Prospectus upon closure of the ESPS Offer

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

16. As of the date of the filing of this Draft Red Herring Prospectus, the total number of our Shareholders is seven.

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

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

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

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

21. Our Bank presently does not intend or propose and is not under negotiations or considerations to alter its capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise. Provided, however, that the foregoing restrictions do not apply to: (a) the issuance of any Equity Shares under the Issue; (b) any issuance, pursuant to the exercise of employee stock options under the USFB ESOP Plan 2019; and (c) issuance of any Equity Shares pursuant to the USFB ESPS 2019. Provided further that if our Bank enters into acquisitions or joint ventures or if the business needs otherwise arise, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares for participation in such acquisitions or joint ventures or other arrangements.

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

OBJECTS OF THE ISSUE

In terms of the RBI In-Principle Approval, RBI Final Approval and SFB Licensing Guidelines, the Bank is required to list its Equity Shares on the Stock Exchanges within three years from the date of commencement of business by the Bank, i.e., January 31, 2020.

Objects of the Issue

Our Bank proposes to utilize the Net Proceeds from the Issue towards augmenting our Bank's Tier – 1 capital base to meet our Bank's future capital requirements. Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue.

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

Net Proceeds

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

Particulars	Estimated amount (in ₹ million)
Gross proceeds of the Issue(1)	12,000
(Less) Issue expenses(2)	[●]
Net Proceeds	**[●]**

(1) *Includes the proceeds, if any, received pursuant to the Pre-IPO Placement. Upon allotment of Equity Shares issued pursuant to the Pre-IPO Placement, we may utilise the proceeds from such Pre-IPO Placement towards the Objects of the Issue prior to completion of the Issue.*

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

Requirement of Funds and Utilisation of Net Proceeds

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

Issue Expenses

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

The Issue related expenses primarily include fees payable to the BRLMs and legal counsel, fees payable to the auditors, brokerage and selling commission, underwriting commission, commission payable to Registered Brokers, RTAs, CDPs, SCSBs' fees, Registrar's fees, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

The estimated Issue related expenses are as under:

Activity	Estimated expenses(1) (in ₹ million)	As a % of the total estimated Issue expenses(1)	As a % of the total Issue size(1)
BRLMs fees and commissions (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]
Commission/processing fee for SCSBs and Bankers to the Issue and fee payable to the Sponsor Bank for Bids made by RIBs using UPI (2)	[●]	[●]	[●]
Brokerage and selling commission and bidding charges for Members of the Syndicate, Registered Brokers, RTAs and CDPs(3)(4)	[●]	[●]	[●]
Fees payable to the Registrar to the Issue	[●]	[●]	[●]
Fees payable to the other advisors to the Issue	[●]	[●]	[●]
Others			

Activity	Estimated expenses[1] (in ₹ million)	As a % of the total estimated Issue expenses[1]	As a % of the total Issue size[1]
- Listing fees, SEBI filing fees, upload fees, BSE & NSE processing fees, book building software fees and other regulatory expenses	[●]	[●]	[●]
- Printing and stationery	[●]	[●]	[●]
- Advertising and marketing expenses	[●]	[●]	[●]
- Fee payable to legal counsels	[●]	[●]	[●]
- Miscellaneous	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

(1) *Amounts will be finalised on determination of Issue Price*

(2) *Selling commission payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Investors which are directly procured by the SCSBs, would be as follows:*

*Portion for Retail Individual Investors**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Investors**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible UFSL Shareholders**	[●]*% of the Amount Allotted (plus applicable taxes)*

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

(3) *No processing fees shall be payable by our Bank to the SCSBs on the applications directly procured by them*

Processing fees payable to the SCSBs on the portion for Retail Individual Bidders, Non-Institutional Bidders and Eligible UFSL Shareholders which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking, would be as follows:

*Portion for Retail Individual Investors**	₹ [●] *per valid application (plus applicable taxes)*
*Portion for Non-Institutional Investors**	₹ [●] *per valid application (plus applicable taxes)*
*Portion for Eligible UFSL Shareholders**	[●]*% of the Amount Allotted (plus applicable taxes)*

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

(4) *Selling commission on the portion for Retail Individual Bidders, Non-Institutional Bidders and Eligible UFSL Shareholders which are procured by members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs would be as follows:*

*Portion for Retail Individual Investors**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Non-Institutional Investors**	[●]*% of the Amount Allotted (plus applicable taxes)*
*Portion for Eligible UFSL Shareholders**	[●]*% of the Amount Allotted (plus applicable taxes)*

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

Means of finance

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

Interim use of Net Proceeds

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

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

Bridge Financing Facilities

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

Monitoring of Utilisation of Funds

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

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

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

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

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

Variation in Objects

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

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

Appraising Entity

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

Other Confirmations

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

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

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Bank in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Issue Price is [●] times the Floor Price and [●] times the Cap Price of the Price Band. Investors should also see "*Our Business*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 98, 21, 260 and 187, respectively, to have an informed view before making an investment decision.

Qualitative Factors

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

- Deep understanding of mass market serving unserved and underserved segments
- Customer centric organization with multiple delivery channels
- Pan-India presence
- Technology driven operating model with advanced digital platform
- Robust risk management framework
- Strong track record of financial performance
- Professional management, experienced leadership with focus on employee welfare

For details, see "*Our Business – Strengths*" on page 99.

Quantitative Factors

The information presented below relating to our Bank is based on the Restated Financial Statements. For details, see "*Financial Statements*" on page 187.

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

A. Basic and Diluted Earnings Per Share ("EPS") as adjusted for change in capital:

Fiscal Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2017	0.00	0.00	1
March 31, 2018	0.05	0.05	2
March 31, 2019	1.20	1.20	3
Weighted Average	**0.62**	**0.62**	
Three months period ended June 30, 2019*	**0.66**	**0.66**	

** Not annualized*

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

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

NOTES:

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

(2) The above statement should be read with significant accounting policies and notes on Restated Financial Statements as appearing in the Financial Statements.

B. Price/Earning ("P/E") ratio in relation to the in relation to Price Band of ₹ [●] to ₹[●] per Equity Share:

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic EPS for year ended March 31, 2019	[●]	[●]
Based on diluted EPS for year ended March 31, 2019	[●]	[●]

Industry Peer Group P/E ratio

Particulars	Industry P/E
Highest	53.04
Lowest	18.67
Average	27.40

Note:
The industry high and low has been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average of P/E for industry peer set disclosed in this section. For further details, see "– Comparison with listed industry peers" on page 75

C. Return on Net Worth ("RoNW")

As per Restated Financial Statements:

Fiscal Year ended	RoNW (%)	Weight
March 31, 2017	0.00	1
March 31, 2018	0.42	2
March 31, 2019	9.49	3
Weighted Average	**4.88**	
Three months period ended June 30, 2019*	**4.94**	

**Not annualized*

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

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

Fiscal year ended/ Period ended	Restated Financial Statements (₹)
As on March 31, 2019	12.64
As at June 30, 2019	13.29
After Issue	At Floor Price: [●]
	At Cap Price: [●]
Issue Price	[●]

Note:
Issue Price per Equity Share will be determined on conclusion of the Book Building Process
Net asset value per equity share represents restated net worth at the end of the year/period divided by total number of equity shares outstanding at the end of year/period

E. Comparison with Listed Industry Peers

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

Name of the company	Total Income (₹ in million)	Face Value per Equity Share (₹)	P/E	EPS (Basic) (₹)	RoNW (%)	NAV (₹)
Ujjivan Small Finance Bank Limited	20,375.75	10	[●]	1.20	9.49	12.64
Listed Peers						
AU Small Finance Bank Ltd	34,108.65	10	53.04	13.16	12.07%	108.19
Equitas Holdings Limited	23,585.30	10	21.19	5.18	7.24%	71.57
Bandhan Bank Limited	77,070.99	10	30.42	16.36	17.42%	93.89
CreditAccess Grameen Ltd	12,833.20	10	21.91	23.37	13.18%	164.75
RBL Bank Limited	77,430.64	10	19.20	20.25	11.43%	176.58
DCB Bank Limited	33,916.47	10	18.67	10.53	10.44%	100.65

Source: All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the financial results of the respective company for the year ended March 31, 2019 submitted to stock exchanges

Financial information for Ujjivan Small Finance Bank Limited is based on the Restated Financial Statements for the year ended March 31, 2019.

Notes:

1. *Basic EPS refers to the Basic EPS sourced from the financial results of the respective company for the year ended March 31, 2019*
2. *P/E Ratio has been computed based on the closing market price of equity shares on NSE on August 14, 2019 divided by the Basic EPS provided under Note 1.*
3. *RoNW is computed as net profit after tax (or total comprehensive income, as applicable) divided by closing net worth. Net worth has been computed as sum of share capital, reserves and surplus, money received against share warrants and employee stock options outstanding, as applicable.*
4. *Net Asset Value ("NAV") is computed as the closing net worth divided by the equity shares outstanding as on March 31, 2019.*

F. The Issue price is [●] times of the face value of the Equity Shares

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

Investors should read the above mentioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 21, 98, 260 and 187, respectively, to have a more informed view.

STATEMENT OF SPECIAL TAX BENEFITS

To,

The Board of Directors
Ujjivan Small Finance Bank Limited
Plot no. 2364/8
Khampur Raya Village
Main Patel Road
New Delhi – 110 008

Sub: Statement of possible special tax benefits available to Ujjivan Small Finance Bank Limited and its shareholders prepared in accordance with the requirements under Schedule VI (Part A)(9)(L) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended ("SEBI ICDR Regulations")

1. We, MSKA & Associates ("the Firm"), Chartered Accountants, the statutory auditors of Ujjivan Small Finance Bank Limited (the "Bank"), hereby confirm that the enclosed statement in the Annexure prepared and issued by the Bank, which provides the possible special tax benefits under direct and indirect tax laws presently in force in India, available to the Bank and its shareholders. Several of these benefits are dependent on the Bank and its shareholders, as the case may be, fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Bank or its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Bank and its shareholders face in the future, the Bank and its shareholders may or may not choose to fulfil.

2. The benefits discussed in the enclosed statement are not exhaustive. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional advice. In view of the distinct nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue and we shall in no way be liable or responsible to any shareholder or subscriber for placing reliance upon the contents of this statement. Also, any tax information included in this written communication was not intended or written to be used, and it cannot be used by the Bank or the investor, for the purpose of avoiding any penalties that may be imposed by any regulatory, governmental taxing authority or agency.

3. We do not express any opinion or provide any assurance whether:

   - The Bank or its shareholders will continue to obtain these benefits in future;
   - The conditions prescribed for availing the benefits have been/would be met;
   - The revenue authorities/courts will concur with the views expressed herein.

4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank. We have relied upon the information and documents of the Bank being true, correct and complete and have not audited or tested them. Our view, under no circumstances, is to be considered as an audit opinion under any regulation or law. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our Firm or any of partners or affiliates, shall not be responsible for any loss, penalties, surcharges, interest or additional tax or any tax or non-tax, monetary or non-monetary, effects or liabilities (consequential, indirect, punitive or incidental) before any authority / otherwise within or outside India arising from the supply of incorrect or incomplete information of the Bank.

5. This certificate is addressed to Board of Directors and issued at specific request of the Bank. The enclosed annexure is intended solely for your information and for inclusion in the draft red herring prospectus, red herring prospectus, the prospectus and any other material in connection with the proposed initial public offering of equity shares of the Bank, and is not to be used, referred to or distributed for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Yours sincerely,

For **MSKA & Associates**
Chartered Accountants
Firm Registration Number: 105047W

Swapnil Kale
Partner

Membership No.: 117812
UDIN: 19117812AAAAHI8508

Place: Bengaluru
Date: August 14, 2019

CC:

Kotak Mahindra Capital Company Limited
1st Floor, 27 BKC, Plot No. 27
G Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051

IIFL Securities Limited
10th Floor, IIFL Centre
Kamala City, Senapati Bapat Marg
Lower Parel (West)
Mumbai – 400 013, Maharashtra
India

JM Financial Limited
7th Floor Cnergy,
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025

ANNEXURE

Statement of Special Tax Benefits

SPECIAL TAX BENFITS TO THE BANK

UNDER THE INCOME TAX LAWS

Special tax benefits available under the Income Tax Act, 1961 (the Act):

As per Section 80JJAA, where the gross total income of an assessee includes any profit and gain derived from manufacture of goods in a factory, there shall, subject to the condition specified in subsection (2), be allowed a deduction of an amount equal to thirty per cent of additional wages paid to the new regular workmen employed by the assessee in such factory, in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment in provided.

However, the Finance Act, 2016 has amended the said provisions and has stated that where the gross total income of an assessee, to whom section 44AB applies, includes any profit and gain derived from business, there shall, subject to the condition specified in subsection (2), be allowed a deduction of an amount equal to thirty per cent 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 said amendment is applicable from Assessment Year 2017-18.

UNDER THE INDIRECT TAX LAWS

No special tax benefits available to the Bank.

SPECIAL TAX BENFITS TO SHAREHOLDERS OF THE BANK

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

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only relevant direct and indirect special tax benefits and does not cover any benefit under any other law.

3. The above statement of possible special tax benefits is as per the current direct and indirect tax laws relevant for the financial year 2019-20. Several of these benefits are dependent on the Bank fulfilling the conditions prescribed under the relevant tax laws.

4. This statement 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 consequences of his/her investment in the shares of the Bank.

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

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

*Unless noted otherwise, the information in this section is obtained or extracted from "Ujjivan SFB – Industry Report" dated July 2019 (the "**CRISIL Report**") prepared and issued by CRISIL Research, a division of CRISIL Limited, on our request. Neither we nor any other person connected with the Offer have independently verified this information. The data may have been re-classified by us for the purposes of presentation. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

SMALL FINANCE BANKING INDUSTRY

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

Evolution of SFBs

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

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

Regulation

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

Parameter	Key guidelines
Scope of activities	• Basic banking such as, acceptance of deposits and lending to underserved sections of the society; • Financial services such as distribution of mutual funds and insurance products with prior approval from the RBI and other sectoral regulators; • Prior approval required from the RBI for branch expansion of SFBs in the initial five years; after stabilization period of five years, the RBI may liberalized the prior approval requirement and scope of activities; and • SFBs cannot be a BC to other banks; however, they can have their own BC network.
Prudential norms	• Requirement of maintaining CRR and SLR as applicable to existing commercial banks; • 75% of ANBC should be given to sectors eligible under PSL as per the RBI; 40% as per PSL prescriptions and remaining 35% under the PSL, where the SFB has a competitive advantage; and • Minimum 50% of loan book to constitute loans of ticket size up to ₹ 2.5 million that can be relaxed by the RBI after a period of stabilization of five years.
Capital requirement	• Minimum paid up capital ₹ 1 billion; and • Minimum tier 1 capital: 7.5% of CRWA; minimum capital adequacy ratio of 15% of CRWA.

Parameter	Key guidelines
Shareholding	• Minimum paid up capital of promoter should be at least 40% within first five years and which should be further bought down to 30% within 10 years and further to 26% within 12 years from the commencement of operations; • Mandatory listing requirement of SFBs within three years of reaching a net worth of ₹ 5 billion; and • FDI as per the FDI policy for private sector banks, amended from time to time.
Branch requirement	• Required to have 25% of their branches in rural unbanked centres (population shall be less than 10,000) within one year of commencement of operations.

Source: RBI, CRISIL Research

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

Details of Tier-wise classification of centers based on population

Classification of centers (tier-wise)	Population (as per 2011 census)
Tier I	100,000 and above
Tier II	50,000 to 99,999
Tier III	20,000 to 49,999
Tier IV	10,000 to 19,999
Tier V	5,000 to 9,999
Tier VI	Less than 5000

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

Source: RBI, CRISIL Research

Growth drivers

Sizeable market opportunity and credit at affordable rates

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

Customized products aided by technology and better availability of information

Increase in the use of technology has enabled lenders to provide customized product offerings to their target customer segments at much lower turnaround times. Further, availability of multiple data points facilitates lending decisions by firms within a few minutes by using data-driven automated lending models. These models help in the supply of credit to small business units and the unorganized sector at low cost. The increase in use of technology is expected to also enable such players in expanding their reach to under penetrated population and areas at a lower operating cost. To support the high volume business and to meet security and compliance requirements of different regulatory authorities, SFBs require strong and secure systems at the core. Further, various SFBs have tied up with the large IT companies in order to improve their IT infrastructure. The following are details in relation to certain broad areas where SFBs are trying to expand their digital offerings:

- Improving their mobility solutions (hand-held devices) and use of mobile technology (mobiles applications);
- In order to serve their clientele, players are in process of improving their CRMs, which helps them to manage high volume business;
- Utilization of digital medium to address client needs and accordingly, provide customized solutions; and
- Digitalize their entire banking service by taking innovative approaches in the areas of product designing, sourcing of customers, credit assessments and operations.

Availability of funds at cheaper rates

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

Target audience

SFB's aim to cater to the low-income segment and have an opportunity to offer them with various products and services. Further, deeper penetration of SFBs into semi-urban and rural areas will help them to cater unserved and underserved rural population and with competitive advantage in relation to cost of funds in comparison with the local NBFCs, SFBs will be considered as the most suitable choice among mass population having requirements of lower ticket size loans. In addition, the knowledge of local areas enables SFBs to understand the needs of the customers better.

Further, unlike NBFCs which expand horizontally with special focus product, SFBs have the chance to expand vertically and deep which will enable them to have a good range of medium and low value customers and as a result, help in increasing their business. In addition, factors, such as, lack of awareness of financial services, illiteracy and poverty will result in a challenge for SFBs from the demand side. Further, the SFB will have to face the challenges of building trust in the minds of relatively lower income segments in order to compete with the public sector banks. Although SFBs will fare better in terms of product and service quality due to their focused approach, SFBs will have to create convenient touchpoints to initiate customers into saving regularly and also invest in human capital to equip their staff into mobilizing savings.

Region-wise levels of financial inclusion across parameters

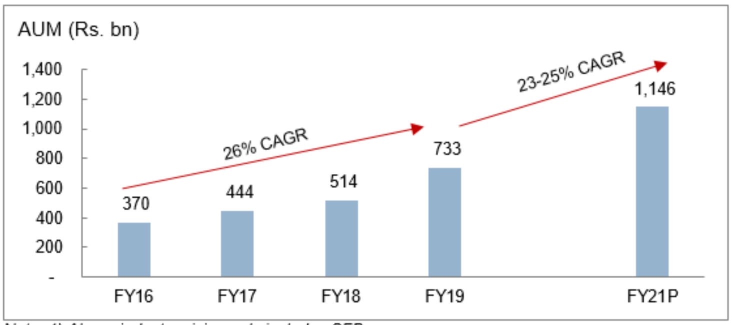
	Branch penetration		Credit penetration		Deposit penetration		Overall Inclusix	
Region	**2013**	**2016**	**2013**	**2016**	**2013**	**2016**	**2013**	**2016**
South	69.7	**77.3**	88.7	**91.6**	83.1	**95.3**	76.0	**79.8**
West	54.1	**60.1**	37.3	**59.1**	60.5	**78.5**	48.2	**62.8**
North	49.0	**55.9**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

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

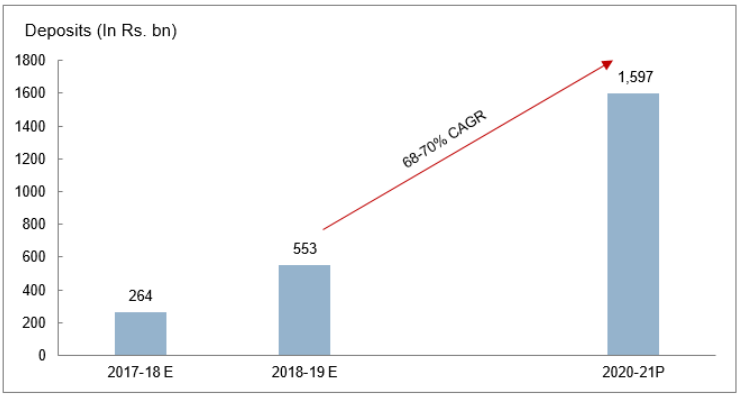
South India is one of the regions that had the highest literacy rate and which is reinforced by the region's leadership in financial penetration in comparison with other regions. Further, as other regions continue to grow and with the Government's focus on rural rejuvenation, there exists a significant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

Industry growth and outlook

Huge opportunity to support growth over the next two years

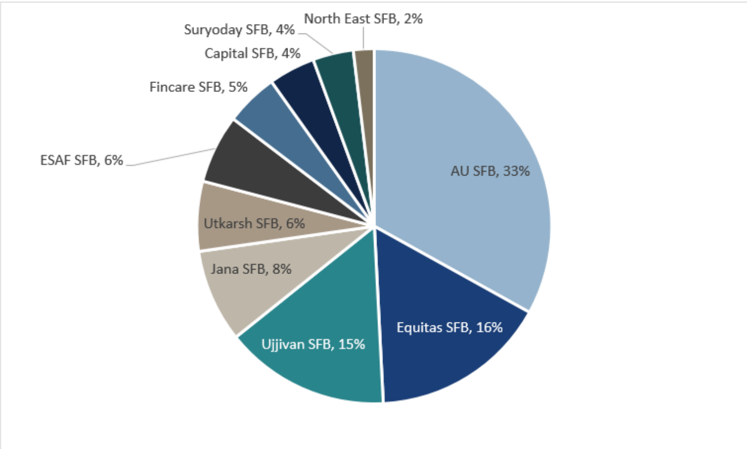


Note: 1) Above industry sizing only includes SFBs.
2) For Jana SFB, Utkarsh SFB and Suryoday SFB, advances have been considered.
Source: Company reports, CRISIL Research



Note: 1) Above deposit sizing includes all SFBs, excluding North East SFB.
Source: Company reports, CRISIL Research

Top 3 players account for 64% of the Industry AUM as of FY19



Source: Company reports; CRISIL Research

SFBs have grown at a CAGR of 26% from Fiscal 2016 to Fiscal 2019. Top three SFBs accounted for 64% of the total SFB market in Fiscal 2019. Microfinance is the central product for most of the SFBs, since eight of the ten SFBs were MFIs. SFBs are shifting their focus from microfinance to other products, however the core customer focus is likely to be unserved and underserved due to regulatory norms- SFBs will have to focus on small ticket size lending to financially underserved and unserved segments, i.e. loans below ₹ 2.5 million, will have to form at least 50% of the loan portfolio.

Further, it is expected the loan portfolio of SFBs will grow at a CAGR of approximately 23% to 25% in the near term due to support from (i) significant market opportunity especially in the semi-urban and rural segment; (ii) presence of high informal credit channels; (iii) geographic diversification; (iv) ability to understand local markets, (v) access to low cost funds, and (vi) loan recovery and control on NPAs. In the next couple of years, SFBs are expected to focus on gradually building up their banking business and complying with more stringent regulatory norms. On the other hand, access to stable and granular public deposits over the long run will bring down their cost of funds. However, SFBs are expected to face certain challenges in increasing CASA deposits in the initial few years after their transformation.

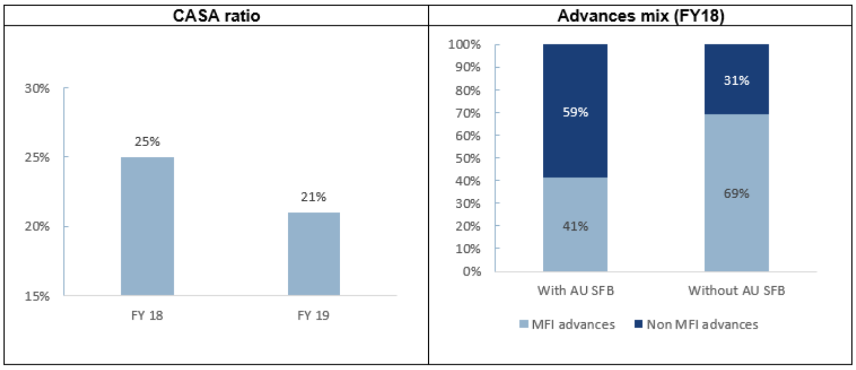
Details of SFB players

Player	Type	Operation commencement date	Registered office	AUM* FY19 (Rs bn)	AUM growth (FY16-FY19)	Deposits (Rs bn)	Deposit growth YoY (FY19)	Branch count (FY19)	ATM count ^^ (As of May 2019)	States and UTs covered
AU SFB	**NBFC**	**April 19, 2017**	Jaipur	242.5	43%	194.2	91%	408	550	12
Equitas SFB	**Microfinance**	**Sep 5, 2016**	Chennai	118.4	25%	90.1	145%	392*	322	15
Ujjivan SFB	**Microfinance**	**Feb 1, 2017**	Bengaluru	110.5	27%	72.6	61%	474	387	24
Jana SFB	**Microfinance**	**Mar 28, 2018**	Bengaluru	62.2	-17%	42.0	73%	NA	123	NA
Utkarsh SFB	**Microfinance**	**Jan 23, 2017**	Varanasi	46.7	48%	37.9	NA	438	127	NA
ESAF SFB	**Microfinance**	**Mar 10, 2017**	Thrissur	45.9	33%	43.2	29%	104^	141	14
Fincare SFB	**Microfinance**	**Jul 21, 2017**	Ahmedabad	35.3	123%	20.4	181%	569*	77	13
Capital SFB	**Local Area bank**	**Apr 21, 2016**	Jalandhar	31.1	39%	36.7	71%	129	133	NA
Suryoday SFB	**Microfinance**	**Jan 23, 2017**	Mumbai	27.1	40%	15.9	37%	274	26	9
North East SFB	**Microfinance**	**Oct 17, 2017**	Guwahati	13.9	42%	1.7	113%	155^	0	8^

*Note: Jana SFB, Utkarsh SFB and Suryoday SFB advances are mentioned; Deposits of North East SFB are as of December 2018; Players are arranged in descending order of AUM. * Overall banking outlets including asset centres. ^ As of FY18. ^^ Including onsite and offsite ATMs*
Source: Company reports, CRISIL Research

Overall deposit base for SFBs grew by 109% year-on-year in Fiscal 2019

SFBs have sizeable assets growth opportunity as most of them have been functioning as NBFCs/MFIs previously. However, recently all SFBs have focused on increasing their deposit base immediately after commencement of their SFB operation. Accordingly, the overall deposit base has grown by 109% to approximately ₹ 555 billion in Fiscal 2019. Further, SFBs are expected to face competition from public and private sector banks as they typically enjoy a relatively higher trust among customers in rural areas. Cost of accepting deposits will also be high in the initial years of SFB operation due to high interest rates offering in order to attract the customers. In addition, the average deposit per customer in the rural areas is low. In the long run, along with customer centric approach, usage of technology, stability of business model and improved reach, it is expected that the cost of acquisition and interest paid on deposits will reduce.



Source: Company reports, CRISIL Research
Note: 1) - Above CASA ratio is the weighted average of total deposits for 6 SFBs (AU SFB, Equitas SFB, Ujjivan SFB, Utkarsh SFB, Fincare SFB and Capital SFB). 2) – Advances mix includes data for Ujjivan SFB, Equitas SFB, North east SFB, Utkarsh SFB, Fincare SFB, Suryoday SFB and AU SFB.

Peer comparison

Ujjain Small Finance Bank has the lowest gross non-performing assets levels among all SFBs

USFB's gross NPAs amounted to 0.90% in Fiscal 2019, which was the least among SFBs, followed by Fincare SFB at 0.95% as of March 31, 2019. Overall, CreditAccess Grameen had the lowest gross NPA levels among all the peer set as of March 31, 2019, while Jana SFB had the highest GNPA among the peer set as of March 31, 2019. Fincare had the highest return on assets as of March 31, 2019, followed by Suryoday SFB. Further, USFB had fourth highest return on assets among the SFBs.

USFB has the second highest provision coverage ratio amongst peers

Provision coverage ratio has been highest for Utkarsh SFB among SFBs, followed by USFB. Higher the provision coverage ratio, higher is the covering of prospective losses due to bad loans. Capital SFB has the lowest provision coverage ratio among SFBs.

Profitability parameters (as of FY19)

Players	Yield on advances (%)	NIMs (%)	Other income (% of average assets) (%)	Cost of funds (%)	Cost to income (%)	PCR (%) ^	GNPA^ (%)	ROE (%)	ROA (%)
SFB									
AU SFB	16.3	5.2	1.80	7.4	65.0	37.0	2.00	14.0	1.5
Equitas SFB	19.0	7.9	1.95	8.2	64.0	43.0	2.50	10.0	1.4
Ujjivan SFB	20.	9.5	1.77	7.6	76.0	72.0	0.90	11.0	1.7
Jana SFB	18.3	4.6	1.23	10.2	204.0	NA	8.08	NA	NA
Utkarsh SFB	22.6	9.2	1.11	8.3	59.0	91.0	1.39	16.0	1.7
ESAF SFB	26.8	9.7	1.85	9.0	66.0	30.0	1.61	15.0	1.5
Fincare SFB	27.5	11.7	2.16	8.9	66.0	NA	0.95	20.0	3.2
Capital SFB	10.8	NA	0.82	6.5	79.0	27.0	1.30	8.0	NA
Suryoday SFB	24.7	11.4	2.33	9.1	58.0	58.0	1.81	12.0	2.9
North East SFB*	NA	NA	NA	NA	54.0	50.0	1.02	7.0	1.4
Microfinance									
BFIL	19.0	11.9	0.00	12.1	65.7	NA	0.8	26.7	8.9
CreditAccess Grameen	20.6	12.9	0.03	10.0	35.6	NA	0.6	16.9	5.2
Satin Creditcare	18.2	8.3	0.00	13.5	67.5	NA	2.9	19.1	3.0
Arohan	20.3	20.2	0.12	18.9	29.0	NA	NA	21.1	3.6

*Note: * Data not available, ^ As per company reports*
Source: Company reports, CRISIL Research

Capital SFB had the highest proportion of deposits in total borrowing and the highest CASA ratio among SFBs

Capital SFB has a large existing customer deposit base as it functioned as a local area bank before receiving the SFB license, whereas other SFBs are gradually increasing their deposit base. Accordingly, Capital SFB has the highest proportion of deposits in its total borrowing and the highest CASA ratio among SFBs.

Deposit percentage and CASA ratio of SFBs - FY19

SFB	Proportion of deposit in total borrowing (%)	CASA (% of deposits) (%)
AU SFB	69	21.0
Equitas SFB	67	25.2
Ujjivan SFB	64	10.6
Jana SFB	51	NA
Utkarsh SFB	73	10.0
ESAF SFB	72	10.0*
Fincare SFB	61	11.0
Capital SFB	95	40.0
Suryoday SFB	59	NA
North East SFB*	10	3.1*

*Note: * Data as of FY18. NA - Not available*
Source: Company reports, CRISIL Research

Product mix

SFBs have a high share of microfinance in their portfolio as eight out of ten players were MFIs previously. However, the share of microfinance portfolio has been decreasing as players are focusing on other segments including, MSE financing and affordable housing to expand their customer base and meet their diverse financial requirements.

Product mix of all SFBs

SFB	Product mix	Percentage share (%)
AU SFB	Retail	82.0
	Small & mid corporate	17.0
	Money market lending	1.0
Equitas SFB	Small business loans	40.0
	Microfinance	26.0
	Vehicle finance	25.0
	MSE finance	4.0
	Corporate	4.0
	Others	1.0
Ujjivan SFB	Group loans	75.0
	Micro individual loans	8.0
	Affordable housing	8.0
	MSE	5.0
	Rural	2.0
	Others	2.0
Utkarsh SFB*	Microfinance loans	88.2
	MSME loans	3.3
	Housing loans	0.5
	Wholesale lending	7.9
	Others	88.2
Fincare SFB*	Microloans	86
	LAP	6
	Loan against gold	1
	Institutional finance	8
North East SFB	Joint liability group	99.0
	Others	1.0

*Note: * Data as of FY18*
Source: Company reports, CRISIL Research

Geographical concentration of loan portfolio for Fiscal 2019

USFB has the most diversified portfolio among SFBs. USFB's portfolio is spread across 24 states with the top three Indian states accounted for 44.5% of the total portfolio in Fiscal 2019. Other players, such as, Equitas SFB and North East SFB are concentrated in southern and eastern regions of India, respectively.

SFB	Product mix	Percentage share (%)
AU SFB	Rajasthan	41.0
	Madhya Pradesh	13.0
	Maharashtra	15.0
	Gujarat	12.0
	Other states	19.0
Equitas SFB	Tamil Nadu	63.0
	Maharashtra	13.0
	Other states	24.0
Ujjivan SFB	Tamil Nadu	17.3
	West Bengal	14.3
	Karnataka	12.9
	Maharashtra	8.4
	Bihar	6.1
	Gujarat	5.9
	Haryana	5.1
	Others	30.0
ESAF SFB	Kerala	52.0
	Tamil Nadu	29.0
	Other states	19.0
Fincare SFB*	Tamil Nadu	31.0
	Gujarat	20.0
	Karnataka	20.0
	Other states	29.0
North East SFB	Assam	~90.0
	Other states	~10.0

Source: Company reports, CRISIL Research

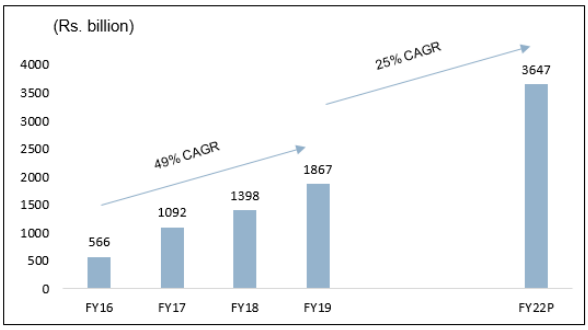
ANALYSIS OF VARIOUS SEGMENTS

Microfinance

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

As of March 31, 2019, the microfinance industry has a total GLP of approximately ₹ 1.9 trillion and grew by 34% year-on-year. Further, the number of microfinance accounts increased by 22% from 76.6 million as of March 31, 2018 to 93.3 million as of March 31, 2019. The domestic microfinance industry has a significant opportunity to capture share from unorganized players by growing their portfolio and covering areas that are less penetrated.

Growth in client base to drive MFI loan portfolio



Source: Bharat Microfinance, MFIN, CRISIL Research

Further, it is expected that the microfinance loan portfolio will grow at a CAGR of 25% from Fiscal 2019 to Fiscal 2022, which much lower compared with the previous three years as rural areas in well-penetrated states mature and the focus of some key players converting into SFBs, shifts towards selling other banking products. The growth forecast is calculated excluding the impact of any external factors that may delay the growth of microfinance NBFCs. The future GLP growth of NBFC-MFIs is also contingent on the availability of adequate capital.

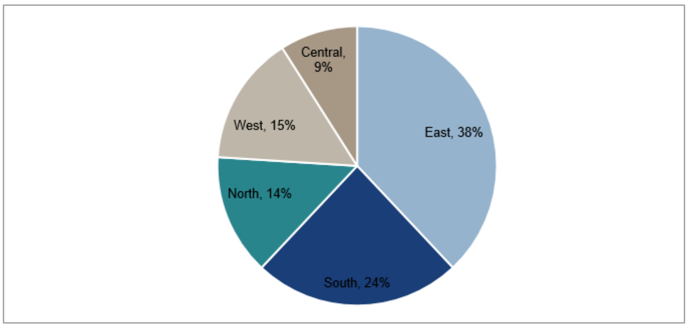
Certain key factors are as follows:

- ability to attract funds and maintain healthy capital position;
- strong promoters, who have witnessed various business cycles and successfully tackled challenges;
- loan recovery and control aging of NPAs;
- geographical diversification;
- adoption of technology to improve efficiency and lower costs; and
- ability to manage local stakeholders

Eastern region has the highest exposure in terms of microfinance loans; northern and western states of India are relatively underpenetrated

In terms of regional distribution of GLP, the east and north east regions collectively accounted for 38% of the total NBFC-MFIs portfolio, while south, north, west and central regions accounted for 24%, 14%, 15% and 9%, respectively. The top five in terms of loan amount outstanding were Karnataka, Bihar, Odisha, Maharashtra and Uttar Pradesh, and accounted collectively for 52% of the total GLP and the top 10 states accounted for 84% of the total industry loan amount outstanding.

East and south combined constitute more than half the share in GLP



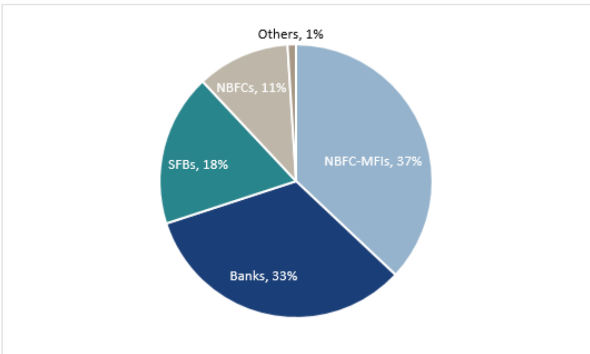
Source: Bharat Microfinance, MFIN, CRISIL Research

The growth in the microfinance portfolio is expected to come from states that have a relatively lower penetration. Thus, underpenetrated states, such as, Rajasthan and Gujarat, are expected to drive future growth along with some of the moderately penetrated eastern and north-eastern states.

Banks, including SFBs, are the market leaders; however, NBFC-MFIs share is also increasing

There are multiple players in the microfinance industry with varied organizational structures, including banks, SFBs, NBFC-MFIs, other NBFCs, and non-profit organizations. Banks provide loans under the SHG model; however, they also provide microfinance loans directly or through BCs to meet their PSL targets. After commencement of operations, SFBs with microfinance lending businesses have begun offering and focusing on other asset classes, including, affordable housing, MSEs and vehicle finance, after receiving the SFB license.

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



Source: Bharat Microfinance, MFIN, CRISIL Research

Gradual development in other support systems

Role of MFIN

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

Credit bureaus

Credit bureaus or CICs collect complete MFI information in their databases, with the exception of lending information pertaining to SHGs. In accordance with the RBI, every NBFC-MFI has to be a member of at least one credit bureau established under the CIC Regulation Act, 2005. The presence of a number of credit bureaus ensures that MFIs have access to more data on their borrowers, helping them make informed lending decisions in the long run. As per current norms, a borrower cannot avail of a loan from an MFI if there are already two NBFC-MFI loans existing. This is where the role of a credit bureau becomes critical, as it provides information on two levels- the number of credit lines that a borrower has already availed of, and the borrower's credit history in terms of, amongst others, repayment track record and defaults.

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

In Union Budget 2015-2016, the Government proposed the formation of MUDRA to facilitate the financial inclusion of the non-corporate smaller business sector through refinance and development support. A majority of this sector does not have access to formal sources of finance. MUDRA will be responsible for refinancing and developing the micro-enterprises sector by providing support to financial institutions that lend to small and micro business entities. It will also help reduce interest rates of the aggregate funds given to MFIs. In Fiscal 2019, ₹ 3,118 billion was disbursed under the Pradhan Mantri Mudra Yojana to 48.1 million accounts. The instant offtake of the scheme has been on account of the latent demand for small-ticket loans, reduction in interest costs and diversification of liability profile of the financiers. The setting up of MUDRA is a positive step for the microfinance sector as it provides funding and liquidity support to the MFIs. The impact of low rate funding is more significant for small players in comparison to large players. As the funding is at a comparatively lower rate, the overall average cost of funds for the MFI industry will reduce marginally.

NABARD refinancing MFIs to encourage lending in rural areas

NABARD is the main facilitator and mentor of microfinance initiatives in India, with a focus on rural areas. It assists eligible NBFC-MFIs and SFBs by providing them with long-term refinance support. NBFC-MFIs having continuous profit during the last three years and grading up to MFR2 (MFR3 in northeastern states and hilly areas) by CRISIL or equivalent, are eligible for refinance, subject to the fulfilling of other conditions.

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

Digitalization has impacted almost all aspects of the financial services industry. However, it is far more critical to the MFI industry as lower operating costs can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers and use analytics for portfolio monitoring and credit appraisal.

Growth drivers

Geographically diversified portfolio helps MFIs mitigate risks

Given that fixed operating costs are relatively higher, considering the value of the loan amount, scale of operations is a crucial factor for MFIs. First, a large and well-diversified portfolio in different geographies enables players to mitigate risks associated with a concentrated portfolio. In addition, a wider scale of operations helps them cut down on operating expenses as a percentage of outstanding loans. Expansion by MFIs in less-penetrated areas will help their growth. Semi-urban and rural areas are still under-penetrated in India, hence, NBFCs operating in and focused on semi-urban and rural areas may see faster growth in their portfolios.

Technology to be major enabler for MFIs in monitoring portfolios and maintaining asset quality

Apart from the cost benefits arising from automated documentation processes, a robust back-end technological setup enables players to effectively monitor their loan portfolios. Technology is also likely to play a major role in preventing internal accounting lapses and facilitating a better monitoring mechanism for collections.

MFIs' partnership with fintech companies to be a key success enabler, helping future growth and curbing operational cost

MFIs play a crucial role in providing financial access to underserved segments in India. There is a huge potential for providing products and services to consumers to lower segment of the population. Considering the challenges and the growth opportunities latent in meeting consumer needs, it would be beneficial for MFIs to enter into partnerships with fintech companies and tap the digital medium for financial inclusion. The collaboration with fintech companies will help to improve MFI's operational efficiencies and reduce cost. This will also make consumers digitally aware and prepare them for the future. Having understood the importance of fintech companies in financial inclusion and operational efficiencies, some of the leading microfinance NBFCs have collaborated with fintech companies.

Credit risk mitigation by credit bureaus

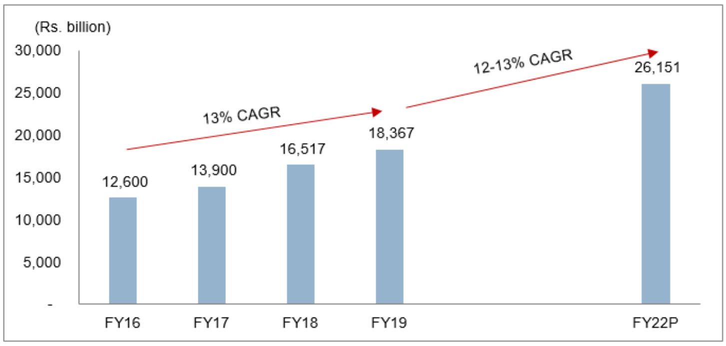
Credit bureaus, such as, Equifax and Highmark, collect data from several MFIs and build a comprehensive database that captures the credit history of borrowers. These databases are updated on a weekly basis. However, data in banks on SHG borrowers is lacking. Integration of MFI credit bureau and CIBIL databases will strengthen credit assessment of borrowers.

MSME Finance

MSME financing market is expected to grow at approximately 12% to 13% until Fiscal 2023 due to definite Government focus and initiatives

MSME financing along with LAP loans that are secured, and other loans, such as, overdrafts and cash credit as well as secured non-LAP loans and unsecured MSME loans, have a significant outstanding amount of approximately ₹ 18 trillion as of March 31, 2019. This outstanding amount grew by 11% year-on-year, and was approximately ₹ 16.5 trillion as of March 31, 2018. To complement this growth, the number of user accounts have grown at a CAGR of approximately 10% from 12.9 million as of March 31, 2018 to 14.3 million as of March 31, 2019. With increased focus on easing the loan process for MSMEs and more focus on reporting transactions and reforms including GST, the lending through formal channels is expected to grow further and accordingly, the loan outstanding amount is expected to reach approximately ₹ 26 trillion as of March 31, 2022.

Structural reforms and better access to credit to drive MSME loan growth

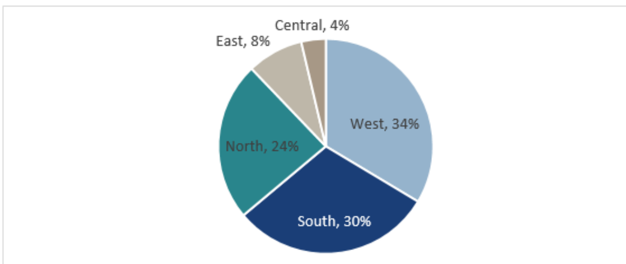


Note: Above industry sizing include MSME and LAP portfolio for banks and NBFCs
Source: CRISIL Research

Region wise split of MSME segment

Eastern and central regions of India are underpenetrated and account for only 12% share, while southern and western regions of India account for approximately two-third of outstanding loans in the MSME segment, primarily due to organised nature of the MSMEs present in these regions.

Western and Southern region account for the lion share in MSME segment



Source: CRISIL Research

Share of NBFCs is expected to increase vis-à-vis banks

The MSME segment has traditionally been dominated by the public sector banks due to their large presence and the higher addressable customer base. However, their share has been on a constant decline since the last few years. With better means of appraisal, private banks, SFBs, and particularly, NBFCs and HFCs have started focusing more on this segment. While banks still dominate the large ticket size and MSME working capital loans, the LAP segment has been an important segment for NBFCs. Even SFBs are targeting the micro and small segment of borrowers and are direct competitors for NBFCs. However, despite the competition, NBFCs have been able to increase their market share to reach 23% in Fiscal 2019 from 18% in Fiscal 2017. The share of the NBFCs is expected to increase particularly in the unsecured space of MSME lending with solutions being offered to smaller SMEs and targeting of underpenetrated cities along with that of SFBs.

Government initiatives

GST to increase demand in MSME lending

It is expected that transparency in MSMEs' operations will improve as a result of compliance with GST, which will result in MSME's to record their transactions. This will improve the quality of their books of accounts, accordingly, increase their credit worthiness. For financial institutions, this will ease the credit appraisal process and lower credit risk. Due to improvement in the quality of books of accounts, financial institutions will be able to lend to MSMEs in the unorganised sector, which were previously unable to get credit as books of accounts were not maintained properly or not maintained at all. Further, this will also open up previously untapped credit demand for financial institutions, leading to a robust expansion of the MSME credit market.

Credit Guarantee Fund Scheme extended to cover NBFCs

MSMEs typically find it difficult to avail credit due to banks or financial institutions asking to provide collateral against loans. Collaterals are not easily available with such enterprises, leading to high risk perception and higher interest rates for them. In order to address this issue, the Government launched a Credit Guarantee Fund Scheme, to make collateral-free credit available to micro and small enterprises. In January 2017, the scheme was extended to cover systemically important NBFCs as well. Overall limit under this scheme has also been enhanced to ₹ 20 Million.

Lower tax rates to boost MSME lending

Cut in corporate tax rates for MSMEs will increase the investment in the segment. MSMEs and retail borrowers are expected to experience higher credit flow, as large corporates are focusing on the bond market to meet the 25% target. The Government's support in the form of capital allocation, interest subsidy and tax-rate cut will also increase the credit demand from the MSME segment.

Government initiatives addressing structural issues in MSME lending

Some of the structural issues facing MSME lending have seen a gradual work from the Government perspective. The Government have introduced various initiatives, including the Pradhan Mantri MUDRA Yojana which provides for licences for TReDS, to solve the structural issues. The RBI has also proposed to introduce NBFC account aggregators (NBFC-AA) which has the potential to transform the MSME finance by providing detailed granular insights into customer's financial assets and borrowing history.

Recent government initiatives for boosting MSMEs

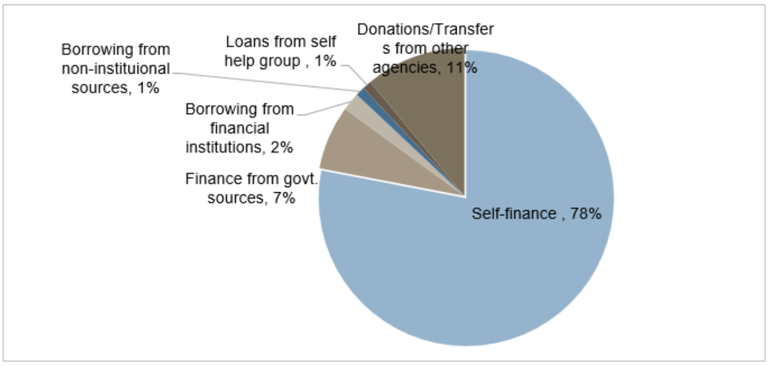
The Government has undertaken various initiatives to support the growth of MSMEs in India and improve the flow of credit, which include the following:

- *Udyog Aadhaar memorandum*: Paperless and online registration process for MSMEs with an aim to promote ease of doing business and increase coverage of MSMEs to avail benefits of various schemes of central/ state Governments.
- Stand-up India scheme: Facilitates bank loans between ₹1 million and ₹10 million to at least one scheduled caste or scheduled tribe borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise.
- Make-in-India: Launched with an intention to make India a global manufacturing hub, which in turn will provide employment to the youth population.
- GST: Formalization of MSME with GST gives lenders granular information about the entity for credit assessment and risk management. API access to GSTIN database to lenders aids in more efficient underwriting of the MSMEs.
- MUDRA loans: To fulfill funding requirement of MSMEs who were left out earlier by financial institutions. Credit guarantee support also offered to financiers.
- 59 minute loan: Online marketplace that provides in-principle approval to MSME loans up to ₹ 10 million in 59 minutes. Use advanced algorithms to analyse data from multiple data points such as GST return and banking, without human intervention.
- UPI 2.0: Real-time system for seamless money transfer from account. This enhances trust in digital transactions for customers as well as merchants and includes features such as linking to overdraft account and receiving invoice in the inbox.
- TReDS: Institutional mechanism to facilitate financing of trade receivables of MSMEs from corporates and other buyers through multiple financiers. Provides better price recovery and reduces working capital need of MSMEs

Growth drivers

Low credit penetration

India has approximately 60 million MSMEs, however, only approximately 10% had access to finance, as of March 31 2019, from organised lenders. High risk perception and the prohibitive cost of delivering services physically have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs historically. They are either self-financed or take credit from the unorganised sector. Accordingly, there is a significant growth opportunity for financial institutions. The following chart sets forth certain information in relation to the sources of funds for MSMEs:



Source: Sources of finance for MSMEs (6th Economic Census, 2013)

Improvement in economic scenario to increase funding needs of small businesses

MSME credit is largely extended to self-employed borrowers running small businesses, which primarily utilise funds for purchase of assets and expansion, and as working capital. It is expected that their demand for funds to grow, along with the economic growth, will result in increased disbursements.

Lower competition prompts players to eye smaller cities

Tier II cities, Tier III cities and smaller towns still remain underbanked or unbanked and are increasingly being tapped by NBFCs and SFBs. NBFCs stand a good chance to gain market share here given their ability to customise products, offer a wider range of products and services, higher flexibility and better services.

Stable real estate prices a positive for LAP

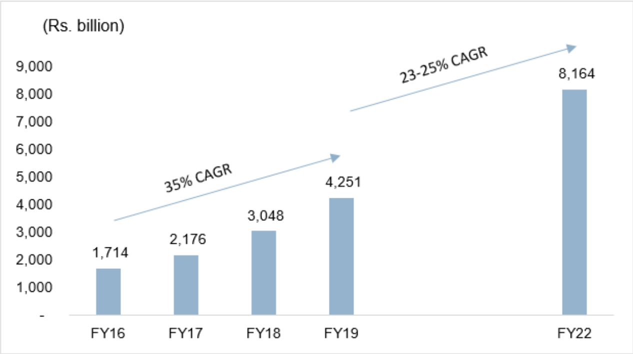
Demand for LAP has a direct co-relation to property prices and the real estate market. Stable property prices in Tier-I and metro cities will support growth of the LAP market.

Personal Loan Segment

Personal loan increased at a CAGR of 35% over the last three Fiscals

Due to the increasing organised retail penetration amongst the Indian population and a steady rise in the discretionary spending which has seen a CAGR of approximately 11% from Fiscal 2014 to Fiscal 2018, the personal loan segment has been able to grow at a CAGR of approximately 35% from Fiscal 2016 to Fiscal 2019. In Fiscal 2019, the personal loan segment increased by 39% from approximately ₹ 30 billion to approximately ₹ 42 billion. Further, deeper credit penetration and increase in data availability as well as increasing use of non-traditional means to access the behavioural and payments data, are expected to lead to better credit related decision making which will help this segment continue to grow at a strong pace. It is expected that this segment will grow at CAGR of approximately 23% to 25% until Fiscal 2022.

Personal loans segment has witnessed robust growth in the last few years



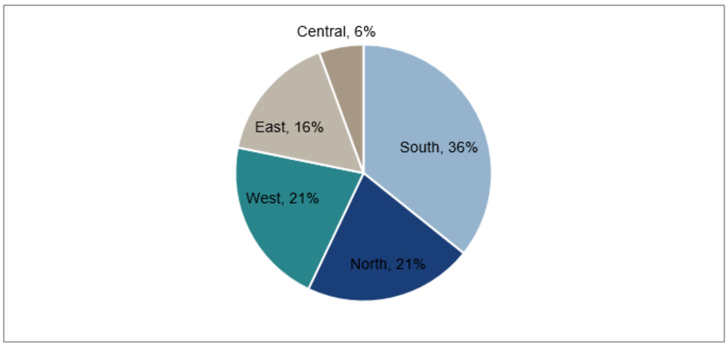
Source: Industry, CRISIL Research

Personal loan accounts have grown at 34% from 16 million in as of March 31, 2018 to reach approximately 22 million as of March 31, 2019. This is further expected to increase in the near term with increasing penetration and with the advent of robust technology to make effective decisions in the unsecured category.

Southern region is well-penetrated in personal loans; Eastern and Central region have a lower share

The southern region of India has large shares of personal loan customers due to enhanced penetration and is followed by the western and northern regions of India. The top eight cities currently hold approximately 29% of the market share. However, this share is expected to decrease with increasing penetration in the cities that are currently outside the top 50.

Region-wise share of personal loans (as of FY19)



Source: Industry, CRISIL Research

Banks dominate the personal loans segment with NBFCs steadily increasing their share

Unsecured lending is one of the fastest growing and most competitive segments in the retail lending space and is being aggressively targeted by banks and NBFCs alike. However, the top five players in this segment are all banks. NBFCs focus on low-ticket size loans and have customers having lower credit worthiness. The wide presence, large pre-existing customer base and better rates make banks more attractive to the prospective customers as well.

Government initiatives

Digitalization to increase information symmetry and reduce risk premium

By leveraging technology and using a combination of traditional data (such as, bureau data, financial statements, credit score), non-traditional data (such as, payments data, telecom data, provident fund contribution data and psychometric data) and Government data (such as Aadhaar), lenders would be able to gain greater customers insights, thereby increasing the accuracy of credit assessment.

Financial inclusion and easy setup of newer avenues of getting personal loans

The emergence of various fintech companies and setting up of payments and SFBs to help the unbanked and give them access to formal credit system have helped in creating a financial footprint. Further, certain initiatives, such as, allowing peer to peer lending, have further helped this segment grow and inform the population about availability of various means of credit.

Growth drivers

Under penetration of household debt

There is a significant under-penetration of credit in Indian households which can be determined based on comparing India's household debt as a percentage of GDP to peer group countries. One of the reasons for such an under-penetration could be that Indians generally have been credit averse and also lacked access to formal credit. With increasing financial inclusion and implementation of GST, the Indian economy is becoming more formalised, which points towards increased household debt in the future.

Increasing appetite for credit by the Indian consumers

There has been sustained growth in the number of credit cards as well as amount of transactions on an on-year basis. Also, Indian consumers are increasingly moving to more credit purchases. They are no longer averse to purchasing luxury gadgets or funding vacations through credit.

Quicker disbursement aided by technology (data analytics) and information availability (credit bureau scores)

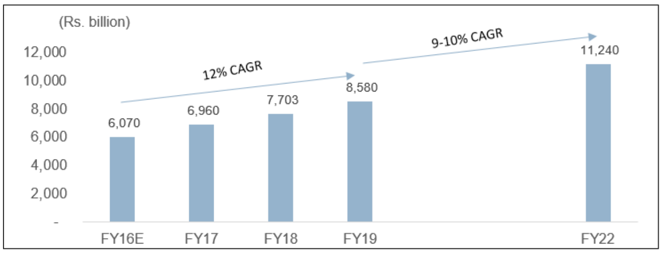
Previously, the time taken for disbursing a personal loan was almost 15 days. With the advent of technology and emergence of credit bureau scores, the turnaround time has been cut short drastically. This has enabled customers to bypass the informal system. The turnaround time to approve a loan has become non-existent for a few banks, owing to pre-approved loan offers. In fact, the turnaround time to disburse a loan to existing customers is now down to 30 minutes in the case of a few players, provided the availability of proper documentation.

Affordable housing loan (Ticket size < ₹ 2.5 million)

Affordable Housing Loan is expected to increase at a CAGR of approximately 9% to 10% till Fiscal 2022

The affordable housing loan segment has grown at a CAGR of 12% from Fiscal 2016 to Fiscal 2019. As of March 31, 2019, the outstanding loans was approximately ₹ 8.5 trillion, having grown from 11% from approximately ₹ 7.7 trillion as of March 31, 2018. The affordable housing loan is further expected to increase by approximately 9% to 10% until Fiscal 2022. Loans with ticket sizes from ₹ 1 million to ₹ 2.5 million are expected to grow faster than the low cost housing finance loans below ₹ 1 million.

Growth to be range bound in the medium term as in the past three fiscals



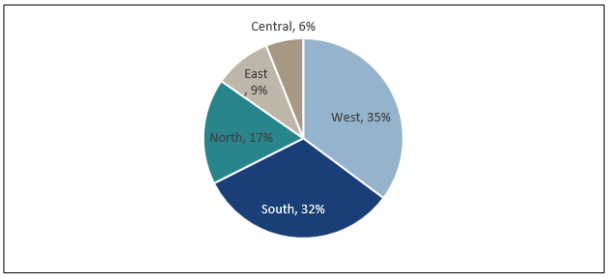
Source: Industry, CRISIL Research

The number of accounts for affordable housing loans have grown from 11 million to approximately 11.9 million as of March 31, 2019, at a CAGR of approximately 8%.

Western and southern markets account for two-thirds of the outstanding loans

With the high influx of affordable housing finance players in lower Tier cities, the growth in the affordable housing space that has been there in such smaller regions and is expected to continue with the major housing markets remaining to be saturated. The focus of buyers on these low cost options in low cost and affordable segment has spread across the regions, which was traditionally focused in the southern and western regions of India. However, these two regions combined account for approximately 68% of the total affordable housing loans outstanding in Fiscal 2019.

Region wise share in affordable housing loans

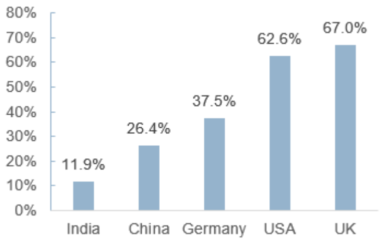


Source: Industry, CRISIL Research

Low mortgage penetration and increasing lender interest to lead growth

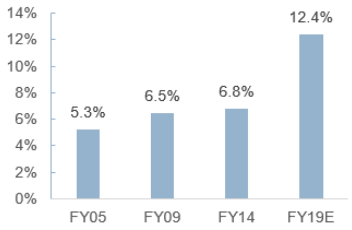
While the mortgage-to-GDP ratio in India is very low at 12.4% as of March 31, 2019, mortgage penetration in affordable housing is considered to be even smaller. Due to the burgeoning traditional mortgage finance market, a few commercial banks have entered the affordable housing market. These banks tend to offer long-term mortgage loans, which extend to 20 years and require down payment between 10% and 30% of the home value, pay slips, and legal title to property. Even at such levels, affordable housing loan penetration in India is expected to remain lower than in developed markets, such as, the United States and developing countries, such as, China.

Mortgage-to-GDP ratio in India compared with other countries (2017)



Source – HOFINET, Peoples Bank of China, CRISIL Research

Trend in mortgage-to-GDP ratio in India



Source – NHB, RBI, Industry, World Bank, HOFINET, CRISIL Research

However, the level of per capita GDP in India is relatively low and the increase in affordable housing markets is typically seen in the relatively higher levels of per capita GDP.

India's housing shortage is lesser by 50%, still enormous

	Urban housing Shortage (Million)			Rural housing Shortage (Million)		
Category	FY 18^^	FY 12	Share (%)	Category	FY 12 data	Share (%)
Economically Weaker Section	5.62	10.55	56.18	Below Poverty Line (BPL)	39.3	90
Lower Income Group (LIG)	3.94	7.41	39.44			
Middle Income Group (MIG)	0.44	0.82	4.38	Above Poverty Line (APL)	4.37	10
Total	**10**	**18.78**	**100**	**Total**	**43.67**	**100**

Source: NHB, Urban Housing Shortage (2012-17) Report of the Ministry of Housing and Urban Poverty Alleviation

Growth Drivers

Higher affordability led by increasing disposable income

India's per capita income has been growing at a steady rate and amounted to ₹ 92,718 in Fiscal 2019 (base year Fiscal 2012). Per capita income is estimated to have grown at 5.8% in Fiscal 2019 compared to 5.7% in Fiscal 2018. The increasing trend in per capita income is expected to continue. In the short-to-medium term, disposable income will rise as a result of implementation of the Seventh Pay Commission recommendations and the One Rank One Pension scheme, and sustained low inflation. This will be an enabler for domestic consumption. Further, increasing disposable income typically has a positive correlation with demand for housing units as it increases affordability.

Per capita income growth trend

	Level in FY19 (Rs)		Growth at constant prices (%)						
	Current prices	Constant prices	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Per capita income	1,26,699	92,718	3.3	4.6	6.2	6.7	6.8	5.7	5.8

Source: Central Statistics Office, RBI CRISIL Research

Rapid urbanization will increase housing demand

Urbanization provides an incentive to housing demand, as migrants require housing units. The share of urban population in total population has been consistently increasing over the years and was approximately 31% in 2011. This trend has pushed the demand for houses in urban areas. People from rural areas move to cities for various reasons, including better job opportunities, education and avail better lifestyle. Approximately 36% of India's population is expected to live in urban locations by 2020, which will drive the demand for housing in these areas. Urbanization has a similar impact on housing demand. On the one hand, it reduces the area per household, while on the other hand, there is a rise in the number of nuclear families, which leads to the formation of more households.

Rise in number of nuclear families leads to demand for new houses

Nuclearisation refers to formation of multiple single families out of one large joint family. Each family lives in separate houses, while the ancestral house may be retained or partitioned to buy new houses. Nuclearisation in urban areas is primarily driven by changing lifestyle of people, individualism, changing social/cultural attitudes and increased mobility of labour in search of better employment opportunities. Such trends are expected to continue in future.

Changing floor space requirement: Floor space requirement is dependent upon the size of the family as well as affordability determined by the income levels. With increasing nuclearisation, the per capita floor space area required reduces as the family size shrinks. As incomes increase, people shift to bigger houses, accordingly, increasing existing demand. For lower income groups, floor space required is marginally higher in rural areas compared with urban areas, which may be attributed to lower prices in rural areas.

Tax incentives

The Government has traditionally used tax regulations to promote the housing sector. Tax incentives for the housing sector have been instrumental in driving growth in the housing and housing finance sectors. Tax benefits announced in the Union Budget 2019-20 include interest deduction on loans taken until March 31, 2020, for the purchase of a house valued up to ₹ 4.5 million, which has been enhanced to ₹ 0.35 million from ₹ 0.2 million. The additional interest deduction of ₹ 0.15 million would reduce the effective home loan interest rate by 40-50 basis points (bps) for a typical 15-year loan. In addition, certain other tax benefits are as follows:

- As per Section 24 (B) of the Income Tax Act, 1961, annual interest payments of up to ₹ 200,000 (₹ 300,000 for senior citizens) on housing loans can be claimed as a deduction from taxable income;
- As per Section 80 C (read with Section 80 CCE) of the Income Tax Act, 1961, principal repayments of up to ₹ 150,000 on a home loan are allowed as a deduction from gross total income; and
- As per Section 80 EE, an additional deduction in respect of interest of ₹ 50,000 per annum has been provided exclusively for first-time home buyers, given the property value is up to ₹ 5 million and the loan is up to ₹ 3.5 million.

Interest subvention scheme will increase loan disbursements over next 3-5 years

The Cabinet Committee on Economic Affairs approved a proposal to increase the interest subsidy to 6.5% for loans of up to ₹ 0.6 million for economically weaker sections and lower income group beneficiaries under affordable housing through the CLSS component of the 'Housing for All' by 2020 mission. In February 2017, benefits of the CLSS were extended to include middle-income group households with incomes ranging between ₹ 0.6 million and ₹ 1.8 million. This will lead to an increase in loan disbursements over the next few fiscal years, resulting in faster outstanding growth. Higher government support for the affordable-housing segment (in terms of interest rate subsidies) as well as a low interest rate scenario will increase overall housing loan demand over next two fiscal years.

Government schemes

- Under the PMAY-G, approximately 15 million houses have been constructed so far. The Government has set up a construction target of 19.5 million houses up to Fiscal 2022 under Phase II. Further, the scheme relies heavily on extra budgetary resources raised through the NABARD bonds. The flow of funds for the second phase will be key with an investment requirement of ₹ 1,600 billion, or ₹ 80,000 per house. Only ₹ 190 billion has been provided for Fiscal 2020 with almost ₹ 1,400 billion additional needs over next two years to achieve PMAY-G targets.

- Under PMAY-U, out of the estimated ten million houses to be constructed over seven years (Fiscal 2016 to Fiscal 2022), 8.4 million houses have been sanctioned as of July 2019. Of these, while 2.6 million houses have been constructed, 2.2 million houses are under construction. Like PMAY-G, PMAY-U also relies heavily on extra budgetary resources raised through Housing and Urban Development Corporation Limited bonds. The flow of funds from the central Government remains significant for the scheme's success, as it needs approximately ₹ 15,000 billion over the remaining life of the scheme an average of ₹ 150,000 per house. Currently, only 34% of this amount, *i.e.*, ₹ 514 billion, has been released until now and accordingly, central Government needs approximately ₹ 986 billion to achieve PMAY-U completion.

Ease of access to finance and rise in finance penetration to drive the housing industry

Growth of the housing sector in India also depends on the availability of finance and the cost of obtaining such financing. The availability of finance can broadly be evaluated through finance penetration. The increase in housing demand over the past few years was primarily due to easy availability of finance along with low interest rates. In addition, the presence of a large number of financiers across categories contributed to the growth in housing demand. Increase in finance penetration is also expected to support the housing industry's growth. Rising demand for housing from Tier II and Tier III cities, and a subsequent surge in construction activity have increased the focus of financiers on these geographies. Consequently, finance penetration in urban areas is estimated to have increased to 44.8% in 2019, from an estimated 39% in 2012. With the increase in the affordable housing and rising competition in mid-ticket size loans, finance penetration is expected to increase by more than 45% in urban areas over the next two years.

Impact of GST

A significant reduction in GST from 8% to 1% for under-construction affordable housing projects (effective rate after deducting one-third towards land cost) and from 12% to 5% for other under-construction housing projects (effective rate after deducting one-third for land cost), is expected to increase end user demand. In addition, the GST Council adopted a new definition for affordable housing, which is now described as a residential house/ flat with a carpet area of up to 90 square metres in non-metropolitan cities/towns, and 60 square metres in a metro, and having value of up to ₹ 4.5 million. Metros identified are Bengaluru, Chennai, National Capital Region of Delhi (limited to New Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon and Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region). Further, approximately 40% to 45% of the on-going supply in these six cities fall below the ₹ 4.5 million ticket size, so the effective GST rate of 1% should increase the demand. Over the past two years, preference for completed projects has been clearly visible because of the additional GST burden and execution risks associated with under-construction properties. With the RERA framework evolving and GST reduced, end-user confidence towards under-construction properties is expected to improve will also gradually improve volume growth in the housing segment.

Effective implementation of RERA to aid transparency and drive growth in long term

RERA could have some impact over the next 1-2 Fiscals until the housing industry adjusts to the new regulations, as it has forced developers to focus on completing their existing projects, which has resulted in fewer new launches of residential properties. However, it is expected that RERA will lead to better structure, transparency and discipline in the sector in future.

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 19 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 – Significant Factors Affecting our Results of Operations" on pages 21 and 260, 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, the financial information included herein is based on our Restated Financial Statements included in this Draft Red Herring Prospectus. Our Bank was incorporated on July 4, 2016, however, we began our operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities pursuant to receipt of the license to operate as a small finance bank. As a result, our financial statements for Fiscal 2017 reflect only two months of operations from February 1, 2017 to March 31, 2017. Accordingly, the financial and statistical data for Fiscal 2017 will not be comparable with information for Fiscal 2018 and 2019 and for the three months ended June 30, 2018 and 2019. For further information, see "Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 187 and 260, respectively.

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

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Industry Report – Small Finance Bank (SFBs)" dated July 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, nor any other person connected with the Issue has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year. For further information, see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 16.*

Overview

We are a mass market focused SFB in India, catering to unserved and underserved segments and committed to building financial inclusion in the country. Our Promoter, UFSL commenced operations as an NBFC in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. UFSL's erstwhile business was primarily based on the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active poor women. UFSL also offered individual loans to Micro and Small Enterprises ("**MSEs**") and adopted an integrated approach to lending, which combined a customer touchpoint similar to microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank. On October 7, 2015, UFSL received RBI In-Principle Approval to establish an SFB, following which it incorporated Ujjivan Small Finance Bank Limited as a wholly-owned subsidiary. UFSL, subsequent to obtaining RBI Final Approval on November 11, 2016 to establish and carry on business as an SFB, transferred its business undertaking comprising of its lending and financing business to our Bank, which commenced its operations from February 1, 2017. We were included in the second schedule to the Reserve Bank of India Act, 1934 as a scheduled bank on July 3, 2017. In the short span of time that we have been operational as an SFB, we are among the leading SFBs in India in terms of deposits, advances, branch count and geographical spread, as of March 31, 2019 (*Source: CRISIL Report*).

Among the leading SFBs in India, our Bank had the most diversified portfolio, spread across 24 states and union territories as of March 31, 2019 (*Source: CRISIL Report*). As of June 30, 2019, we served 4.72 million customers and operated from 474 Banking Outlets that included 120 Banking Outlets in Unbanked Rural Centres ("**URCs**") (of which seven were business correspondent centres) and additionally operated 50 Asset Centres. In Fiscal 2019 alone, we operationalized 287 Banking Outlets. As of June 30, 2019, we had a network of 387 ATMs (including nine ACRs), two 24/7 phone banking units based in Bengaluru and Pune that service customers in 11 languages, and a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers.

Our portfolio of products and services includes various asset and liability products and services. Our asset products comprise: (i) loans to our micro banking customers that include group loans and individual loans, (ii) agriculture and allied loans, (iii) MSE loans, (iv) affordable housing loans, (v) financial institutions group loans, (vi) personal loans, and (vii) vehicle loans. On the liability side, we offer savings accounts, current accounts and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, Aadhaar enrolment services, distribute third party insurance products and point of sales ("**POS**") terminals.

Our operations have traditionally been and continue to remain focused on using technology and we have made significant investment in automation of our operations. Our focus is to use technology as an enabler for our customers that allows us to customize and deliver products and services to suit their needs. We offer our customers with various digital platforms including internet banking, mobile banking, SMS banking, bill payments, biometric ATMs and RuPay Platinum debit cards. We have a tablet-based loan origination system for both group and individual loans to bring down loan origination turn-around time for our customers. The credit processing for these loans is also digitised and an automated collection receipt system has also been launched to enable seamless collection from customers. Our customers are also able to register savings bank accounts on UPI based mobile applications. We also provide customers the ability to repay loans in a cashless manner through digital wallets and payment gateways. We also have a robust back-end operating system supported by our core banking system, customer relationship management system and document management system.

We believe we are a customer centric organization. We allocate relationship officers for our customers and have a dedicated service quality department that addresses customer grievances and takes cognizance of their feedback. We have partnered with Parinaam Foundation, our Group Company, for the formulation and implementation of financial literacy programs such as Diksha+, and continue to support them in their initiatives, which aides in raising the level of financial awareness of our customers.

We have grown in a sustainable manner. Our Gross Advances (including securitization/ IBPC) have grown from ₹ 63,839.77 million as of March 31, 2017 to ₹ 110,485.91 million as of March 31, 2019 and were ₹ 117,829.38 million as of June 30, 2019. Our deposits have increased from ₹ 2,064.05 million as of March 31, 2017 to ₹ 73,794.40 million as of March 31, 2019 and were ₹ 79,567.64 million as of June 30, 2019. As of June 30, 2019, our percentage of gross NPAs to gross advances was 0.84% while our percentage of net NPAs to Net Advances was 0.26%. Our profit after tax as restated for Fiscal 2018 and 2019 was ₹ 68.63 million and ₹ 1,992.18 million, respectively while for the three months ended June 30, 2019, our profit after tax as restated was ₹ 944.84 million. Further, our long term bank facilities and non-convertible debentures have been rated CARE A+; Stable by CARE Ratings Limited, our certificate of deposits have been rated CRISIL A1+ by CRISIL Limited and our non-convertible debentures programme is rated CARE A+; Stable by CARE Ratings Limited.

We intend to develop and offer a comprehensive suite of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. Our focus customers are primarily young middle class customers across India. To achieve this, we intend to strategically invest to increase the use of technology in our operations. We intend to reduce our costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking. We will selectively operationalize additional Banking Outlets, convert our existing Asset Centres to Banking Outlets, expand our ATM and ACR network and engage more business correspondent agents to grow our customer base and increase our advances and deposits. Our focus will continue to remain on serving the unserved and underserved segments to build responsible banking behaviour by educating potential customers and increasing financial literacy.

Strengths

Deep understanding of mass market serving unserved and underserved segments

We are an SFB providing a variety of banking services in mass market customer segments with a focus on serving the financially unserved and underserved segments in India. A large section of the Indian population lacks access to formal banking services or is served by informal providers. Accordingly, financial inclusion has always been a key priority for the Indian government. The banking system and 'priority sector' lending have been the most explored channels to bring majority of the population under the ambit of formal credit institutions. Financial inclusion is a comprehensive exercise that constitutes several products and services, such as bank accounts, insurance facilities, payment and remittance mechanisms, financial counselling, and most crucially, affordable credit. The RBI granted 'small finance banks' licenses in 2015 with the objective of making banking services accessible and affordable to the unserved and underserved segments through saving instruments, and providing credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector *(Source: CRISIL Report)*.

Our SFB operations are focused on serving the financially unserved and underserved segments in India. As of June 30, 2019, we operated 181 Banking Outlets located in 78 districts classified by the RBI as under-banked districts as per the Census 2011. In addition, our focus on the financially unserved and underserved segments enables us to comply with RBI's requirements that: (i) small finance banks locate at least 25% of their banking outlets in URCs, and (ii) at least 75% of adjusted net bank credit ("**ANBC**") be made to "priority sectors", which includes micro loans and were able to comply with such guidelines within the first year of our operations. As of June 30, 2019, 25.32% of our Banking Outlets were located in URCs and our 'priority sector advances' net of PSLC and IBPC were 75.02% of ANBC.

We believe that the experience of our Promoter, UFSL, as an erstwhile microfinance institution, coupled with our ability to address mass market customer segments has allowed us to become among the leading small finance banks in India in terms of deposits, branch count and geographical spread, as of March 31, 2019 *(Source: CRISIL Report)*. We continue to focus on lending to micro banking customers with deposits from our micro banking customers constituting 6.83% of our total deposits as of June 30, 2019. We are particularly focused on serving senior citizens and offer them differential interest rates, doorstep banking services, unlimited free ATM transactions along with free accidental insurance cover of up to ₹ 100,000 and no minimum balance maintenance requirements in savings accounts. We also offer such customers with priority service and life event-based services at our Banking Outlets. We undertake constant research on various segments within the mass market to understand the financing requirements of potential customers and accordingly, are able to customize and develop products and services to address their needs. For instance, we have introduced a differentiated current account product for traders, overdraft facility for MSEs, loans for agriculture and allied activities, corporate internet banking for non-individual customers with current accounts and fund transfers in an open loop system through UPI.

Customer centric organization with multiple delivery channels

We served 4.72 million customers as of June 30, 2019, and consider our customers to be the most significant stakeholder at the core of our operations. We believe that customers prefer one source for multiple financial products and services and that our spectrum of products and services and allocating each customer with a relationship officer helps in customer acquisition and retention. We launched "Sampoorna Banking" in April 2019 that extends full banking services including education loans, vehicle loans, deposits, funds transfer facilities and distribution of insurance to families of our existing micro banking customers. On the liability side, we offer a variety of demand deposits and other services so that our customers can realise their savings goals. We are authorized to run Aadhaar Enrolment Centres ("**AECs**") where customers and members of the general public can enroll for Aadhaar or get their Aadhaar data updated. To constantly assess our customers' requirements and feedback for the introduction of new products, we have a dedicated service quality department to focus on customer retention, customer protection and grievance redressal. Customer satisfaction scores of our Banking Outlets have improved from 77.11% in Fiscal 2018 to 78.53% in Fiscal 2019. We have partnered with our Group Company, Parinaam Foundation for formulation and implementation of financial literacy programs such as Diksha+. We continue to support the Parinaam Foundation with its initiatives that aide in raising the level of financial awareness of our customers and as of June 30, 2019, Parinaam Foundation had covered over a million customers through various programmes.

Besides our Banking Outlets and Asset Centres, our delivery channels also include ATMs, ARCs, mobile and internet banking services. As of June 30, 2019, we had a network of 387 ATMs that accept RuPay, Visa and MasterCard. As of June 30, 2019, our two 24/7 phone banking units based in Bengaluru and Pune service customers in 11 languages while our mobile banking application is accessible in five languages. We offer 'missed call' and SMS banking services. In Fiscal 2019, we witnessed significant growth in our phone banking, 'missed call' and SMS banking volumes. Our "Digi-buddy" service, offered by a dedicated and specifically trained employee at certain of our Banking Outlets, aims at assisting and educating customers on the use of various digital platforms and enables them to move from an assisted model to a self-service delivery model.

Our customer focused approach has been widely recognized in the industry and is evident from the awards received. In 2019, we received the 6th SMEs Excellence Award for 'Excellent Service (Small Finance Bank)' from ASSOCHAM India, and were awarded 'Best HR Practice in Finance Sector' at the Banking, Financial Services and Insurance Awards.

Pan-India presence

As of March 31, 2019, we were among the leading SFBs in terms of branch count and geographical spread across India (*Source: CRISIL Report*). As of June 30, 2019 we were present in 24 states and union territories encompassing 221 districts in India.

As of June 30, 2019, we operated from 474 Banking Outlets that included 120 Banking Outlets in URCs (of which seven were business correspondent centres) and additionally operated 50 Asset Centres. Our diversified operations also allow us to de-risk our business by mitigating political and state-specific risks. As of June 30, 2019, we operated 96, 152, 157 and 69 Banking Outlets (including in URCs) in the North, South, East and West regions, respectively. In Fiscal 2019 alone, we operationalized 287 Banking Outlets. Our operations are well-diversified and in Fiscal 2019, no single state constituted more than 18.00% of our overall loan portfolio. As a result of our geographic spread, we have been able to reduce our concentration risk and diversify our loan portfolio. As of March 31, 2019, the North, South, East and West regions contributed 20.09%, 34.20%, 29.80% and 15.91% of our Gross Advances (including securitization/ IBPC), respectively, and as of June 30, 2019 these regions contributed 20.01%, 34.37%, 29.44% and 16.16% of our Gross Advances (including securitization/ IBPC), respectively. Metropolitan, urban, semi-urban and rural areas accounted for 28.17%, 36.14%, 31.30% and 4.38% of our Gross Advances (including securitization/ IBPC), respectively, as of March 31, 2019 and as of June 30, 2019 such areas contributed 29.00%, 35.31%, 30.58% and 5.11% of our Gross Advances (including securitization/ IBPC), respectively.

We believe the penetration of our distribution network has enabled us to develop the expertise to understand and differentiate customers on the basis of their specific requirements. Our established distribution network and relationships with our customers allows us to offer them with differentiated and customized products that include micro loans, agriculture and allied loans, MSE loans, financial institutions group loans, personal loans, housing finance and vehicle finance. We also distribute third party insurance products from various insurance companies to our customers. We believe that our diversified operations and understanding of customers' requirements have enabled us to establish a strong liability franchise.

Technology driven operating model with advanced digital platform

We leverage technology to serve our customers better, identify opportunities, deliver innovative products and services and advance on our goal of facilitating financial inclusion in India. We manage the entire life cycle of our customers' banking transactions, from onboarding to customer management, through our various technology platforms. Over the years, our use of technology has improved work place engagement and governance, increased the accessibility of our products to the customers and enabled us to rapidly scale up our operations in a secure and efficient manner. The number of banking transactions through our digital channels were 0.60% and 8.31% of our overall transactions in Fiscal 2018 and 2019, respectively and such transactions accounted for 16.34% of our overall transactions in the three months ended June 30, 2019.

We aim to encourage and empower customers to conduct their banking operations through digital channels including through internet, phone and mobile banking. With our digital platform, we have enabled paperless and handheld device based loan origination and cashless disbursements for our customers with remittances directly to their accounts. Since commencement of our banking operations, 82.34% of our advances have originated through handheld devices. Processing of our loans is digitized and loans can be approved within minimal time post sourcing. Our use of handheld devices has reduced our turn-around time to service our customers. Turn-around time in group loans has reduced from 8.00 days in Fiscal 2017 to 4.06 days in Fiscal 2019. In Fiscal 2019, we enabled UPI on our digital platforms. Our customers are able to register savings bank accounts on mobile applications to perform financial and non-financial transactions. We also provide customers the ability to repay loans in a cashless manner and through digital wallets and payment gateways. Our mobile application, 'Ujjivan Mobile Banking', had a customer rating of 4.6/5 on the Google Playstore as of June 30, 2019. In Fiscal 2019, the application was downloaded by 0.21 million users and was used by 0.19 million customers to perform banking transactions.

We have an automated backend, supported by a robust core banking system, customer relationship management system, collection management system and document management system that has helped improve efficiency and minimize turn-around time. We continue to leverage technology for underwriting and creating credit models to ascertain credit behaviour of various customer segments to ensure diversification of our product portfolio. We create and manage our data security infrastructure in-house and have systems in place to prevent security breaches and cyber-attacks. We have also introduced a remote monitoring system to manage security at our Banking Outlets. We also undertake periodic audits of our systems through an external 'information security auditor'. Our Bank has received numerous awards in relation to our IT operations. These include Special Jury Recognition for 'Security Practices in Small Finance Bank' at the DSCI Excellence Awards, 2018, Recognition of the Outstanding Spirit of Innovation for our group loan origination system 'Glow" by Banking Frontiers Finnoviti 2019 and the 'Best IT Risk Management and Cyber Security Initiatives' under the small bank category at the Indian Banks' Association Banking Technology Conference, Expo and Awards 2019.

Robust risk management framework

We have an established risk management framework to identify, measure, monitor and manage credit, market, liquidity, IT and operational risks. Our risk management framework is driven actively by our Board through its Risk Management Committee and at the management level by the Asset and Liability and Market Risk Management Committee and Credit Risk Management Committee, Operational Risk Management Committee and the Information Security and Business Continuity Management Committee which are comprised and supported by members of our senior management team. Our Risk Management Committee is responsible for the review of prudential risks while our Credit Risk Management Committee is responsible for overseeing implementation of credit risk management framework across our Bank.

We have implemented credit management models such as decentralized loan sanctioning and stringent credit history checks. We continually use technology and data analytics to manage credit risks and our in-house analytics team has developed a credit application scorecard to make informed decisions on lending. We have implemented SaaS for measuring capital adequacy, asset liability management and preventing money laundering. Our credit risk monitoring policies seek to monitor and control performance of both our loan assets at account and portfolio levels, with account monitoring designed to identify and facilitate corrective action for weak accounts, and portfolio monitoring aimed at identifying credit stress in specific sectors and geographies. Our effective credit risk management is also reflected in our portfolio quality indicators such as robust repayment rates, stable portfolio at risk and low gross and net NPAs. As of June 30, 2019, our gross NPAs accounted for 0.84% of our gross advances, while our net NPAs accounted for 0.26% of our Net Advances. Our Bank's GNPA was the lowest among the small finance banks in India, as of March 31, 2019 (*Source: CRISIL Report*). Our effective risk management framework is also evident from our low portfolio at risk ratio that has been consistently declining since inception and was 1.49% and 1.75% as of March 31, 2019 and June 30, 2019, respectively. We manage operational risks at a granular level, through an internal scoring mechanism and through a 'Key Risk Indicator' program for monitoring critical industry-specific risks. The KRIs effectively monitor liquidity risk and interest rate risk, and ensure diversified funding as prescribed by the RBI.

In Fiscal 2019, we designed an initial framework for enterprise risk management which seeks to move away from a silo-based risk approach to a comprehensive and holistic approach. The framework is designed around risk adjusted return on capital based decision making. Other risk management measures adopted by our Bank include implementation of enterprise governance risk and compliance modules and risk control self-assessment techniques. Our internal audit department is responsible for monitoring and evaluating internal controls, and ensuring statutory and regulatory compliances at our Banking Outlets, Asset Centres and regional offices as well as at the head office. Our risk management framework has been recognized and we have been awarded 'Best IT Risk Management and Cyber Security Initiative' under the small bank category at Indian Banks' Association at the Banking Technology Conference, Expo and Awards in 2019 and were awarded 'ERM Strategy of the Year' award at the ERM World Summit and Awards 2019 by RSA.

Strong track record of financial performance

We have maintained strong growth credentials since our inception through high rates of customer retention, geographical expansion, operationalization of Banking Outlets, improved productivity, lower credit cost and growth in customer base. We believe that our operational efficiencies, low turn-around time and network of Banking Outlets have resulted in the rise in our profitability.

Our Gross Advances (including securitization/ IBPC) have grown from ₹ 63,839.77 million as of March 31, 2017 to ₹ 110,485.91 million as of March 31, 2019 and were ₹ 117,829.38 million as of June 30, 2019. Of our Gross Advances (including securitization/ IBPC), secured advances constituted 1.83% as of March 31, 2017 and increased to 13.59% as of March 31, 2019 and further increased to 16.44% as of June 30, 2019. Our Net Interest Income in Fiscal 2018 and 2019 was ₹ 8,610.11 million and ₹ 11,064.11 million, respectively, and was ₹ 3,524.51 million in the three months ended June 30, 2019. Our Net Interest Margins in Fiscal 2018 and 2019 were 10.31% and 10.93%, respectively, and was 10.51% in the three months ended June 30, 2019. Total deposits have increased from ₹ 2,064.05 million as of March 31, 2017 to ₹ 73,794.40 million as of March 31, 2019 and were ₹ 79,567.64 million as of June 30, 2019. Of our total deposits, our share of retail deposits has increased from 3.15% as of March 31, 2017 to 37.07% as of March 31, 2019 and was 43.09% in the three months ended June 30, 2019. Moreover, our CASA to total deposits ratio has improved from 1.57% as of March 31, 2017 to 10.63% as of March 31, 2019 and was 10.39% as of June 30, 2019.

We have grown in a sustainable manner and accordingly have been able to maintain our asset quality. As of March 31, 2017, 2018 and 2019 and as of June 30, 2019, our percentage of gross NPAs to gross advances was 0.28%, 3.65%, 0.92% and 0.84%, respectively, while our percentage of net NPAs to Net Advances was 0.03%, 0.69%, 0.26% and 0.26%, respectively. Our portfolio at risk has been consistently improving and was ₹ 3,045.01 million as of March 31, 2018 and reduced to ₹ 1,658.13 million as of March 31, 2019 and was ₹ 2,056.65 million as of June 30, 2019. Our provision coverage ratio (including technical write-offs) was 81.87% and 71.90% in Fiscal 2018 and 2019, respectively and was 69.64% in the three months ended June 30, 2019. Our Bank was ranked second in terms of provision coverage ratio among the small finance banks in India, as of March 31, 2019 (*Source: CRISIL Report*). Our profit after tax as restated for Fiscal 2018 and 2019 was ₹ 68.63 million and ₹ 1,992.18 million, respectively and was ₹ 944.84 million in the three months ended June 30, 2019. As a result of our performance, our return on average assets and return on average equity was 1.72% and 11.49%, respectively, as of and for the year ended March 31, 2019 and was 2.71% and 20.36%, respectively, as of and for the three months ended June 30, 2019. Our Bank was ranked fourth among the small finance banks in India as of March 31, 2019 (*Source: CRISIL Report*).

Professional management, experienced leadership with focus on employee welfare

We are professionally managed and our senior management team has a diversified track record in the financial services industry. Our Board consists of Directors with a diverse mix of experience in various sectors, in particular, the financial services industry and technology. Our Managing Director and Chief Executive Officer, Samit Kumar Ghosh. He has previously worked at Citibank N.A., Standard Chartered Bank, HDFC Bank and Bank Muscat. In the past, he has also served as president of the Microfinance Institutions Network as well as the chairman of Association of Karnataka Microfinance Institutions. Nitin Chugh will be taking over as the Managing Director and Chief Executive Officer of the Bank with effect from December 1, 2019 following the retirement of Samit Kumar Ghosh. Nitin Chugh has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL, Hewlett Packard and Modi Xerox Limited. Our focus on ensuring strong corporate governance is evident from our leadership transition process that has been a Board managed process for over a period of one year. We believe that the experience of our independent Directors, who constitute a majority of our Board, ensures transparency and accountability in our operations while the heads of functional groups, such as finance, financial planning and analysis, risk and human resources, enhance the quality of our management with their specific and extensive industry experience.

As a performance driven organization, we have undertaken a number of measures towards employee welfare, including introduction of specific programmes to address role specific regulatory requirements and build a culture of governance. SWAYAM, our learning application, was introduced in October 2018, which allowed our foray into technology-enabled, self-paced learning. Employees are educated on products, processes, compliance and basic banking knowledge with the help of SWAYAM across all regions.

Our employee base has grown from 10,167 employees as of March 31, 2017 to 14,752 employees as of March 31, 2019 and had 15,626 employees as of June 30, 2019. Our holistic approach towards employee welfare initiatives, in addition to our emphasis on professional development of employees has allowed us to be ranked 6th among 'India's Best Company to Work For 2019' awarded by the Great Places to Work Institute India in partnership with the Economic Times and being awarded the "Best HR Practice in Finance Sector" award at the Banking, Financial Services and Insurance Awards in 2019.

Strategies

Diversify product offerings to enable multiple customer relationships

Our endeavour is to be a one-stop-shop for financial services, delivering quality products and solutions, along with a personalized customer experience to a diversified customer base. We intend to develop and offer a comprehensive suite of asset and liability products that will help us attract new customers and deepen our relationship with our existing customer base. We also intend to expand our range of third party products and services in order to serve our customers better.

We conduct qualitative and quantitative research to understand the changing requirements and expectations of our customers and is key to our product and service development. We have identified the retail and MSE segments as key areas for increasing our credit portfolio. Currently, our group loan customers with positive repayment track record graduate to becoming individual loan customers. We propose to capitalize on this trend by increasing the penetration of our individual loan products, and by innovating and designing need-specific products and services. Currently, our micro banking customer base largely comprises women. We intend to offer MSE loans, vehicle finance and micro-loans against property to family members of our customers. We have developed need-based products for small and marginal farmers and intend to develop more products to finance agriculture and allied activities.

We offer a range of loan and overdraft facilities to the customers in the MSE segment and intend to introduce bill discounting and non-fund based credit facilities. In order to help our customers to meet their housing needs, we have an affordable housing finance program with products ranging from small ticket size home improvement loan to larger loans for purchase of ready housing units. We intend to collaborate with State Housing Boards for properties built by them for providing housing loans to the beneficiaries of such housing projects, as well as online aggregators to reach out to a larger potential customer base. With the introduction of Credit Linked Subsidiary Scheme under the Pradhan Mantri Awas Yojana, we are presented with significant opportunities to offer our existing and prospective customers with affordable housing finance products. We intend to grow our MSE and affordable housing portfolios which will also increase the proportion of secured to unsecured products, thereby further enhancing the quality of our credit portfolio. We intend to increase the ticket size of the products, while relying on our established credit assessment procedures and risk management framework to ensure a high quality and balanced portfolio.

In the vehicle finance segment, we have entered into memoranda of understanding with certain original equipment manufacturers to provide customers with financing facilities for electric vehicles. We intend to expand our offerings to finance the purchase of two-wheelers, three-wheelers, small commercial vehicles and used cars. We also intend to lend to financial institutions such as other NBFC that are engaged in the business of financing micro loans, MSE loans and affordable housing loans. Our personal loan products and their delivery structure is specially aligned to meet the needs of the salaried segment and we believe will be a key enabler in scaling up our salary account program. In addition to the various loan products and the deposit products that we offer, we intend to expand our range of third party products and services such as life insurance, general insurance, cash management, POS terminals, debit cards and fee collection solutions for educational institutions. By expanding our range of products and services and by using multiple delivery channels, we endeavour to meet the financial needs of our customers and will be able to develop a stronger relationship with them.

Continue to focus on technology and data analytics to grow operations

The optimum use of advanced, cost-effective technology has significantly driven our operations, and going forward, we intend to strategically invest our resources for further integration of technology into our operations. By furthering our digital and technology platform, our endeavour is to empower the customers to access various products and services on their own, reduce our operating costs and increase efficiencies. To achieve this, we have put in place technology at the front-end, such as our mobile banking application, internet banking, missed call services, SMS banking, ATMs and ACRs which allow the customers to access the banking services round the clock from the convenience of their homes and neighbourhoods. We have also empowered our relationship officers with multi-functional handheld devices and various software solutions such as customer relationship management, loan origination systems and collection management systems to deliver products and services to our customers at their doorsteps. At the back-end, we have put in place an array of solutions such as loan management system, core banking solution, customer relationship management solutions, credit decision rule engine and enterprise risk management solution to provide timely delivery of products and services to the customers as well as create a secure banking environment. We intend to automate the operational processes by adopting robotic processes in order to become faster and efficient. We are currently exploring the use of robotic process automation technology for reconciliation of ATMs and UPI transactions.

We intend to work further on developing various digital platforms in order to establish ourselves as a modern technology enabled bank. In order to enhance adoption of digital channels among the underserved segment, we have undertaken measures to improve our mobile application by activating voice-enabled and gesture enabled interfaces in regional languages. Our focus will be on the use of data analytics to do customer segmentation and understand their evolving requirements leading to new product development, faster and better credit decisions and pro-active risk management. We believe that greater adoption of our digital service delivery mechanisms will enable us to be more efficient, customer friendly and over time perform more reliable data analytics, resulting in target customer profiling, customized and tailor-made products to suit the diverse requirements of our customers and improved customer satisfaction. Going forward, we intend to work with fintech companies for programmes focused at specific customer segments. We intend to move from person-to-person services to providing technology assisted services using handheld devices and phone banking services to entirely self-service model through the use internet and mobile banking. We intend to facilitate this with establishment of digital and neo banking services, where full range of financial services are available. Our Board currently comprises Independent Directors with significant experience in the technology space which we believe is critical to achieving our mission of creating a technology focused mass market bank.

Strengthen liability franchise and focus on increasing our retail base

Currently we have a strong customer base and as of June 30, 2019, we served 4.72 million customers. We intend to strengthen our liability franchise with a focus on growing our retail deposit base to provide us with a stable, low-cost source of funding. We believe that with simple, flexible products, which are accessible through assisted and self-serviced channels, we can position ourselves as a reliable alternative to informal players. As of June 30, 2019, our deposit base of ₹ 79,567.64 million comprised 66.85% of our overall funding profile. Our retail deposits formed 3.15% of our total deposits as of March 31, 2017 and have grown to 37.07% of our total deposits as of March 31, 2019 and were 43.09% of our total deposits as of June 30, 2019. As a result, our Cost of Funds has been 9.01% and 8.33% in Fiscal 2018 and 2019, respectively, and was 8.66% in the three months ended June 30, 2019. We intend to further expand our retail deposit base through measured expansion of our Banking Outlets and offer digital savings and deposit products through internet and mobile banking to acquire new customers and also providing our existing customers with a convenient banking experience to meet the needs of their particular demographics. This shift will enable us to access diversified, short term, low cost funds. Since becoming a scheduled commercial bank in July 2017, we also have focused on increasing our institutional deposit base.

We have identified the key retail and institutional customer segments and put together a range of saving accounts, current accounts, recurring and fixed deposits along with services such as bill pay, UPI based money transfer, e-NACH, cash management and POS terminals. We offer a variety of debit and ATM cards to our customers and also make banking services available through our mobile banking application and internet banking platform.

We 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. In addition to rural and semi-urban Banking Outlets that we intend to open to enhance our asset base, and in order to fund those assets, we seek to selectively open Banking Outlets specifically focused on collecting deposits in urban areas where there is a potentially large deposit base. We believe that our existing Banking Outlets, as they become more mature, will continue to be a source of additional new deposits and hence strengthen our funding base. In addition to expanding our Banking Outlet network, we also intend to develop products and services designed for our rural and urban mass retail customers, specifically digital savings products for younger customers who have entered or are entering into banking channels, as well as by continuing to actively promote our accounts and deposits. We will focus on mass acquisition of deposit customers through programs such as corporate salary accounts in order to grow our customer base. We believe that initiatives such as the recently introduced 'Sampoorna Family Banking' facility will ensure that we are able to target a larger base of potential customers and deepen our relationship with our existing micro banking customers. We intend to launch additional products and services designed for non-resident Indians and introduce foreign currency remittances, in order to increase our business with the Indian diaspora.

Expand our distribution network to increase customer penetration

We intend to expand our Banking Outlets and infrastructure by focusing on rural and semi-urban areas. We believe these areas represent a significant opportunity for our continued growth as we expand banking services to those areas which have traditionally been underserved. We intend to operationalize additional Banking Outlets, convert our existing Asset Centres to Banking Outlets, expand our ATM network and business correspondent agent network to grow our advances and deposits. We also intend to deploy ACRs for the convenience of our customers. While we will selectively open additional Banking Outlets, we also intend to strengthen our alternate delivery channels and increase their adoption by encouraging customers to move from less cash to a cashless environment.

As part of our efforts to enhance our non-branch delivery channels to encourage cashless transactions, we intend to improve our existing internet banking system and mobile banking platform, including UPI integration. We intend to set up a network of e-kiosks to provide round the clock access to our customers in their neighbourhoods. We provide instant fund transfer facilities through IMPS, utility bill payment and quick response or QR code based transactions and have installed POS machines for our current account customers. We intend to appoint and empower business correspondents to provide entire gamut of services and products to the unserved and underserved segments. Our focus will be to target new-to-bank customers through our digital acquisition channels such as mobile banking platforms and offer them digital banking products. We also intend to explore strategic partnerships with fintech companies to increase customer acquisition, lower processing and on-boarding costs, reduce turnaround time and improve overall customer experience. Our plan is to use the right combination of physical and digital channels and partnerships to expand our reach and deliver value to our customers.

Focus on developing responsible banking behavior for unserved and underserved segments

We believe that basic education on financial products and services can help individuals and MSEs access the right financial solutions and develop better financial behaviour. Our focus will continue to remain on serving the unserved and underserved segments to build responsible banking behavior by educating potential customers and increasing financial literacy.

We believe that the experience of our Promoter, UFSL, in the microfinance industry provides us with a deep understanding of the needs and behaviour of mass market customers. It has helped us understand the complexities of lending to the financially unserved and underserved segments in India. We intend to continue to train and educate our customers to ensure avoidance of over-indebtedness and multiple borrowing, and the benefits of putting their savings in a bank apart from the use of insurance products for risk mitigation. Our focus will be to continue to remain transparent, responsibly price our loan offerings, effectively redress grievances of our customers and disclose all product related information in vernacular languages. We intend to continue to partner with Parinaam Foundation to offer financial literacy programmes to enhance financial literacy. We also intend to develop Kisan Pragati Clubs, a mixed group of 15 to 20 farmers who volunteer to disseminate principles of development through credit. Kisan Pragati Clubs are focused on inculcating better repayment ethics and promoting greater participation in formal banking channels. A majority of our customers still use cash for their transactions and the adoption of digital banking and payment gateways is minimal. We intend to take a number of initiatives to promote the use of bank accounts, UPI and digital payment gateways among such customers. We believe that these initiatives will help us to reduce our cost of operation and increase the usage of our products and services by our existing customers as well as help us acquire more customers.

Diversify our revenue streams

An important strategic focus for us is to diversify our fee and non-fund based revenues. We intend to leverage on our Banking Outlet network, digital channels and our increasingly diversified product and service portfolio to develop our fee and commission-based business. For MSE customers, we aim to market fee and non-fund based products such as letters of credit, bank guarantees, foreign exchange remittance services and third-party insurance products. We also intend to offer POS terminals to MSE customers in partnership with third party providers. For our retail customers, we intend to follow a relationship based approach by providing and expanding our third-party product offerings including insurance products, mutual funds, wealth management services, money transfer and foreign exchange services. We also propose to focus on bancassurance, GoI business, fee and processing charges from loan and advances, foreign exchange business, credit and debit card business. We intend to pursue strategic relationships with corporate entities and the GoI and state governments to provide our products to their employees and customers. We intend to grow our income from fee-based services by introducing new products and services and by cross-selling our offerings to our existing customers. The inherent nature of our assets business gives us an opportunity to build priority sector advances in surplus of the targets mandated by the RBI. We believe trading of priority sector lending certificates will continue to be an important source of fee income for us.

Description of Our Business

Overview

We are a mass market focused SFB in India, catering to unserved and underserved segments and committed to building financial inclusion in the country. Our Promoter, UFSL commenced operations as an NBFC in 2005 with the mission to provide a full range of financial services to the 'economically active' poor who are not adequately served by financial institutions. On October 7, 2015, UFSL received RBI In-Principle Approval to establish an SFB, following which it incorporated Ujjivan Small Finance Bank Limited as a wholly-owned subsidiary. UFSL, subsequent to obtaining RBI Final Approval on November 11, 2016 to establish and carry on business as an SFB, transferred its business undertaking comprising of its lending and financing business to our Bank, which commenced its operations from February 1, 2017. We were included in the second schedule to the Reserve Bank of India Act, 1934 as a scheduled bank on August 25, 2017.

We believe we can leverage our Promoter's experience in micro-lending, our brand and relationship with customers and financial institutions to build our presence in the banking sector. We also believe that we can gain access to low-cost funds in the form of savings and current account deposits as well as term deposits, which would otherwise not be accessible to us as an NBFC. We have obtained a significant understanding of unserved and underserved segments through our microfinance operations (including the erstwhile operations of our Promoter, UFSL) and we have expanded and strengthened our business model to offer banking services by leveraging our understanding of customers, asset lending strengths and cost efficient operating model.

Our Product Portfolio

We provide products and services to different customer segments with differentiated propositions for their personal and business banking needs. Our product portfolio includes:

<u>Asset Products</u>

Micro Banking

Our focus is to serve the unserved and underserved segments. Under micro banking we offer the following types of products:

I. Group Loans

Group loan products are offered to economically active, unserved and underserved customers to meet various requirements. These loans range between ₹ 2,000 to ₹ 60,000, with a tenure of up to two years, at a uniform declining interest rate of 22% per annum across customers. Our group loan products are built on the peer-guarantee loan model (joint liability group), which enables individuals to take loans without having to provide collateral or security on an individual basis.

We offer group loan products to groups of five to 10 members, who live in the same area and within the operating radius of the same branch, and whose annual household income is not be more than ₹ 100,000 in rural areas and not more than ₹ 160,000 in non-rural areas. 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. Addition of new members and merging of groups is permitted on the basis of track record and compliance with conditions in relation to age and residence.

Group loan products currently offered by us include:

Ujjivan Bank Group Business Loan: A core, business loan offering which provides customers access to financing for supporting their business requirements. These loans range between ₹ 6,000 to ₹ 60,000, with a repayment tenure of 12, 18 and 24 months.

Ujjivan Bank Group Family Loan: A core, consumption loan offering which can be utilized for a variety of purposes including medical emergencies, home improvement, repayment of high-cost debts availed for family needs, social, religious obligations and purchase of consumer durables. These loans range between ₹ 6,000 to ₹ 40,000, with a repayment tenure of 12, 18 and 24 months.

Ujjivan Bank Group Agriculture and Allied Loan: A core, business loan offering which can be utilized to meet the cost of cultivation and other working capital activities and equipment purchase for farming and allied activities. These loans range between ₹ 6,000 to ₹ 60,000, with a repayment tenure of 12, 18 and 24 months.

Ujjivan Bank Group Education Core Loan: A loan, amounting ₹ 6,000 to ₹ 50,000 is given to promote education of children of our customers with a repayment tenure of 12, 18 and 24 months.

Ujjivan Bank Group Emergency Top-up Loan: An additional loan offering designed to meet unforeseen medical emergency requirements of customers, which is disbursed within 24 hours of request by the customers. These loans range between ₹ 2,000 to ₹ 5,000, with a repayment tenure of six months.

Ujjivan Bank Group Education Loan Top Up: An additional, consumption loan offering to promote education amongst our customers, designed to help finance education expenses of children studying between kindergarten and above. These loans range between ₹ 5,000 to ₹ 15,000, with a repayment tenure of 12 months.

Ujjivan Bank Group Top-up Loan: An additional loan offering is available during the year to address business/ family/ education or agriculture related requirements of our existing customers over and above the initial core loans availed. The same is extended on the basis of a satisfactory credit history of the customer. These loans range between ₹ 10,000 to ₹ 30,000 with a repayment tenure of six, 12 and 18 months.

Ujjivan Bank Group Loyalty Loan: An additional, special loan offering designed to meet the additional needs of loyal customers who have completed 20 equated monthly installments in their core loan, and is given during festive season (June to November) every year. These loans range between ₹ 5,000 to ₹ 25,000, with a repayment tenure of 12, 18 and 24 months.

II. Individual Loans

Individual loan products currently offered by us are as follows:

Ujjivan Bank Individual Business Loan: Extended to our existing group loan customers after successful repayment of 20 monthly installments for working capital or capital investment requirements for existing businesses. The amount ranges between ₹ 51,000 to ₹ 200,000 with repayment tenure between six to 24 months.

Ujjivan Bank Individual Bazar Loan: Extended to both men and women as a business loan for working capital as well as capital investment requirements. The amount ranges between ₹ 51,000 to ₹ 200,000, with repayment tenure between six to 24 months.

Ujjivan Bank Home Improvement Loan: Extended to our existing group loan customers after successful repayment of 20 monthly installments and a few open market customers (salaried and self-employed individuals, skilled/ semi-skilled individuals) for renovating/ repairing their houses. The amount ranges between ₹ 51,000 to ₹ 200,000 with repayment tenure between 12 to 36 months.

Ujjivan Bank Individual Agriculture Loan: Extended to our existing group loan customers after successful repayment of 20 monthly installments and few open market customers engaged in agricultural businesses for meeting their working capital requirements related to agriculture, purchase of agricultural inputs (like seeds, fertilizers and agro-chemicals) and payment of agricultural expenses and charges. The amount ranges between ₹ 51,000 to ₹ 100,000 with repayment tenure between six to 24 months.

Ujjivan Bank Higher Education Loan: Extended to our existing group loan customers after successful repayment of 20 monthly installments for higher education of their family members. The amount ranges between ₹ 51,000 to ₹ 200,000 with repayment tenure between two to seven years (after commencement of the repayment).

Ujjivan Bank Open Market Livestock Loan: Extended to open market customers engaged into livestock rearing activity. Loans are provided for purchase of livestock and for related expenditures including building sheds and purchasing fodder. These loans range between ₹ 51,000 to ₹ 200,000, with repayment tenure between six to 24 months.

Ujjivan Bank Individual Livestock Loan: Extended to our existing group loan customers after successful repayment of 20 monthly installments and a few open market customers engaged in cattle-rearing businesses for purchasing cows and buffalos and running dairy business. The amount ranges between ₹ 51,000 to ₹ 200,000 with repayment tenure between six to 24 months.

Ujiivan Bank Open Market Home Improvement Loan: Extended to customers with their own dwelling units. Loans are provided for improving the living condition which includes building additional rooms, washrooms, toilets or boundary walls. Both self-employed and salaried individuals can avail this loan. The amount ranges between ₹ 51,000 to ₹ 200,000, with repayment tenure between 12 to 36 months.

Rate of interest for our individual loan products is a uniform declining rate of 23.25% - 24.00% per annum (governed by our MCLR based pricing policy).

III. Agriculture and Allied Loan products

Our agriculture and allied loan products are specifically designed to meet the financing requirements of small and marginal farmers including those engaged in allied activities such as dairying, sericulture and purchase renovations and upgradation of farm equipment.

Ujjivan Bank Agri Group Loan: This joint liability and group loan product that caters to needs of farmers who are engaged in dairy or other allied activities like sericulture or need a loan for purchase or maintenance of farm implements such as tractors. The product intends to onboard male or female groups or mixed groups engaged in agriculture or allied activities. Agri group loans are both disbursed and collected cashless. The loan amount ranges from ₹ 30,000 to ₹ 60,000 with a tenure of up to 24 months. The rate of interest for our agri group loan product is a uniform declining rate of 22% per annum (governed by our MCLR based pricing policy).

Ujjivan Bank Kisan Suvidha Loan: This is an individual lending product and a composite loan product which aims at catering multiple financial needs of farmers. We aim to provide collateral free loan to farmers for a host of activities like dairy, fishery, farm mechanization, poultry, floriculture, mushroom farming, sheep-rearing, poultry, apiculture, coconut farm maintenance, sericulture and farm development (and farm products purchase). The borrower’s repayment cycle is aligned to the cash flow of the activity funded supplemented with an option to repay through cashless mode. The loan amount ranges from ₹ 60,000 to ₹ 150,000 (for existing customers) and up to ₹ 200,000 (for new customers) with a tenure of 24 months. The rate of interest for our Kisan Suvidha Loan product is a uniform declining rate of 23.25% per annum (governed by our MCLR based pricing policy).

IV. Family Banking

In an attempt to increase our reach to the customers and extend financial services to the unserved and underserved section of the society, we have introduced the ‘Sampoorna Family Banking’. The aim is to address the financial needs of our existing micro banking customer base and their family members which include their spouses, children, parents, relatives and references from existing customers by providing them full range of affordable banking services.

Micro and Small Enterprise (“MSE”) Loans

Our MSE banking operations offers loans and overdraft facility to enterprises engaged in manufacturing and service/ trade activities in the form of investment as well as working capital, with flexible security requirements to make credit more accessible to our MSE borrowers. Our MSE products are intended to facilitate the establishment, expansion and modernisation of businesses, including acquiring fixed assets and meeting working capital needs. Lending to certain categories of eligible MSEs engaged in manufacturing or providing or rendering services with credit facilities and investment in equipment up to a certain amount are considered as ‘priority sector advances’ under the relevant RBI regulations.

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.

We offer the following MSE loans:

Ujjivan Bank Secured Enterprise Loan: Extended to MSEs that meet eligible turnover criteria. These loans range between ₹ 1 million and ₹ 10 million (for existing customers) and ₹ 5 million (for new customers) and are secured. The repayment tenure for such loans is between three years and 10 years. Rate of interest for this loan ranges between 14% to 17% per annum.

Ujjivan Bank Business Loan Secured: Extended to MSEs that meet eligible income criteria. These loans range between ₹ 1 million and ₹ 2.5 million and are secured. The repayment tenure for such loans is between three and 10 years. Rate of interest for this loan ranges between 17.00% to 19.00% per annum.

Ujjivan Bank Overdraft Facility: Extended to MSEs that meet eligible turnover criteria. We provide loans of up to ₹ 5 million for new customers and up to ₹ 10 million for existing customers. Overdraft limit is renewed annually unless specified otherwise. Rate of interest for this loan ranges between 14% to 17% per annum.

Ujjivan Bank Business Edge Term Loan and Overdraft: Extended to MSEs that meet eligible turnover criteria. These loans range between ₹ 2.5 million and ₹ 20 million. The repayment tenure for such loans is between three and 10 years. Overdraft limit is renewed annually unless specified otherwise. Rate of interest for this loan ranges between 12% to 15% per annum.

Affordable Housing Loans

Our affordable housing loan offerings are targeted towards informal and semi-formal income segments. Loan are provided for purchase of plots or house, construction of house, improvement/ restoration/ extension of home.

We offer the following affordable housing loan products:

Ujjivan Bank Construction and Purchase Loan: These loans are extended for construction and purchase of homes. The loan amount ranges between ₹ 200,000 to ₹ 7.5 million with a repayment tenure that ranges between 36 to 240 months. Interest rate ranges from uniform declining rates of 12.75% to 15.75% per annum.

Ujjivan Bank Home Improvement Loan: These loans are provided for home improvement, renovation and extension. The loan amount ranges between ₹ 200,000 to ₹ 2.5 million with a repayment tenure that ranges between 36 to 144 months. Interest rate ranges from uniformly declining rate of 15.75% per annum.

Ujjivan Bank Composite Home Loan: These loans are provided for purchase of land and home construction. The loan amount ranges between ₹ 200,000 to ₹ 3 million with a repayment tenure that ranges between 36 to 240 months. Interest rate ranges from uniformly declining rates of 12.75% to 15.75% per annum.

Ujjivan Bank Home Equity Loans (Non-Housing Loan): These loans are for debt consolidation, extended refinance for building constructed or purchased, mixed usage of loan and funding of mixed properties. The loan amount ranges between ₹ 300,000 to ₹ 2.5 million with a repayment tenure that ranges between 36 to 180 months. Interest rate is a uniformly declining rate of 17.75% per annum.

Loans Against Property

Ujjivan Bank Loans Against Property: These loans are extended in the range of ₹ 300,000 and ₹ 1 million and are secured against the property offered as collateral. The repayment tenure for such loans is between three and seven years.

Personal Loans

We offer personal loans as part of our retail asset product portfolio and currently offer such loans to salaried customers in private or public sector organizations in existence for at least three years. The product program comprises of loans to existing salary account customers and open market customers.

The minimum net income criteria is ₹ 15,000 per month for open market customers while it is ₹ 12,000 per month for our existing salary account customers in non-metro regions. We offer unsecured loans ranging from ₹ 50,000 to ₹ 1.5 million. The loans are offered to customers in full time employment with good credit behaviour as well as new-to-credit customers. The pricing ranges from uniformly declining rates of 18% per annum to 23% per annum. The repayment tenor for such loans ranges from 12 to 60 months. As of June 30, 2019, we offered personal loans in 27 towns and cities.

The sourcing is done through an in-house sales team of loan officers, channel partners and online acquisitions. The loan processing system is entirely digital and customers can apply through an online portal without our staff intervention.

Financial Institutions Group ("FIG") Loans

We extend term loans to credit acceptable NBFCs and micro finance institutions. In the NBFC sector, focus is on NBFCs that lend to retail customers in the form of small and micro enterprise loans, microfinance, vehicle finance and similar sectors. We typically lend to NBFCs that have at least a BBB rating from a recognized credit rating agency. Average ticket size of loans is in the range of ₹ 100 million to ₹ 250 million. We prescribe single entity level cap per entity at ₹ 500 million and single group level cap across multiple entities at ₹ 750 million. Average tenor for the loan ranges from two to three years with a cap at five years. Our FIG lending is capped at 10% of our overall lending portfolio.

We have a Board approved policy for FIG lending with parameters on client acceptance, credit underwriting and credit approval mechanism.

Vehicle Loans

Vehicle loans are one of the newest offerings of our Bank.

We offer two-wheeler loans and electric three-wheeler loans to new-to-bank customers, our existing customers and the families of such customers.

The ticket size for two-wheeler loans ranges between ₹ 26,000 to ₹ 85,000 and have a tenor of 12 to 36 months with a rate of interest of 22% to 27% per annum.

The ticket size for electric three-wheeler loans ranges between ₹ 50,000 to ₹ 175,000 and have a tenor of 12 to 36 months with a rate of interest of 20% to 24% per annum.

Loan Pricing

Our ALCO approves the interest rates across loan types and retail deposits besides providing indicative range for interest rate to be quoted for bulk deposits. Rates are reviewed from time to time, depending on prevailing market conditions and our operating and funding costs at that time. Our MCLR is displayed at all our Banking Outlets and on our website. In setting interest rates for loans, we take into consideration various factors including RBI guidelines on advances, the prevailing MCLR/ external borrowing rates, the interest rates charged by our competitors at the time, the credit rating of the customers wherever applicable, our own cost of funds, the nature of collateral offered, if any, the credit risk premium and the business strategy premium. All our loans are denominated in Indian Rupees. Interest on most of our loans are fixed, with principal and interest payable in monthly, or in exceptional cases of loans to financial institutions, at quarterly instalments. Our overdraft product for MSE customers is at floating rates, while housing loans are partially at fixed and partially on a floating rate basis.

<u>Liability Products</u>

Retail Products

I. Current Accounts

We offer four types of current account options that provide customers with 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 do not pay interest on our current accounts.

We offer the following current accounts to our customers:

Ujjivan Bank Business Edge Current Account: With the Business Edge Current Account cash deposit limits can be set according to the seasonality of the customers' business. For these accounts customers need to maintain an average balance of ₹ 25,000 per month and allows free cash deposit across all our Banking Outlets up to (a) 12 times the average balance maintained in the previous month or ₹ 500,000 whichever is higher (for Flexi-Next current accounts) or (b) 12 times the average balance maintained in the current month or ₹ 500,000 whichever is higher (for Flexi-Now current accounts). Other features include free IMPS, RTGS and NEFT through any channel and CMS services on maintenance of required monthly average balance, no additional charges for non-home branch transactions, benefit of RuPay Platinum Debit Card which include certain cash-back features, concierge services, lounge access, unlimited free ATM transactions at all our ATMs and 10 free transactions at other bank ATMs.

Ujjivan Bank Premium Current Account: The Premium Current Account allows for free cash deposits across all our Banking Outlets up to 10 times of the previous month's average balance or ₹ 300,000, whichever is higher. For this account customers need to maintain a monthly average balance of ₹ 10,000 per month. Other features include free IMPS, RTGS and NEFT through any channel and CMS services, benefit of RuPay Classic Debit Card and unlimited free ATM transactions at all our ATMs and 10 free transactions at other bank ATMs. For this account customers need to maintain a monthly average balance of ₹ 10,000 per month. We also offer customer access to the corporate internet banking platform that offers specialized services including bulk payments, multi fund transfers, multiple user authorization, standing instructions and schedule transfers.

Ujjivan Bank Regular Current Account: The Regular Current Account allows for free cash deposits up to ₹ 150,000 per month at any of our Banking Outlets. Customer need to maintain a monthly average balance of ₹ 5,000 per month. Other features include IMPS, RTGS and NEFT through any channel and CMS services, benefit of RuPay Classic Debit Card and unlimited free ATM transactions at all our ATMs and six free transactions at other bank ATMs.

Ujjivan Bank TASC Current Account: The TASC Current Account does not require customers to maintain an average monthly balance. No initial deposit for account opening is required. In addition, the following services are offered: (i) standing instructions facility; (ii) unlimited number and amount of withdrawals at branch each month; and (iii) SMS alerts.

II. Savings Accounts

We offer the following types of interest-bearing savings account to our customers:

Ujjivan Bank Regular Savings Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. Interest is calculated on daily end of day balances and credited quarterly.

Ujjivan Bank Senior Citizen Savings Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. Interest is calculated on daily end of day balances and credited quarterly. We offer senior citizens with doorstep services and offer 25 free cheque leaves in accordance with RBI guidelines.

Ujjivan Bank Corporate Salary Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. In addition, customers are offered a lifetime free ATM-cum-debit card. Interest is calculated on daily end of day balances and credited quarterly.

Ujjivan Bank Minor Savings Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. This account can be opened jointly with a guardian and can be operated by the parent/ guardian till the minor becomes a major. The account can also be converted into a regular savings account when the minor attains 18 years of age. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. Interest is calculated on daily end of day balances and credited quarterly.

Ujjivan Bank Basic Savings Bank Deposit Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. These accounts can be opened as a single or joint account. Customers can undertake four free transactions across all channels. Interest is calculated on daily end of day balances and credited quarterly.

Ujjivan Bank Basic Savings Bank Deposit Small Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. There are no KYC requirements to open the account and the account is valid for a period of 12 months. Interest is calculated on daily end of day balances and credited quarterly. These accounts provide certain restrictions on balances maintained (maximum of ₹ 50,000), withdrawals or transfers (maximum of ₹ 10,000) and amount of deposits in a year (maximum of ₹ 100,000).

Ujjivan Bank Institutional Segment Savings Account: No average monthly balance is required to be maintained and there are no charges for non-maintenance of minimum balance. Customers can undertake 100 free electronic transfers, and no limit on the number and amount of monthly withdrawals. Interest is calculated on daily end of day balances and credited quarterly.

Ujjivan Bank NRO Savings Account: Low average monthly balance of ₹ 10,000. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. Interest is calculated on daily end of day balances and credited quarterly. Unlimited free NEFT and RTGS transactions are permitted. Interest rate for our NRO fixed deposits ranges between 5.50% to 8.50% per annum.

Ujjivan Bank NRE Savings Account: Low Average monthly balance of ₹ 10,000. Customers can undertake unlimited transactions at our ATMs and six free transactions per month at other bank ATMs. Interest is calculated on daily end of day balances and credited quarterly. Unlimited free NEFT and RTGS transactions are permitted. Customers have the ability to repatriate funds overseas. Interest rate for our NRE fixed deposits ranges between 6.50% to 8.50% per annum.

Interest rate for our domestic savings accounts ranges between 4% to 7% per annum.

III. Term Deposits

We offer the following types of deposits to our customers:

Ujjivan Bank Fixed Deposits: The minimum amount that can be deposited is ₹ 1,000 and in multiples of ₹ 100 thereof. Fixed deposits can be opened for a minimum period of seven days to a maximum of 10 years. Interest payment options are monthly (with at a discounted rate), 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.

Ujjivan Bank Recurring Deposits: The minimum amount that can be deposited is ₹ 100 and in multiples of ₹ 100 thereof. Recurring deposits can be opened for a minimum period of six months to a maximum of 10 years. Interest payment is quarterly 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.

Ujjivan Bank TASC Fixed Deposits: The minimum amount that can be deposited is ₹ 25,000 and in multiples of ₹ 1,000 thereof. TASC fixed deposits can be opened for a minimum period of seven days to a maximum of 10 years. Premature closure and partial withdrawals are permitted. Interest payment is monthly, quarterly, half yearly, annually and at maturity. The rate of interest paid for fixed deposits varies according to tenure and amount.

Ujjivan Bank Tax Saver Fixed Deposit: The minimum amount that can be deposited is ₹ 1,000 up to a maximum of ₹ 150,000 and are subject to a five year lock-in. Only residents and HUFs are eligible for this type of deposit where tax exemptions on these deposits can be claimed under Section 80C of the Income Tax Act, 1961. Interest payment is monthly, quarterly or at maturity.

Institutional Products

We receive deposits in the form of fixed deposit receipts and certificate of deposits from various mutual funds, banks and from cooperative banks, insurance companies, NBFCs/ MFIs and other financial institutions.

Our FIG Liabilities Team raises bulk deposits in the form of certificate of deposits, fixed deposit receipts and term money and also opens current account of entities. We maintain relationship with banks for interbank limits and set exposure limits for other banks.

Other Products and Services

ATM-cum-Debit Cards

We offer our customers Ujjivan Bank RuPay ATM-cum-debit cards that can be used at ATMs, POS terminals and online platforms. As of June 30, 2019, our customers have used the Ujjivan Bank RuPay Card over 25.39 million times transacting ₹ 93,585.12 million. As of June 30, 2019, 82.79% users used the Ujjivan Bank RuPay ATM-cum-debit cards.

Aadhaar Enrolment Services

We are authorized to run AECs where customers and members of the general public can enroll for Aadhaar or get their Aadhaar data updated. As of June 30, 2019, we processed 13,600 enrollments/ mandatory bio-metric and 9,477 updations. We use the AEC as a source to generate new business and customers.

Sale of Third Party Insurance Products

We offer our loan borrowers, co-borrowers and spouses the option of enrolling under group insurance schemes with voluntary consent obtained. To provide insurance products we have corporate agency arrangements with life insurance companies, general insurance companies and health insurance companies to distribute their insurance products. We have also obtained corporate agency license from IRDAI, post obtaining a no-objection certificate from the RBI to undertake the activity of distribution of insurance products on a non-risk sharing basis without any commitment of own funds. We have an approval from the PFRDA for distribution of Atal Pension Yojana scheme under the PFRDA (Point of Presence) Regulations, 2018. We have introduced a hospital daily cash policy, property insurance for housing, endowment policy, term insurance, unit linked plans, motor insurance and personal accident cover policies for customers across segments.

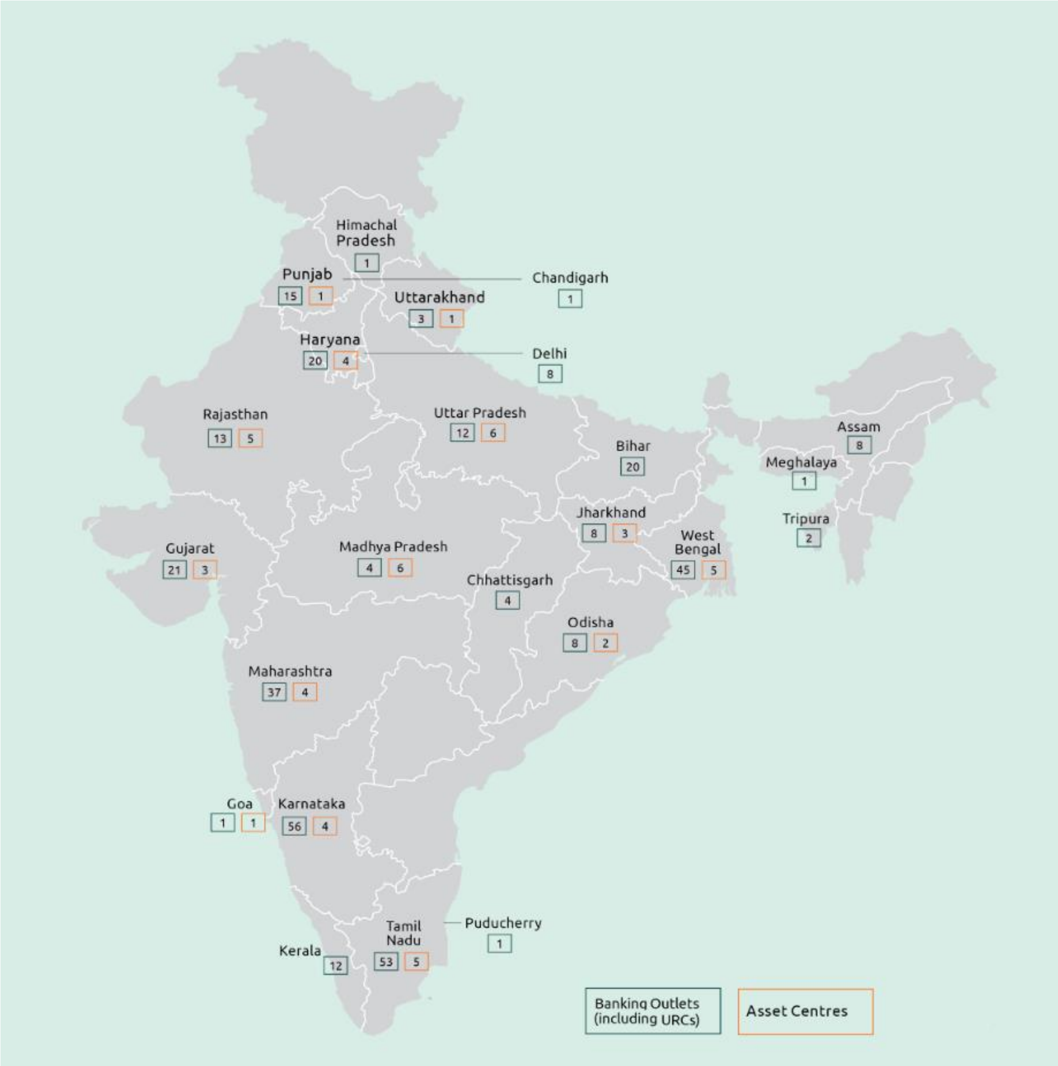
Branch Network

As of June 30, 2019, we operated from 474 Banking Outlets that included 120 Banking Outlets in URCs of which seven were business correspondent centres and additionally operated 50 Asset Centres. All our branches are optimally equipped in terms of personnel, infrastructure and product offerings, and we intend to offer customers a standardized experience across all branches.

Banking Outlets

The majority of our Banking Outlets are located in regions that, we believe, have high growth potential. Our rural Banking Outlets have cost-effective and lean infrastructure and are located in areas that, we believe, also have growth potential targeting the disbursement of credit to low and middle income individuals and micro businesses giving us access to relatively less competitive markets. We also intend to engage business correspondent partners to enhance our reach in unbanked and underbanked locations for the sale and service of deposit and asset products.

The map below sets out details of our Banking Outlets and Asset Centres as of June 30, 2019:



Note: Map not to scale

Region	Asset Centres	Banking Outlets (including in URCs)	Number of States/ Union Territories
North(1)	23	96	9/ 1
West(2)	7	69	2/ 0
South(3)	10	152	4/ 1
East(4)	10	157	7/ 0
Total	**50**	**474**	**22/ 2**

Notes

(1) North region comprises the following Chandigarh, Chhattisgarh, Haryana, Himachal Pradesh, Madhya Pradesh, New Delhi, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand

(2) West region comprises Gujarat and Maharashtra

(3) South region comprises Goa, Karnataka, Kerala, Pondicherry and Tamil Nadu

(4) East region comprises Assam, Bihar, Jharkhand, Meghalaya, Odisha, Tripura and West Bengal

Regional Processing Centres ("RPUs")

We have four RPUs that handle account opening, transaction management, clearing and asset processing and are located at regional offices of our Bank.

ATMs

We have deployed onsite ATMs 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 387 ATMs (including nine ACRs) as of June 30, 2019.

Digital Channels

Mobile Application

The Ujjivan Mobile Banking application is available in Android and iOS operating systems and as of June 30, 2019 was used by 0.19 million users. The app is also available in five languages – English, Hindi, Kannada, Tamil and Bengali.

Internet Banking

Our internet banking platform offers basic remittance services like IMPS, NEFT and RTGS. In addition, we have also extended UPI and bill payment services to aid digital transactions. In Fiscal 2019 and in the three months ended June 30, 2019, ₹ 11,313.45 million and ₹ 8,031.60 million worth of transactions took place on our internet banking online platform, respectively. In addition, we generated ₹ 1,927.92 million and ₹ 689.42 million in deposits in Fiscal 2019 and in the three months ended June 30, 2019 through internet banking and other digital channels, respectively.

We have put in place a corporate internet banking platform for business users to aid customer acquisition and build current account balances. The corporate internet banking platform offers specialized services like bulk payments, multi-fund transfers, multiple user authorization, standing instructions and schedule transfers.

Phone Banking

We offer our customers with a 24/7 phone banking facility. Our phone banking units are based in Pune and Bengaluru and in Fiscal 2019 and in three months ended June 30, 2019, generated ₹ 2,262.33 million and ₹ 4,358.46 million in sales volumes (which comprise business volumes in liability and asset business), respectively. We also offer 'missed call' and SMS banking services. In Fiscal 2019, we witnessed significant growth in our phone banking, 'missed call' and SMS banking volumes.

Digi-Buddy

Digi-buddies are our specially trained employees who assist and educate our customers at certain of our Banking Outlets to promote adoption of digital platforms. Digi-buddies help our customers use digital channels and move from 'assisted' to 'self-service' mode of digital banking.

Treasury Department

Our 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 investment policy framed in accordance with RBI guidelines and a standard operating procedure for carrying out treasury transactions and governing investments in various instruments such as bonds, treasury bills, commercial papers, certificate of deposits, mutual funds, debentures and other products.

We maintain liquidity and contingency buffers to absorb market volatilities and meet customer requirements. We use a variety of transactions to manage our funding requirements, including borrowing in the call money market, collateralized lending and borrowing obligations, market repo, variable rate reverse repo and liquidity adjustment facilities. We are active in money market instruments. Our resource mobilization strategy plays a vital role in managing our sources of funds with an optimal mix of term deposits and interbank term money.

We have an asset and liability management desk and a proprietary desk to manage our investment portfolio in fixed income securities. We follow investment strategies to optimize duration and return on investments. We have an automated treasury software system to capture, authorize, verify and settle transactions and generate information and MIS reports. We believe that we have been able to access cost-effective debt financing due to our stable credit history, improving credit ratings and conservative risk management policies.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15% of credit risk weighted assets only, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer. Our CAR was 21.07%, 23.04%, and 18.95%, as of March 31, 2017, 2018 and 2019, respectively, and was 19.00% as of June 30, 2019. For further information, see "*Selected Statistical Information*" on page 162.

Compliance

To monitor the adherence level of compliance to the relevant regulatory and statutory guidelines, we have adopted a self-certification tool that captures the essence of the guidelines, and implemented this across our Banking Outlets.

We have established and periodically review a KYC/ AML/ Combating the Financing of Terrorism policy. The purpose of the policy is to establish an AML framework (including KYC aspects) for us to participate in the efforts against money laundering, strive to ensure that we are not used as a vehicle for money laundering and to ensure compliance with applicable laws in India and international standards with reference to money laundering. The policy covers instructions for matters such as customer acceptance, background check of customers, risk management, customer identification procedures, monitoring of transactions, combating financing of terrorism, correspondent banking, wire transfers, maintenance of records obligations reporting obligations under Prevention of Money Laundering Act, 2002, filing of suspicious transaction reports, and organizational set-up.

We have implemented a transaction monitoring software for the monitoring of transactions on a daily basis. Through this software, alerts are triggered when transactions are inconsistent with risk categorization, the profile of customers, or a breach of the set threshold for the specific entity. Our AML team is responsible for filing a variety of reports to the Financial Intelligence Unit - India within certain timelines prescribed by regulation.

As a part of ongoing monitoring, individuals and entities are screened against negative lists, including those notified by the regulators/ statutory authorities. The AML team updates the lists in accordance with the lists of terrorist individuals and organizations issued by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions.

Risk Management

Risk management forms an integral part of our business. As a lending institution, we are exposed to several risks related to our lending business and operating environment. We have established a risk management framework to identify, measure, monitor and manage various types of internal and external risks. This framework is driven by our Board through the Risk Management Committee and the Audit Committee and at a management level through the Credit Risk Management Committee ("**CRMC**"), the ALCO, the Operational Risk Management Committee ("**ORMC**"), the Information Security and Business Continuity Management Committee, Credit Risk Units, Business Units and the Internal Audit Department.

The CRMC was formed to review and identify current and emerging risks that can have an impact on the wholesale and retail asset portfolio, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms. The ALCO is tasked with overseeing the liquidity management, assess our Bank's funding requirement on a month on month basis, review the concentration of its funding sources and also provide directions to develop a 'Contingency Funding Plan'. ALCO meets each month or at more frequent intervals, if required. The ORMC reviews risks related to people, process and systems, while the Information Security and Business Continuity Management Committee reviews our Bank's adherence to information security and cyber security requirements. Credit risk units, with support from business units, implement processes for credit risk identification, assessment, monitoring and control, develop credit risk appetite statements, monitor credit risk parameters/ exposure, implement credit scorecards and execute portfolio risk management and NPA management protocols. Business units are primarily responsible for day-to-day risk management as regards processing transactions and establishment of internal controls to treat risks associated with such transactions. Our internal audit department provides an assessment of the design and operational effectiveness of our overall credit risk management framework.

Credit Risk

Credit risk is the risk of loss that may occur from defaults by our customers under our loan agreements or diminution in credit quality of customers or their counterparts. In order to address credit risk, each of our business lines has defined product programs and a separate set of credit policies that outline a standardized approach for customer selection and other essential policy parameters for each of the asset products. Credit approvers and field officers are responsible for ensuring adherence to these policies. Our internal audit team periodically checks for adherence to policy parameters. We have set-up a robust collections management system, which includes a collection control unit that manages from four regions, under the supervision of a central collection unit. Allocation between collection agents is done with the use of analytics for optimum allocation of cases to the collections team. We have also established standardized operating procedures that are backed by our technology platform. For newer asset portfolios, like MSE and housing, we have developed expert judgement scorecards in the absence of substantial historical data. Our credit teams track cases for early signs of stress, ensuring that corrective action is taken in the case of non-starter or early delinquency cases.

Interest Rate Risk

We are subject to interest rate risk, principally because we lend to our customers mainly at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. The ALCO evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. As required by the regulator, we periodically assess the erosion in the economic value of the 'Banking Book' by applying a standardized interest rate shock of 200 basis points to determine its impact on the market value of equity.

Liquidity Risk

Liquidity risk arises due to the unavailability of adequate funds at appropriate cost or tenure. Our treasury department sources funds from multiple sources, including from banks and financial institutions, while our liabilities department sources funds in the form of deposits from wholesale and retail customers. Our treasury department is responsible for diversifying fund raising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies. The efforts of our treasury are complemented by our financial institution group.

Operational Risk

Operational risks arise from inadequate or failed internal processes, people or systems, or from external events. We control our operational risk by maintaining a comprehensive system of internal controls. An internally developed scorecard, helps us track risk parameters at a granular level, with corrective measures initiated where risk factors are recurring. Our dedicated operation risk management team identifies all people and process related risks and updates them in a risk register with rank, impact and controllability. We have developed a set of 'key risk indicators' which are tracked at bi-monthly intervals, with a defined action plan prepared in cases where threshold is breached. We also manage compliance with requirements set forth by regulatory bodies and internal standards.

Cash Management Risk

Our Banking Outlets and Asset Centres collect and deposit a large amount of cash through a high volume of transactions taking place in our network. To address cash management risks, we have developed advanced 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 our Banking Outlets and Asset Centres on the same day. Cash that is to be deposited is accounted for at the branch level and at a central level to avoid discrepancies. Moreover, we conduct regular audits to ensure the highest levels of compliance with our cash management systems. The emphasis is increasingly on cashless repayments for the microfinance business. Customers are encouraged to open an account with us where disbursement is made. Customers are encouraged to use this account for repayment of loans, by providing standing instructions. In addition, various payment gateways have been made available to enable repayment.

Asset Risk

Asset risks arise due to the decrease in the value of collateral over time. The selling price of a re-possessed asset may be less than the total amount of loan and interest outstanding in such borrowing and we may be unable to realize the full amount lent to our customers due to such a decrease in the value of collateral. We also face certain practical and execution difficulties during the process of seizing collateral of defaulting customers. We have also set up a collateral appraisal system and legal and technical teams for our MSE and housing loan business to mitigate collateral risk across geographies.

Inflation Risk

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. A return of high inflation rates may result in an increase in overall interest rates which may adversely affect our results of operations. High rates of inflation in the Indian economy could impact the results of our operations, by leading to a lower demand for our vehicle and MSE loans. High inflation rates may also adversely affect growth in the Indian economy and our operating expenses.

Risk Management Architecture

In order to address the risks that are inherent to our business, we have developed a risk management architecture that includes monitoring by our Board through the Risk Management Committee of the Board, ALCO, CRMC, IT & Operational Risk Management Committee.

Risk Management Committee of the Board. The Risk Management Committee of the Board assists our Board by overseeing and reviewing our risk management principles, policies, strategies, processes and controls. Its functions include reviewing our credit risk policies and overseeing credit risk management, reviewing NPAs, reviewing capital adequacy computations, reviewing audit and regulatory findings and any related non-compliances. This committee is supported by our CRMC, ALCO and the IT & Operational Risk Management Committee.

Audit Committee. Our Audit Committee reviews reports of the statutory, internal, concurrent and branch auditors, selects and establishes accounting policies, evaluates internal financial controls and risk management systems. The Audit Committee acts as a link between the management, internal auditors and statutory auditors.

Asset Liability Management Committee. The ALCO evaluates liquidity and other risks, devises strategies to mitigate such risks and reports its findings to our Board. It annually reviews the effectiveness of asset liability management, the pricing of loans and deposits, the funding sources available, and overall balance sheet management. The Committee also reviews the Bank's position against targets under priority sector lending guidelines.

Credit Risk Management Committee. The CRMC is responsible for overseeing implementation of credit risk management framework across our Bank. The CRMC for retail and institutional lending was formed to review and identify current and emerging risks, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms to manage risks, develop risk tolerance limits for approval by management, and monitor positions against approved risk tolerance limits.

IT & Operational Risk Management Committee. The IT & Operational Risk Management Committee identifies, evaluates, controls and works to mitigate our operational risks. From a governance perspective, though this is not required by RBI, we follow the basic indicator approach for calculating operational risk capital requirements.

We have also formulated a vigil mechanism framework to enable employees to report genuine concerns about unethical behavior and actual or suspected fraud or violation of any of our policies.

Internal Audit Department

The Internal Audit Department ("**IAD**") is an independent function and provides independent assurance on the effectiveness of management's control of business activities and of the processes maintained by the risk functions.

In order to conduct the audits in line with the industry best standards, IAD is equipped with a combination of business and audit professionals who have necessary experience and knowledge to execute the audit plan.

As an SFB, we have the following audit verticals:

- Banking Outlet Audit (including Asset Centres): All our Banking Outlets (including Asset Centres) are audited by internal regional audit teams consisting of audit managers and field auditors headed by regional audit managers. The system-based offsite surveillance is used to detect risk triggers and provide inputs to field auditors before audits of Banking Outlets.

- Central Function Audit: The Central Function Audit controls management audit for all departments at our head office and regional offices. It also undertakes compliance audits for ensuring compliance with all regulatory requirements. These audits are managed at the head office with the help of co-sourced partners.

- Information System Audit: IT infrastructure and information security audits are undertaken with support of co-sourced audit firms.

- Concurrent Audit: Concurrent audit are conducted by independent audit firms in each of the four regions of our Bank under the supervision of regional audit team and managed by head office.

- Credit Audit: Credit audits are managed centrally at our head office with support teams at all the four regions.

Periodically the IAD presents its plan and achievement status/ changes/ modifications along with significant audit findings of all verticals and audit issue closure status to the Audit Committee. It also ensures regular tracking and follow-ups with branches and processing units to rectify any audit irregularities that are observed.

Information Technology

We are leveraging technology to better serve our customers, identify opportunities, deliver innovative products and services and advance on our goal of financial inclusion.

We provide digital end-to-end onboarding with instant savings bank account opening with limited documentation through handheld devices. All transactions are processed through a digital core banking system solution and loan management systems for all assets sourced by our Bank. Customers can register Ujjivan Bank Savings Account on UPI based applications to perform financial and non-financial transactions using Virtual Payment Address. We have enabled digital facilities including internet banking, mobile banking, corporate internet banking, SMS banking, bill payments, biometric ATMs and RuPay Platinum debit cards.

We have set up a dedicated "Innovation Centre" department to focus on identification, evaluation and implementation of solutions and partners in order to increase the adoption of digital platforms in the Bank. The bank is building an API platform to enable API banking with fintech companies.

Data Security

We have adopted a multi-layered approach to security, which encompasses areas of policy level controls, user awareness, security operations and governance among others. Information security is implemented based on a top-down approach.

We are regulated by the RBI and we conduct assessments of our compliance with the RBI's Cyber Security Framework in Banks, RBI's Guidelines on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds, and the Information Technology Act, 2000. We conduct periodic vulnerability assessments and penetration testing exercises on our applications and infrastructure components. Any application has to mandatorily undergo security testing before going live. All observations and vulnerabilities are rated for criticality using a risk-based approach, and tracked till closure. We have a dedicated in-house 'Red Team' whose primary responsibility is to simulate attacks on our infrastructure with the objective of compromising it. When it comes to security threat mitigation, we track latest security threats and developments in the industry through feeds and subscriptions. To achieve this, we hold membership in various industry bodies and subscribe to technical security feeds from different organizations. We also appoint an external 'Information Security Auditor' to periodically audit our systems.

We have established a cyber security operations centre which performs security monitoring on a 24x7 basis. The centre utilizes multiple host and network level controls are used in conjunction to proactively mitigate threats.

We also ensure that relevant data security controls are present. Some of these are hashing, encryption of data fields at rest, in motion and in use, role based access controls, segregation of duties, least privilege and effective user access management. We employ preventive measures to minimize the attack surface for malicious attackers. When onboarding any vendor, we perform pre-onboarding vendor risk assessment. For all critical vendors, third party information security risk assessments are also done every year. All observations are rated for criticality and are followed up until closure. Brief summaries of the assessments are also presented to the management and Board level committees.

Intellectual Property

We are currently using the word mark, '*Ujjivan*', pursuant to a license agreement dated August 22, 2017 entered between our Promoter, UFSL, the owner of the trademark, and our Bank. Further, the license agreement permits us to create derivatives of the licensed trademarks. In addition, pursuant to another trademark licensing agreement dated December 28, 2018, UFSL is permitted to use certain licensed trademarks owned and developed by us only for purposes specifically permitted by us. Further, UFSL is also permitted to develop variations/ derivations of these licensed trademarks under our supervision and any use of such variations/ derivations shall be subject to our prior written approval.

Our domain name "*ujjivansfb.in*" has been registered with the trademark registry as a word mark in classes 16, 35, 36 and 41.

Currently, our corporate logo is for which an application for registration has been made with the trademark registry under classes 16, 35, 36 and 41. We have also obtained trademark registrations for some of the terms coined by us, like *"Ujjivan - DigiBuddy*" (under classes 16, 35 and 36) and *"Ujjivan MicroBanking"* (under classes 16, 35, 36 and 41). In addition, we have recently applied for, among others, trademark registration for "*Ujjivan Sampoorna Family Banking*" (word and logo).

We believe our intellectual property has significant value and is materially important to our business. We are proactive about protection of our intellectual property by taking appropriate action where any other entity uses or attempts to use any mark similar to trademarks owned by our Bank or makes attempts to secure registration of marks similar to trademarks owned by the Bank.

Marketing

Marketing initiatives include customer and employee communication. Customer communication on the brand, products and services is through various marketing collaterals including in regional languages. These are disseminated through our Banking Outlets and promotional campaigns on different media such as print, radio, TV and outdoor displays. We also leverage the digital media space through our social media handles, websites coupled with digital marketing campaign to reach out to our desired audience in an effective and efficient way. The customer initiatives are twin fold, to acquire new customers while strengthening and ring-fence our relationships with our existing customers.

Competition

We face significant competition from unorganized, small participants in the market across all our business 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, small finance banks, public sector banks, private sector banks, payment banks, small finance banks, and foreign banks with branches in the country increases, or if such existing entities expand their operations, we will face increased competition across business segments, which could have a material adverse effect on our financial condition and results of operations.

Insurance

We maintain insurance policies that we believe are customary for banks. These include, amongst others, group health insurance policy, group personal accident insurance policy, group term life insurance policy, workmen's compensation policy, burglary policy, standard fire and perils policy, directors' and officers' liability policy and special perils policy. Our insurance policies may not be sufficient to cover our economic loss. For further information, see "*Risk Factors – Internal Risk Factors - Our insurance coverage may not be sufficient or may not adequately protect us against any or all hazards, which may adversely affect our business, results of operations, financial condition and cash flows.*" on page 35.

Employees

As of June 30, 2019, we had 15,626 employees. As part of our customer-centric approach, we recruit employees locally, which assists us in gaining a better understanding of customers in that region and their requirements. We train our employees on a regular basis, and focus primarily on three areas through our training programs: (i) leadership development; (ii) behavioral development; and (iii) functional development.

The following table sets forth employee details as of June 30, 2019:

Particulars	Number of Employees
Sales	11,442
Collections	709
Credit	386
Operations	1,577
Finance and accounts	62
Legal	20
Risk	40
IT	142
HR	122
Infrastructure and administration	89
Internal control	127
Internal audit	88
Treasury	4
Others	818
Total	**15,626**

We undertake the following initiatives:

- *Manpower planning and recruitment*. We intend to continue hiring personnel from local communities to build our sales force and hire qualified personnel for functions such as risk management and IT. We conduct a training program for new personnel with classroom sessions on our Company's values and culture, advanced banking concepts, processes and systems complemented by field visits and branch-based training for fresh recruits and plan to continue the same.

- *Skill-building*. We have introduced training programs for all front line business employees and key backend roles right from induction to managerial development based on the role they perform. We focus on training our sales personnel on products, operations, regulations, selling and services. We utilize the services of in-house trainers and external training agencies to train our personnel for credit assessment, risk modeling and IT security.

- *Performance management*. We will continue to utilize our current appraisal process and incentive structure and augment them with a recognition mechanism of monthly and quarterly awards for special contributions.

- *Leadership development*. We will continue to invest in developing leaders across functions in the organization through targeted leadership development initiatives.

- *Well defined HR structur*e. With a significant increase in our employee base, our HR team is strengthened to ensure adequate focus on employee engagement and development. Our HR team will be governed by well-defined policies on all HR processes including recruitment, training and performance management. Each HR manager has teams for performing functions such as recruitment, training and development, talent management, employee engagement, resource deployment and payroll management.

Corporate Social Responsibility

We have adopted a Corporate Social Responsibility ("**CSR**") policy in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014 notified by the Central Government. We have a board approved CSR policy. We believe that our CSR initiatives contribute to our overall strategy of engaging with our target customers and we have contributed to CSR initiatives in areas such as education, healthcare and community development. We are particularly focused on: (i) community development projects including facilities for orphans, old age homes and physically challenged and slum and rural area development projects; (ii) promotion of education and skill development through development of schools and day care centres, libraries and vocational training centres; and (iii) promoting the protection of the environment through the "Swach Neighbourhood" project that would ensure that an area of 100 meters around our offices and Banking Outlets is kept clean.

We have entered into a strategic partnership with our Group Company, Parinaam Foundation to execute social welfare activities. The financial inclusion initiatives undertaken in partnership with Parinaam Foundation are covered under the financial literacy programme, Diksha+. Through this programme, low-income families are imparted the knowledge and tools they need to save safely, reduce financial risks and make informed and intelligent financial decisions. It is designed to help women mobilise savings options, manage their cash flows and plan for their future. In essence, our aim is to make essential banking accessible to all.

Within the financial literacy programme, Diksha+ we run the following programmes:

Paison ki ABCD: Financial literacy camps are organised in partnership with Parinaam Foundation. During these camps, we typically screen a documentary developed by us titled '*Paison ki ABCD*' to promote financial literacy and economic empowerment for the underprivileged. It intends to positively influence the mindset of consumers, eliminate the misconceptions about banking and educate them about the importance and benefits of a bank account.

Chillar Bank: We have designed a training programme, Chillar Bank, to encourage shared learning between parents and children. As part of the programme, parents support children in helping them operate their own savings accounts. In turn, children are encouraged to help their parents use mobile apps and technology to manage their finances. This helps families work together to understand the importance of savings and manage their finances.

Properties

Our registered office is situated at Plot No. 2364/ 8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi 110 008, India and our corporate office is situated at Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India, both located on lease premises. As of June 30, 2019, our operations were spread across 24 states and union territories, and through 474 Banking Outlets including 120 Banking Outlets in URCs and 50 Asset Centres, all of which are located on leased premises.

For risks in this regard, see "*Risk Factors - All our Banking Outlets and our Asset Centres along with our Registered Office are on leased premises and we are also in the process of entering into new lease arrangements for our proposed 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*." on page 29.

KEY REGULATIONS AND POLICIES

The following description is a summary of certain sector specific laws and regulations in India, which are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations and their descriptions set out below may not be exhaustive, and are only intended to provide general information to the bidders and are neither designed nor intended to substitute for professional legal advice. Judicial and administrative interpretations are subject to modification or clarification by subsequent legislative, judicial or administrative decisions.

Our Bank is engaged in the business of banking, accepting deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities. Under the provisions of various Central Government and State Government statutes and legislations, our Bank is required to obtain and regularly renew certain licenses or registrations and to seek statutory permissions to conduct our business and operations. For information regarding regulatory approvals obtained by our Bank, see *"Government and Other Approvals"* on page 304.

The following is an overview of some of the important laws and regulations, which are relevant to our business as a SFB.

BANKING RELATED LEGISLATIONS

Banking Regulation Act, 1949 ("Banking Regulation Act")

Banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions some of which include that: (i) the bank has or will have the ability to pay its present and future depositors in full as their claims accrue; (ii) the affairs of the bank are not or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) the bank has adequate capital structure and earnings prospects; and (iv) public interest will be served if such a license is granted to the bank. The RBI has the power to cancel the license if a bank fails to meet the conditions or if the bank ceases to carry on banking operations in India. Additionally, the RBI has issued various reporting and record-keeping requirements for such commercial banks. The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in public interest, or in the interest of the banking company, or in the interest of its depositors. It also sets out the provisions in relation to the loan granting activities of a banking company. The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. Pursuant to amendments to the Banking Regulation Act in January 2013, private sector banks are permitted, subject to the guidelines framed by the RBI, to issue perpetual, redeemable or irredeemable preference shares in addition to ordinary equity shares.

Further, the Banking Regulation Act, requires any person to seek prior approval of the RBI, to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. Further, the RBI may, by passing an order, restrict any person or persons acting in concert with him, holding more than 5% of the total voting rights of all the shareholders of the banking company from exercising voting rights on poll in excess of the said 5%, if such person is deemed to be not fit and proper to hold shares or voting rights, by the RBI. Under the RBI (Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks) Directions, 2015, an existing shareholder who has already obtained prior approval of RBI for having a "major shareholding" in a private sector bank, need not obtain approval for an additional fresh acquisition resulting up to 10% aggregate shareholding in such bank. However, if the additional acquisition results in an aggregate shareholding that is in excess of 10%, the prior approval of RBI must be obtained. Further, persons with 'major shareholding' shall also periodically report to the concerned bank on continuing to be fit and proper.

Further, the RBI requires the banks to create a reserve fund to which it must transfer not less than 25% of the net profit before appropriations. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

Certain amendments also permit the RBI to establish a 'Depositor Education and Awareness Fund', which will take over any credit balances in any account in India with a banking company which has not been operated upon for a period of 10 years or any deposit or any amount remaining unclaimed for more than 10 years.

The amendments also confer power on the RBI (in consultation with the central government) to supersede the board of directors of a banking company for a period not exceeding a total period of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or any banking company or for securing the proper management of any banking company.

The appointment, re-appointment, or termination of the appointment of a chairman, managing director or whole-time director, manager, chief executive officer of a bank shall have effect only if it is made with the prior approval of the RBI. Further, no amendment in relation to the remuneration of the chairman, managing director, whole-time director or any other director, manager, chief executive officer shall have effect unless approved by the RBI. RBI is also empowered to remove a chairman, managing director and whole-time directors from office on the grounds of public interest, interest of depositors or securing the proper management. Moreover, RBI may order meetings of the board of directors to discuss any matter in relation to the bank, appoint observers to such meetings, make such changes to the management as it may deem necessary, and may also order the convening of a general meeting of the bank's shareholders to elect new directors.

The RBI may impose penalties on banks, directors and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in the contravention. The penalty may also include imprisonment. Banks are also required to disclose the penalty in their annual report.

The RBI Act, 1934 ("RBI Act"), as amended

RBI Act provides a framework for supervision of banking firms in India. RBI Act was passed to constitute a central bank to, *inter alia*, regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country.

Reserve Bank of India's Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 ("SFB Licensing Guidelines")

The RBI issued the SFB Licensing Guidelines and clarifications dated January 1, 2015, for licensing of SFBs in the private sector. The following is an indicative list of guidelines applicable to our Bank:

1. **Registration, licensing and regulations**: The SFB is required to be registered as a public limited company under the Companies Act and will be licensed under Section 22 of the Banking Regulation Act. The SFB will be required to use the words "Small Finance Bank" in its name. It will be governed by the provisions of the Banking Regulation Act, RBI Act, FEMA, Payment and Settlement Systems Act, 2007, Credit Information Companies (Regulation) Act, 2005, Deposit Insurance and Credit Guarantee Corporation Act, 1961, and other relevant statutes and the directives, prudential regulations and other guidelines/instructions issued by RBI and other regulators from time to time. The SFBs will be given scheduled bank status once they commence their operations, and are found suitable as per Section 42(6)(a) of the RBI Act.

2. **Eligible promoters**: Resident individuals/professionals with ten years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible as promoters to set up SFBs. Existing NBFCs or MFIs that are owned and controlled by residents can also opt for conversion into an SFB. However, joint ventures by different promoter groups for the purpose of setting up SFBs would not be permitted. Promoter/ promoter groups should be 'fit and proper' with a sound track record of professional experience or of running their business for at least a period of five years in order to be eligible to promote SFB.

3. **Scope of activities**: The SFB is required to primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections and supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities, through high technology-low cost operations. It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of RBI and after complying with the requirements of the sectoral regulator for such products. It cannot set up subsidiaries to undertake non-banking financial services activities. Further, the other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business. The annual branch expansion plans of the small finance banks for the initial five years would need prior approval of RBI. The annual branch expansion plans should be in compliance with the requirement of opening at least 25% of its branches in unbanked rural centres.

4. **Capital requirement**: The minimum paid-up equity capital of an SFB is required to be ₹1,000 million. It shall be required to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time.

5. **Promoter's contribution**: The promoter's minimum initial contribution to the paid-up equity capital of the SFB shall at least be 40% which shall be locked in for a period of five years from the date of commencement of business of the SFB. However, promoter's contribution will be exempted from lock-in when promoter shareholding is above 26% but less than 40%. Further, the promoter's shareholding should be brought down in prescribed phases. If the initial shareholding of the promoters is more than 40%, it should be brought down to 40% within a period of five years and thereafter to 30% within 10 years and to 26% within 12 years from the date of commencement of business of the SFB. Further, if an SFB reaches the net worth of ₹5,000 million, listing will be mandatory within 3 years of reaching that net worth.

6. **Foreign shareholding**: Foreign shareholding would be as per the FDI Policy for private sector banks. As per the current FDI Policy. Foreign direct investment is permitted up to 49% under the automatic route and up to 74% under government route in a private sector Indian bank.

7. **Voting rights and transfer/ acquisition of shares**: As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks. This will also apply to SFBs.

8. **Prudential norms**: The SFB will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks. Further, the SFB will have to comply with additional conditions/ norms such as extending 75% of its adjusted net bank credit to sectors eligible for classification as priority sector lending by RBI, maximum loan size and investment limit exposure to a single and group obligor being restricted to 10% and 15% of its capital funds, respectively, at least 50% of its loan portfolio should constitute loans and advances of up to ₹2.5 million, etc. The SFB is also precluded from having any exposure to its promoters, major shareholders (who have shareholding of 10% of paid-up equity shares in the bank), and relatives (as defined in Section 2 (77) of the Companies Act, 2013 and rules made thereunder) of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards AS 21 and AS 23).

9. **Corporate Governance**: The Board of the SFB should have a majority of independent directors. Further, the SFB will have to comply with the corporate governance guidelines including 'fit and proper' criteria for directors as issued by RBI from time to time.

10. **Others**:

- Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10% of the paid-up equity capital. In case of NBFCs or MFIs converting to an SFB, if shareholding of entities (other than the promoters) in the NBFC is in excess of 10% of the paid-up equity capital, RBI may consider providing time up to 3 years for the shareholding to be brought down to 10%.

- The SFB cannot be a Business Correspondent ("**BC**") for another bank. However, it can have its own BC network.

- If the SFB wishes to transit into a universal bank, it would have to apply to the RBI for such conversion and fulfilling minimum paid-up capital / net worth requirement as applicable to universal banks and comply with certain other prescribed criteria.

Reserve Bank of India's Operating Guidelines for Small Finance Bank dated October 6, 2016 ("SFB Operating Guidelines")

The SFB Operating Guidelines are supplementary to SFB Licensing Guidelines. The SFB Operating Guidelines came into force considering the differentiated nature of business and financial inclusion focus of SFB Banks. The SFB Operating

Guidelines set out the following:

1. **Prudential Regulation**: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:

   a) **Capital adequacy framework**: The minimum capital requirement is 15%;

   b) **Leverage ratio**: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and

   c) **Inter-bank borrowings**: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks.

2. **Corporate governance**:

   a) Constitution and functioning of board of directors: The extant provisions as applicable to banking companies shall be applicable to SFBs as well. Specifically in case of converting entities, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and

   b) Constitution and functioning of committees of the board, management level committees, and remuneration policies: The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.

3. **Banking Operations**:

   a) **Branch authorization policy**: SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017. SFBs are required to have 25% of their branches in unbanked rural centres within three years from the date of commencement of business. Further, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.

b) **Regulation of Business Correspondents:** The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents; and

c) Bank charges, lockers, nominations, facilities to disabled persons: The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.

4. **KYC requirements:** At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.

Reserve Bank of India's Compendium of Guidelines for Small Finance Banks – Financial Inclusion and Development dated July 6, 2017

Considering the differentiated nature of business and financial focus of the SFBs and taking into account the important role that SFBs can play in the supply of credit to micro and small enterprises, agriculture and banking services, the RBI issued a specific compendium of guidelines for SFBs on areas relating to financial inclusion and development. SFBs are required to open at least 25% of its branches in unbanked rural centres. The identified priority sectors are agriculture, MSMEs, export credit, education, housing, social infrastructure, renewable energy and certain categories of loans identified therein. SFBs will have a target of 75% for priority sector lending of their adjusted net bank credit.

Reserve Bank of India's Guidelines on Compensation of Non-executive Directors of Private Sector Banks dated June 1, 2015

The board of directors of a private sector bank, in consultation with its remuneration committee, is required to formulate and adopt a comprehensive compensation policy for non-executive directors (other than part-time non-executive Chairman). The Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors, subject to bank making profits. Such compensation, however, shall not exceed ₹ one million per annum for each non-executive director. In addition to the directors' compensation, the bank may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the board. Further, all private sector banks are required to obtain prior approval of RBI for granting remuneration to the part-time non-executive Chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act.

Master Circular - Mobile Banking Transactions in India- Operative Guidelines for Banks dated July 1, 2016 ("Mobile Banking Transaction-Operative Guidelines")

The Mobile Banking Transaction Operative Guidelines contains all rules, regulations and procedures prescribed to be followed by banks for operationalizing mobile banking in India. Banks which are licensed, supervised and having physical presence in India are permitted to offer mobile banking services. Only banks who have implemented core banking solutions are permitted to provide mobile banking services. Banks are required to put in place a system of registration of customers for mobile banking.

Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as amended on May 29, 2019 ("KYC Directions")

KYC Directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. In terms of the KYC Directions, every entity regulated thereunder is required to formulate a KYC policy which is duly approved by the board of directors of such entity or a duly constituted committee thereof. The KYC policy formulated in terms of the KYC Directions is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The KYC Directions also prescribe detailed instructions in relation to, *inter alia*, the due diligence of customers, record management and reporting requirements to Financial Intelligence Unit – India.

Master Circular on Prudential norms on income recognition, asset classification and provisioning pertaining to advances dated July 1, 2015("Prudential Norms")

The RBI, pursuant to its "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances" issued on July 1, 2015, classifies NPAs into (i) sub-standard assets; (ii) doubtful assets; and (iii) loss assets. The circular also specifies provisioning requirements specific to the classification of the assets.

In July 2005, the RBI issued guidelines on sales and purchases of NPAs between banks, financial institutions and NBFCs. However, as per SFB Operating Guidelines, while SFBs are permitted to sell NPAs, they are not permitted to purchase NPAs. These guidelines require that the board of directors of a bank must establish a policy for purchases and sales of NPAs. An asset must have been classified as non-performing for at least two years by the seller bank to be eligible for sale. In October 2007, the RBI issued guidelines regarding valuation of NPAs being put up for sale.

Reserve Bank of India's Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions dated May 30, 2013.

The RBI revised the "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Banks are required to make a provision of certain per cent on restructured standard accounts for different periods depending on the way an account is classified as restructured standard account, i.e. either *ab initio* or on upgradation or on retention of asset classification. Pursuant to the revised guidelines the provisioning requirement has been increased to 5% in respect of new restructured standard accounts (flow) with effect from June 1, 2013 and in a phased manner for the stock of restructured standard accounts as of March 31, 2013 as follows:

a) 3.50% with effect from March 31, 2014 (spread over the four quarters of 2013-2014);

b) 4.25% with effect from March 31, 2015 (spread over the four quarters of 2014-2015); and

c) 5% with effect from March 31, 2016 (spread over the four quarters of 2015-2016).

Master Direction – Ownership in Private Sector banks, Directions, 2016 dated May 12, 2016

The Reserve Bank of India issued master directions for ownership in private sector banks in May 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, shareholders are now categorized as natural persons (individuals) and legal persons (entities/institutions) for the purposes of ownership limits in the longer run. Non-financial and financial institutions, and among financial institutions, diversified and non-diversified financial institutions shall have separate limits for shareholding.

The limits for shareholding are as follows: (i) in the case of individuals and non-financial entities (other than promoters/promoter group), the limit shall be 10% of the paid up capital. However, in case of promoters being individuals and non-financial entities in existing banks, the shareholding shall be 15%, (ii) for entities in the financial sector, other than regulated or diversified or listed, the limit shall be at 15%, (iii) in case of 'regulated, well diversified, listed entities from the financial sector' and shareholding by supranational institutions or public sector undertaking or Government, a limit of 40% is prescribed, and (iv) higher stake/strategic investment by promoters/non-promoters through capital infusion by domestic or foreign entities/institution shall be permitted on a case to case basis under circumstances such as relinquishment by existing promoters or in the interest of the bank or in the interest of consolidation in the banking sector

A period of 12 years from the date of commencement of business of the bank shall be available for the promoter and promoter group in cases where dilution to a lower level of shareholding is required for compliance with the specified limits. Acquisition of shareholding in a private sector bank shall be subject to the applicable FDI Policy, with the aggregate foreign investment in private sector banks not exceeding 74% of the paid-up capital. The directions further prescribe that banks (including foreign banks having branch presence in India) shall not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding is 10% or more of the investee bank's equity capital. However, RBI may permit a higher level of shareholding by a bank in exceptional cases.

Master Direction – Issue and Pricing of shares by Private Sector Banks, Directions, 2016

The RBI issued master directions for issue and pricing of shares by private sector banks on April 21, 2016. The directions are applicable to all private sector banks licensed by RBI to operate in India. Under the directions, "private sector banks" have been defined as banks licensed to operate in India under the Banking Regulation Act other than urban co-operative banks, foreign banks and banks licensed under specific statutes. Under the directions, a private sector bank, both listed and unlisted, has general permission for issue of shares by way of public issues (initial public offer, further public offer), private placement (preferential issue, qualified institutional placement), rights issue and bonus issue, subject to compliance with applicable laws such as FEMA and extant foreign investment policy of the GoI for private sector banks, provisions of the Companies Act, and the relevant SEBI guidelines, the RBI master directions dated November 19, 2015 on Prior Approval for Acquisition of Shares or Voting Rights in Private Sector Banks and reporting of complete details of the issue to RBI such as date of issue, details of the type of issue, issue size, details of pricing, number and names of allottees, post allotment shareholding position etc.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("RDDBFI Act")

The RDDBFI Act was enacted for adjudication of disputes pertaining to debts due to banks and financial institutions exceeding ₹2 million. The RDDBFI Act provides for the constitution of debt recovery tribunals, before which banks and financial institutions may file applications for recovery of debts. Further, no court or other authority, except the Supreme Court or a High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, shall have, or is entitled to exercise, any jurisdiction, powers or authority in relation to the aforementioned matter. The tribunals may pass orders for directions including *inter- alia* recovery of such dues by the bank as may be deemed fit along with a recovery certificate to such effect from the presiding officer of the respective tribunal; attachment of the secured properties towards the dues to the bank: injunctive orders restraining the debtors from alienating, transferring or disposing of such secured properties; appointment of receivers and/or local commissioners with respect to such secured properties and distribution of proceeds from sale of such secured properties towards dues. Pursuant to the recovery certificate being issued, the recovery officer of the respective debt recovery tribunal shall effectuate the final orders of the debt recovery tribunal in the application. Unless such final orders of the debt recovery tribunal have been passed with the consent of the parties to an application, an appeal may be filed against such final orders of the debt recovery tribunal before the debt recovery appellate tribunal, which is the appellate authority constituted under the RDDBFI Act.

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act")

The SARFAESI Act governs securitization of financial assets in India. The SARFAESI Act provides that any securitization or reconstruction company may acquire the financial assets of a bank or financial institution by either entering into an agreement with such bank or financial institution for the transfer of such assets to the company or by issuing a debenture or bond or any other security in the nature of the debenture, for consideration, as per such terms and conditions as may be mutually agreed between them. The SARFAESI Act further provides that if the bank or financial institution is a lender in relation to any financial assets acquired by the securitization/reconstruction company as stated above, then such company shall be deemed to be the lender in relation to those financial assets. Further, upon such acquisition, all material contracts entered into by the bank or financial institution, in relation to the financial assets, shall also get transferred in favour of the securitization/reconstruction company. The SARFAESI Act also enables banks and notified financial institutions to enforce the underlying security of an NPA without court intervention. Pursuant to an asset being classified as an NPA, the security interest can be enforced as per the procedure laid down in the Security Interest Enforcement Rules, 2002.

The Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 ("Repo Directions")

The Repo Directions are applicable to repurchase transactions undertaken on stock exchanges, electronic trading platforms authorised by the RBI and over-the-counter market. The securities eligible for repurchase under the Repo Directions are government securities, listed corporate bonds and debentures subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity, commercial papers, certificate of deposits and other such securities of a local authority as prescribed by the Central Government. Eligible participants include any regulated entity, listed corporate, unlisted company, which has been issued special securities by the Government of India, using only such special securities as collateral, All India Financial Institution viz. Exim Bank, NABARD, NHB and SIDBI and any other entity approved by the Reserve Bank from time to time for this purpose. The Repo Directions prescribes the eligibility criteria, roles and obligations, application procedure for authorisation and exit procedure for tri-party agents. The Repo Directions provide that a repo shall be undertaken for a minimum period of one day and a maximum period of one year.

The Banking Ombudsman Scheme, 2006, as amended up to July 1, 2017 ("Ombudsman Scheme")

The Ombudsman Scheme provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. All schedules commercial banks, regional rural banks and scheduled primary co-operative banks are covered under the Ombudsman Scheme. On July 1, 2017, the Ombudsman Scheme was amended to widen the scope of the scheme, inter alia, to deficiencies arising out of sale of insurance/mutual fund/ other third party investment products by banks and now permitted customer to lodge a complaint against the bank for non-adherence to RBI instructions with regard to mobile banking/electronic banking services. The amended Ombudsman scheme also provided for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme and increased the pecuniary jurisdiction of the Banking Ombudsman. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Ombudsman Scheme.

Prevention of Money Laundering Act, 2002 ("PMLA")

In order to prevent money laundering activities the PMLA was enacted which seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering, and for incidental matters connected therewith. Section 12 of the PMLA casts certain obligations on, *inter alia*, banking companies in relation to preservation and reporting of customer account information. The RBI has advised all banks to go through the provisions of the PMLA and the rules notified thereunder and to take all steps considered necessary to ensure compliance with the requirements of section 12 of the PMLA.

FOREIGN EXCHANGE LAWS

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2017 as amended, the Consolidated FDI Policy Circular of 2017 ("**FDI Policy**") effective from August 28, 2017, issued and amended by way of press notes.

Foreign investment in private sector banks, carrying on activities approved for FDI, will be subject to the conditions specified in paragraph 5.2.18 read with annexure 9 of the FDI Policy.

As per the FDI policy, the aggregate foreign investment in a private sector bank from all sources will be allowed up to a maximum of 74% of the paid-up capital of the bank (automatic up to 49% and government route beyond 49% to 74%). This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by FIIs/FPIs, NRIs. At all times, at least 26% of the paid-up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

In case of NRIs, individual holdings is restricted to 5% of the total paid up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10% of the total paid up capital both on repatriation and non-repatriation basis. However, NRI holdings can be allowed up to 24% of the total paid up capital both on repatriation and non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.

Further, in the case of Foreign Institutional Investors (FIIs)/ FPIs, individual FII/ FPI holding is restricted to below 10% of the total paid-up capital of the company, aggregate limit for all FIIs/ FPIs cannot exceed 24% of the total paid-up capital of the company, which can be raised to the sectoral cap/statutory ceiling, as applicable (in case of private sector banks it can be raised up to 49% of the total paid-up capital of the bank) through a resolution by its board of directors followed by a special resolution to that effect by its General Body, and subject to prior intimation to RBI.

All investments shall be subject to the guidelines prescribed for the banking sector under the Banking Regulation Act and the RBI Act. The RBI guidelines relating to acquisition by purchase or otherwise of capital instruments of a private bank, if such acquisition results in any person owning or controlling 5% or more of the paid up capital of the private bank will apply to foreign investment as well. As per the Banking Regulation Act read with the gazette notification DBR.PSBD. No. 1084/16.13.100/2016-17 dated July 21, 2016, there is a limit of 26% on voting rights in respect of private sector banks, and this should be noted by potential investors.

TAX LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the tax legislations that may be applicable to the operations of our Bank include:

- Income Tax Act 1961, as amended by the Finance Act in respective years;
- Professional Tax state-wise legislations;
- Central Goods and Service Tax Act, 2017 and various state-wise legislations made thereunder;
- Indian Stamp Act, 1899 and various state-wise legislations made thereunder;

LABOUR LAWS

In addition to the aforementioned material legislations which are applicable to our Bank, some of the labour legislations that may be applicable to the operations of our Bank include:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Equal Remuneration Act, 1976;
- Payment of Gratuity Act, 1972;
- Minimum Wages Act, 1948;
- Industrial Disputes (Banking and Insurance Companies) Act, 1947;

- Employee’s Compensation Act, 1923;
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- The Industrial Employment (Standing Orders) Act,1946;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act and Rules, 2013;
- Maternity Benefit Act, 1961, as amended
- Shops and Establishment Act 1963, the state-wise acts and rules made thereunder

OTHER LEGISLATIONS

In addition to the aforementioned material legislations, our Bank is governed by the provisions of the Companies Act, SEBI Act, SCRA and the rules, regulations and guidelines made thereunder. Our Bank is also required to comply with Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015, Negotiable Instruments Act, 1881, Payment and Settlements Systems Act, 2007 and various intellectual property and environment protection related legislations and other applicable statutes for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Bank

UFSL, our Promoter, was granted the RBI In-Principle Approval to establish an SFB, on October 7, 2015. Our Bank was incorporated as 'Ujjivan Small Finance Bank Limited' on July 4, 2016 at New Delhi, as a public limited company under the Companies Act, 2013, and was granted a certificate of incorporation by the RoC on the same date. UFSL was thereafter granted the RBI Final Approval, to establish and carry on business as an SFB, on November 11, 2016.

Subsequently, UFSL transferred its business undertaking comprising of its lending and financing business to our Bank, pursuant to the Business Transfer Agreement dated January 12, 2017 (described in more detail below). Our Bank commenced its business on February 1, 2017. Our Bank became a scheduled bank pursuant to a notification dated July 3, 2017 issued by the RBI, through which our Bank was included in the second schedule to the RBI Act.

Changes in the Registered Office

There has been no change in the Registered Office of our Bank since the date of incorporation.

Main objects of our Bank

The main objects contained in our Memorandum of Association are as follows:

"1. To establish and carry on the business of banking that is to say to accept, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise in any part of India or outside India.

2. To undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities, and to undertake non-risk sharing simple financial services activities such as distribution of mutual fund units, insurance products, pension products, etc. and carry on the business as authorized foreign exchange dealer by obtaining the applicable registration.

3. To carry on business of accepting deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise."

The main objects as contained in our Memorandum of Association enable our Bank to carry on the business presently being carried out and proposed to be carried out by it.

Amendments to the Memorandum of Association

Set out below are the amendments to our Memorandum of Association in the last 10 years:

Date of Shareholders' resolution/ Effective date	Particulars
April 26, 2019	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹17,000,000,000 divided into 1,500,000,000 Equity Shares of ₹10 each and 200,000,000 Preference Shares of ₹10 each to ₹25,000,000,000 divided into 2,300,000,000 Equity Shares of ₹10 each and 200,000,000 Preference Shares of ₹10 each
February 9, 2017	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹15,000,000,000 divided into 1,500,000,000 Equity Shares of ₹10 each to ₹17,000,000,000 divided into 1,500,000,000 Equity Shares of ₹10 each and 200,000,000 Preference Shares of ₹10 each
December 30, 2016	Clause V of the MoA was amended to reflect the increase in the authorized share capital of our Bank from ₹1,250,000,000 divided into 125,000,000 Equity Shares of ₹10 each to ₹15,000,000,000 divided into 1,500,000,000 Equity Shares of ₹10 each

Major events and milestones of our Bank

The table below sets forth some of the key events in the history of our Bank:

Calendar year	Event
2019	• Crossed four million customer base and ended Fiscal 2019 with a unique active customer base of over 4.61 million • Total deposits grew from ₹37.72 billion in Fiscal 2018 to ₹73.79 billion in Fiscal 2019 • Loan portfolio crossed ₹110.49 billion • Launched new digital services -bill payment, UPI, NACH and mobile application in five languages and the corporate internet banking facility

Calendar year	Event
	• Launched new business lines, such as, loans for rural agriculture business and allied activities, financial institutions group lending, two-wheeler loans, personal loans and overdraft facility
2018	• First full year of banking operations with 187 banking outlets of which 25% were in URCs • Bank recorded a net profit of ₹68.63 million
2017	• Commencement of our operations on February 1, 2017 • Transfer of business undertaking of UFSL to our Bank pursuant to the Business Transfer Agreement • Inclusion of our Bank in the second schedule of the RBI Act • Introduced bio-metric authentication facilities in our ATMs
2016	• UFSL received RBI Final Approval to set up our Bank • Incorporation of our Bank

Awards, accreditations and recognitions received by our Bank

Year	Awards
2019	• Recognition of the Outstanding Spirit of Innovation 'Glow' by Banking Frontiers' Finnoviti 2019 • 'IDEX Legal Award for Legal Department of the Year' under the medium large category • 'Best IT Risk Management and Cyber Security Initiatives' under the small bank category at Banking Technology Conference, Expo and Awards presented by the Indian Banks' Association • 'ERM Strategy of the Year' at the ERM World Summit presented by RSA • Banking, Financial Services and Insurance Awards for 'Best HR practice in finance sector' • Ranked 6 by the Great Places to Work Institute India and the Economic Times in 2019
2018	• Ranked 19 in 'India's Best Companies to Work for 2018' by Great Place to Work Institute India and the Economic Times • 6th SMEs Excellence Award for 'Excellent Service (Small Finance Bank)' by ASSOCHAM India • Special Jury Recognition for 'Security Practices in Small Finance Banks' at the DSCI Excellence Award • Adjudged 'Good' under 'Indian Corporate Governance Scorecard' assessed by the Institutional Investor Advisory Services • 'Best Workplaces in Small Finance Bank' recognition for being among the best in the industry by Great Place to Work Institute India and the Economic Times
2017	• Ranked 13 in 'India's Best Companies to Work for 2017' by Great Place to Work Institute India and the Economic Times • Recognised as number 10 in 'Best Large Workplaces in Asia 2017' by Great Place to Work Institute India and the Economic Times

Time and cost over-runs

There have been no time and cost over-runs in the setting up of any of the establishments of our Bank or in respect of our business operations.

Defaults or re-scheduling of borrowings

There have been no defaults or re-scheduling/ re-structuring in relation to borrowings availed by our Bank from any financial institutions or banks.

Significant financial and strategic partners

As of the date of this Draft Red Herring Prospectus, our Bank does not have any significant financial or strategic partners.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Bank, entry into new geographies or exit from existing markets, see "*Our Business*" on page 98.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamations or any revaluation of assets, in the last ten years

Other than as disclosed below, our Bank has not acquired any business or undertaking and has not undertaken any merger, amalgamation or revaluation of assets:

Our Bank and UFSL have entered into the Business Transfer Agreement, pursuant to which the business undertaking of UFSL was transferred to our Bank. For further details, see " – *Key terms of other subsisting material agreements*" on page 130.

Further, our Bank has, pursuant to a letter dated April 22, 2019, written to the RBI seeking in-principle approval to undertake a merger of UFSL with our Bank, such that the merger would be effective from February 1, 2022 (i.e. upon the completion of five years from the commencement of business of our Bank) and seeking in-principle approval from the RBI to permit the dilution of UFSL's shareholding in our Bank (post completion of the five year lock-in mandated by the RBI) pursuant to such merger. The Bank had also clarified that any steps in furtherance of the proposed merger would be undertaken post receipt of formal approval from the RBI. The RBI has pursuant to its letter dated June 6, 2019 clarified that the RBI would examine the proposal for merger of UFSL with our Bank (and the consequent dilution of UFSL's shareholding in our Bank) at the relevant time. While at this stage, our Board and Shareholders have approved the Issue pursuant to resolutions dated July 30, 2019 and August 3, 2019, UFSL and our Bank continue to evaluate other options to achieve listing of the Equity Shares in accordance with guidance from the RBI and applicable law.

Holding Company

UFSL is our holding company. For details of UFSL, see *"Our Promoter and Promoter Group"* on page 156.

Our Subsidiaries

As of the date of this Draft Red Herring Prospectus, our Bank has no subsidiaries.

Joint Venture

As of the date of this Draft Red Herring Prospectus, our Bank has no joint ventures.

Shareholders' agreements and other agreements

Key terms of subsisting shareholders' agreements

As of the date of this Draft Red Herring Prospectus, there are no subsisting shareholders' agreements.

Key terms of other subsisting material agreements

Business Transfer Agreement dated January 12, 2017 entered into between our Promoter and our Bank

Upon receipt of the RBI Final Approval, our Promoter, UFSL entered into the Business Transfer Agreement with us on January 12, 2017, pursuant to which the business undertaking comprising of the lending and financing business of UFSL undertaken as an NBFC-MFI and other business activities incidental thereto (forming a part of the business and operations carried on by UFSL) together with all assets and liabilities thereof was transferred by UFSL to our Bank on a slump sale basis on February 1, 2017 ("**Completion Date**"). As consideration for the transfer of the business undertaking, our Bank issued 1,330,000,000 Equity Shares and 200,000,000 Preference Shares to UFSL pursuant to an agreement dated February 10, 2017. For further details, see "*Capital Structure*" on page 61. The total purchase consideration for the transfer of the business undertaking was valued at ₹15.30 billion, which included a value of ₹160 million attributed to goodwill of the UFSL business. Pursuant to the Business Transfer Agreement, UFSL has provided representations and warranties customary for a transaction of this nature. UFSL's total liability in respect of its indemnification obligations are limited to the purchase consideration under the agreement. However such cap on indemnity shall not be applicable in instances where UFSL has committed fraud or acted with gross negligence. On and from the Completion Date, certain employees of UFSL as specified in the Business Transfer Agreement and assets, liabilities, loans and business confidentiality information stood transferred and assigned to our Bank. UFSL is required to be responsible for all claims by employees until the Completion Date, including any payment of costs, expenses, damages and liabilities in this regard. Further, while all pending claims, proceedings, suits etc., in relation to UFSL as on the Completion Date, are required to be dealt with and managed by UFSL, our Bank is required to be liable for any payments which may become due and payable by UFSL on account of such matters. Similarly, where any payments become due and payable to UFSL pursuant to such matters, our Bank will be entitled to receive payments in this regard and UFSL is required to seek the consent of USFB prior to initiating any action towards settling any such proceedings with third parties. For details, see "*Outstanding Litigations and Material Developments*" and "*Risk Factors – We and our Promoter are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows*" on page 292 and 29.

Supplementary to the Business Transfer Agreement, our Bank and UFSL have entered into an assignment agreement dated January 28, 2017, pursuant to which the loan portfolio in connection with the business undertaking of UFSL stood transferred to our Bank. Our Bank shall be the sole and absolute owner of portfolio loans, including receivables from the borrowers in respect of loans and UFSL shall not have any right, title, claim or interest in, over and above the portfolio of loans. As per the terms of the assignment agreement, the underlying securities issued by borrowers in favour of UFSL, all the rights, obligations and liabilities of UFSL under the terms of the loan portfolio documents were transferred to our Bank. Further, while claims pending in relation to UFSL prior to the Completion Date are required to be dealt with and managed by UFSL at the sole discretion of our Bank, and where any payments become due and payable to UFSL pursuant to any claims, our Bank will be entitled to receive the benefit of the same. UFSL is required to seek the consent of USFB prior to initiating any action towards settling any such proceedings with any borrower or other third party.

Addendum agreement dated February 9, 2017 to the Business Transfer Agreement

Our Bank has entered into an addendum agreement dated February 9, 2017 with UFSL, supplementary to the Business Transfer Agreement, pursuant to which the parties recorded the mutually agreed to a purchase price of ₹15.30 billion and to capture the terms of discharge of such purchase price. Pursuant to the addendum agreement, our Bank undertook to issue 1,330,000,000 Equity Shares of face value of ₹10 each and 200,000,000 Preference Shares of face value of ₹10 each aggregating to ₹15.30 billion, towards the discharge of the mutually agreed purchase price. For details, see "*Capital Structure*" on page 61.

Agreement dated February 10, 2017 entered into between our Promoter and our Bank

Our Bank has entered into an agreement dated February 10, 2017, with UFSL, pursuant to the Business Transfer Agreement, to record and acknowledge the purchase price of a lumpsum of ₹15.30 billion for the transfer of the business undertaking and the discharge of such purchase price by the Bank to UFSL by way of issue of 1,330,000,000 Equity Shares of face value of ₹10 each and 200,000,000 Preference Shares of face value of ₹10 each.

Term sheet for the issuance of Preference Shares, as amended

The terms and conditions for the issue of 11% perpetual non-cumulative preference shares of face value of ₹10 each ("**Preference Shares**") to UFSL as purchase consideration for the business undertaking, was approved by our Board and Shareholders pursuant to the resolutions dated February 6, 2017 and February 9, 2017. The key terms of the Preference Shares are set out below:

a) The claims in respect of Preference Shares, subject to applicable law, will rank superior to the claims of Equity Shareholders and subordinate to the claims of depositors, general creditors, capital instruments qualifying as tier II capital and all perpetual debt instruments.

b) The Preference shares shall be unlisted, non-convertible and perpetual. Preference Shareholders are not entitled to voting rights, attend meetings of the Shareholders or participate in the management of the Bank.

c) The rate of dividend is fixed at 11% per annum or any rate specified in the Basel Master Circular and/ or any other applicable law.

d) Subject to the approval of the RBI, our Bank is entitled to exercise a call option or may redeem, buy-back or repurchase the Preference Shares in accordance with the Basel Master Circular and any other applicable law.

e) Transfer of Preference Shares are permissible only in dematerialised form and neither the Bank nor any related party over which the Bank exercises control or significant influence may purchase the Preference Shares.

f) Our Bank cannot directly or indirectly fund the purchase of the Preference Shares.

Further, pursuant to resolutions passed by the Board and the Preference Shareholders of the Bank dated November 13, 2018 and December 5, 2018, the terms of the Preference Shares were amended as follows:

a) Dividend on Preference Shares to be payable annually, or as and when interim dividend is declared;

b) A record date of at least five business days prior to each dividend payment date will be considered;

c) Subject to compliance with applicable law, the Board may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the AGM.

License agreement dated August 22, 2017 entered into between our Promoter and our Bank ("TM License Agreement")

Pursuant to the TM License Agreement entered into between our Bank and our Promoter, our Promoter has granted an exclusive worldwide license in respect of its trademarks, *inter alia*, '*Ujjivan*', a word mark, service mark ("**Licensed Trademarks**") to our Bank for a one time license fee of ₹5,000. Our Bank is permitted to make and use additional variations and derivations of the Licensed Trademarks and apply for registration of such trademarks or logos that may be derived from the Licensed Trademarks. Our Bank has the limited right to sub-license the Licensed Trademarks or encumber or create a charge on the License Trademark, provided that a written intimation of such sub-license, encumbrance or charge is made to our Promoter and our Bank will be held liable to the Promoter for any such sub-license and for any acts of such sub-licensee. Further, the TM License Agreement and the Licensed Trademarks cannot be assigned, sub-licensed or transferred by our Bank, without the prior written consent of the Promoter. The terms of this Agreement shall remain in force in perpetuity unless terminated by the mutual consent of our Bank and our Promoter or by operation of law.

Agreements with Key Managerial Personnel, Director, Promoter or any other employee

There are no agreements entered into by a Key Managerial Personnel or Director or Promoter or any other employee of our Bank, either by themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of our Bank.

OUR MANAGEMENT

Board of Directors

In terms of the Articles of Association, our Bank is required to have not less than three Directors and not more than fifteen Directors. As on the date of this Draft Red Herring Prospectus, our Board comprises of twelve Directors including one Executive Director, two Non-Executive Directors, eight Independent Directors and one Nominee Director of SIDBI. Our Board comprises of three women directors.

The following table sets forth details regarding our Board of Directors as of the date of this Draft Red Herring Prospectus:

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
1.	Sunil Vinayak Patel ***Designation:*** Part-Time Chairman and Independent Director ***Address:*** G-1, Avant Garde 193, 6th Main Road, Defence Colony, Indiranagar, Bengaluru North, Bengaluru 560 038, Karnataka ***Occupation:*** Professional ***Date of birth:*** November 1, 1949 ***Nationality:*** Indian ***Period and term:*** Independent Director for a period of five years with effect from July 27, 2016, i.e. until July 26, 2021 and Part-Time Chairman for a period of three years with effect from February 1, 2017, i.e. until January 31, 2020 ***DIN:*** 00050837	69	Nil
2.	Samit Kumar Ghosh ***Designation:*** Managing Director and Chief Executive Officer ***Address:*** Pairi Daeza, 550/49, Borewell Road, 5th Cross, Whitefield, Bengaluru 560 066, Karnataka ***Occupation:*** Professional ***Date of birth:*** December 1, 1949 ***Nationality:*** Indian ***Period and term:*** For a period with effect from July 27, 2016 until November 30, 2019(1) ***DIN:*** 00185369	69	Nil
3.	Jayanta Kumar Basu ***Designation:*** Non-Executive Director ***Address:*** I-1742, Chittaranjan Park, South Delhi, New Delhi 110 019, Delhi ***Occupation:*** Investment Professional ***Date of birth:*** November 9, 1965 ***Nationality:*** Indian ***Period and term:*** With effect from November 14, 2018 and is liable to retire by rotation	53	• Imperativ Hospitality Private Limited; and • Ujjivan Financial Services Limited

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	***DIN**:* 01268046		
4.	Vandana Viswanathan ***Designation**:* Non-Executive Director(2) ***Address**:* No. 303, Rex Haven Apartments, 19 Eagle Street, Langford Town, Bengaluru 560 025, Karnataka ***Occupation**:* Professional ***Date of birth**:* August 21, 1971 ***Nationality**:* Indian ***Period and term**:* Appointed with effect from July 12, 2019 and is liable to retire by rotation ***DIN**:* 05192578	47	• Ujjivan Financial Services Limited
5.	Chitra Kartik Alai ***Designation**:* Non-Executive Nominee Director(3) ***Address**:* G9 – Aashiana Apartments, Venus Colony, 2nd Cross Street, Near UDHI Eye Hospital, Alwarpet, Chennai 600 018, Tamil Nadu ***Occupation**:* Employment ***Date of birth:*** January 17, 1963 ***Nationality**:* Indian ***Period and term**:* With effect from May 9, 2019 and up to the tenor of the term loan, at the discretion of SIDBI and is not liable to retire by rotation ***DIN**:* 03138604	56	• Tamil Nadu Industrial Investment Corporation Limited
6.	Sachin Bansal ***Designation**:* Independent Director ***Address**:* No. 16, Sunny Brooks Gated Community, Sarjapur Road, Doddakanelli, next to Wipro, Bengaluru South, Carmelaram, Bengaluru 560 035, Karnataka ***Occupation**:* Business ***Date of birth:*** August 5, 1981 ***Nationality**:* Indian ***Period and term**:* For a period of five years with effect from June 1, 2019, i.e. until May 31, 2024 and is not liable to retire by rotation ***DIN**:* 02356346	38	• Ather Energy Private Limited; • BAC Acquisitions Private Limited; and • Navi Investment Advisors Private Limited
7.	Luis Miranda ***Designation**:* Independent Director ***Address**:* 801B, Deepali Street, St. Cyril Road, Bandra (West), Mumbai 400 050, Maharashtra ***Occupation**:* Professional ***Date of birth**:* September 21, 1961	57	• Foundation to Educate Girls Globally; • Foundation for Reinventing Governance; • ManipalCigna Health Insurance Company Limited; and • SBI Foundation

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	Nationality: Indian ***Period and term:*** For a period of five years with effect from January 16, 2017, i.e. until January 15, 2022 and is not liable to retire by rotation ***DIN:*** 01055493		
8.	Biswamohan Mahapatra ***Designation:*** Independent Director ***Address:*** 502, 5th Floor, M1 Wing, Riddhi Gardens, CHSL Gen. A. K. Vaidya Marg, Malad (East), Mumbai 400 097, Maharashtra ***Occupation:*** Service ***Date of birth:*** August 3, 1954 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from January 16, 2017, i.e. until January 15, 2022 and is not liable to retire by rotation ***DIN:*** 06990345	65	• ECL Finance Limited; • Edelweiss Financial Services Limited; • Edelweiss General Insurance Company Limited; • Gruh Finance Limited; • HDFC Credila Financial Services Private Limited; and • National Payments Corporation of India
9.	Prabal Kumar Sen ***Designation:*** Independent Director ***Address:*** Triveni Sangam, B-7/11, Diamond Park, P.O. Joka, Kolkata 700 014, West Bengal ***Occupation:*** Professor ***Date of birth:*** September 5, 1951 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from January 16, 2017, i.e. until January 15, 2022 and is not be liable to retire by rotation ***DIN:*** 02594965	67	• Divus E Commerce Limited
10.	Nandlal Laxminarayan Sarda ***Designation:*** Independent Director ***Address:*** Villa no. D-34, Zonasha Paradisho, Alpine Eco Road, Kartik Nagar, Doddanekkundi, Bengaluru North, Mahadevapura, Bengaluru 560 048, Karnataka ***Occupation:*** Professor ***Date of birth:*** May 2, 1948 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from July 27, 2016, i.e. until July 26, 2021 ***DIN:*** 00147782	71	• Cybertech Systems and Software Limited; • Emudhra Limited; and • Ohmy Technologies Private Limited
11.	Mona Kachhwaha ***Designation:*** Independent Director(4)	47	• MMTC - Pamp India Private Limited

S. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	Address: 1918A, DLF Magnolias, DLF City, Sector 42, Galleria DLF, Gurgaon 122 009, Haryana ***Occupation:*** Professional ***Date of birth:*** January 2, 1972 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from December 22, 2017, i.e. until December 21, 2022 and is not liable to retire by rotation ***DIN:*** 01856801		
12.	Mahadev Lakshminarayanan ***Designation:*** Independent Director ***Address:*** 26, 25th Main, Near LIC Apartments, J.P. Nagar, 1st Phase, Bengaluru South, Bengaluru 560 078, Karnataka ***Occupation:*** Retired Professional ***Date of birth:*** July 27, 1951 ***Nationality:*** Indian ***Period and term:*** For a period of five years with effect from August 1, 2019 i.e. until July 31, 2024 and is not liable to retire by rotation ***DIN:*** 05003710	68	• Aspinwall and Company Limited

(1) *Pursuant to RBI approval dated January 30, 2017 read with RBI approval dated December 15, 2017, he was appointed as the Managing Director and Chief Executive Officer of our Bank with effect from July 27, 2016 until November 30, 2019*

(2) *Our Board and Shareholders pursuant to their resolutions dated July 30, 2019 and August 3, 2019, respectively, have approved the appointment/ re-designation of Vandana Viswanathan as an Independent Director of our Bank, with effect from September 22, 2019*

(3) *Chitra Kartik Alai is a nominee of SIDBI*

(4) *Our Board has pursuant to its resolution dated July 30, 2019, approved the re-categorisation of Mona Kachhwaha as a Non-Executive Director of our Bank, with effect from September 22, 2019*

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of Directors

Sunil Vinayak Patel is the Part-Time Chairman and an Independent Director of our Bank. He holds a bachelor's degree in commerce from Bombay University and a master of business administration degree from the Wharton School, University of Pennsylvania. He is a chartered accountant from the Institute of Chartered Accountants of India. He is a certified management consultant from the Institute of Management Consultants' of India. He was previously associated with A.F. Ferguson & Co. and A.F. Ferguson Associates. He was previously a director on the boards of L&T Investment Management Limited and Ujjivan Financial Services Limited.

Samit Kumar Ghosh is the Managing Director and Chief Executive Officer of our Bank. He holds a bachelor's degree in arts with honours in economics from Jadavpur University and a master of business administration degree from the University of Pennsylvania. He was associated with First National City Bank in 1975 and later worked with Standard Chartered Bank, HDFC Bank, Citibank N.A., and the Bank Muscat Al Ahli Al Omani. He was the president of Microfinance Institutions Network and the chairman of Association of Karnataka Microfinance Institutions.

Jayanta Kumar Basu is a Non-Executive Director on the Board of our Bank. He holds a bachelor's degree in arts (economics) from Delhi University and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He is currently a partner at CX Advisors LLP. He was previously a senior vice president at Citibank.

Vandana Viswanathan is a Non-Executive Director of our Bank. She holds a bachelor's degree in science from Bangalore University and master's degree in arts in personnel management and industrial relations from the Tata Institute of Social Sciences. She co-founded and is a partner at Cocoon Consulting.

Chitra Kartik Alai is a Non-Executive Nominee Director of our Bank. She holds a bachelor's degree in commerce from Osmania University and master's diploma in business administration from Symbiosis Institute of Management Studies. She is a certified associate of the Indian Institute of Banking and Finance. She is currently a general manager at the Chennai regional office of SIDBI.

Sachin Bansal is an Independent Director of our Bank. He holds a bachelor of technology degree in computer science and engineering from the Indian Institute of Technology, Delhi. He co-founded Flipkart, an Indian e-commerce market place, which was acquired by Walmart in 2018.

Luis Miranda is an Independent Director of our Bank. He holds a bachelor's degree in commerce and a master's degree in commerce from Bombay University and master of business administration from the University of Chicago. He is a chartered accountant from the Institute of Chartered Accountants of India. He has previously served as the president and chief executive officer of IDFC Private Equity Company Limited.

Biswamohan Mahapatra is an Independent Director of our Bank. He holds a master of arts degree from Jawaharlal Nehru University, master of science degree in management from Arthur D. Little Management Education Institute and master of business administration from Delhi University. He was an executive director of the Reserve Bank of India.

Prabal Kumar Sen is an Independent Director of our Bank. He holds a master's degree in arts (economics) from Calcutta University. He was a professor at XLRI Xavier School of Management, Jharkhand, Institute of Rural Management as a Bank of Baroda chair professor and University of Burdwan. He was previously employed with the United Bank of India and worked as an interpreting officer in the Calcutta High Court.

Nandlal Laxminarayan Sarda is an Independent Director of our Bank. He holds a master of technology degree in electrical engineering and doctor of philosophy degree from the Indian Institute of Technology, Bombay. He has previously served as a director on the boards of the Union Bank of India, Clearing Corporation of India and Andhra Bank. He was a professor in the department of computer science and engineering at Indian Institute of Technology, Bombay.

Mona Kachhwaha is an Independent Director of our Bank. She hold a post graduate diploma in business management from XLRI Jamshedpur and has completed a private equity programme from Oxford University. She was previously employed with Citibank N.A. and Caspian Impact Investment Adviser Private Limited.

Mahadev Lakshminarayanan is an Independent Director of our Bank. He holds a bachelor's degree in science from Kerala University and is a chartered accountant from the Institute of Chartered Accountants of India. He was previously a partner at Deloitte Haskins & Sells LLP and Fraser & Ross and is currently director on the board of Aspinwall and Company Limited.

Incoming Director

Nitin Chugh has been appointed as the Managing Director and Chief Executive Officer of our Bank in the AGM held on July 12, 2019 and shall assume office as Managing Director and Chief Executive Officer with effect from December 1, 2019. He will assume office as President of our Bank with effect from August 17, 2019 until such time that he assumes office as Managing Director and Chief Executive Officer. He holds a bachelor's degree in technology (electrical engineering) from Kurukshetra University and a professional diploma in marketing management from All India Management Association. He has previously worked with HDFC Bank Limited, Standard Chartered Bank, HCL Hewlett Packard Limited and Modi Xerox Limited.

Pursuant to a board resolution dated May 28, 2019, our Board has taken on record the appointment of Nitin Chugh as the Managing Director and Chief Executive Office of the Bank, in place of Samit Kumar Ghosh upon completion of his term. The RBI has, pursuant to a letter dated May 14, 2019, approved the appointment of Nitin Chugh as the Managing Director and Chief Executive Officer of the Bank for a period of three years with effect from December 1, 2019. Further, our Shareholders have approved, pursuant to a resolution dated July 12, 2019, the appointment of Nitin Chugh as the Managing Director and Chief Executive Officer with effect from December 1, 2019.

The details of address, occupation, nationality, term, DIN, age and other directorships of Nitin Chugh are as follow:

Address, occupation, nationality, term and DIN	Age	Other directorships
Address: 7th Floor, Ekta Eudora, 17th Road, Khar West, Mumbai 400 052, Maharashtra ***Occupation:*** Salaried ***Date of birth:*** August 29, 1971	47	• Nil

Address, occupation, nationality, term and DIN	Age	Other directorships
Nationality: Indian ***Period and term:*** For a period of three years with effect from December 1, 2019, i.e., up to November 30, 2022 ***DIN:*** 01884659		

Pursuant to a letter dated May 14, 2019 issued by the RBI in relation to the appointment of Nitin Chugh, the remuneration payable to him as Managing Director and Chief Executive Officer with effect from December 1, 2019, is as follows::

Particulars	Remuneration
Gross Salary*	₹13.99 million
Perquisites	Provident fund/ gratuity/ pension of ₹0.70 million, personal accident insurance of ₹0.5 million, group term life insurance of up to ₹10 million, group health insurance of up to ₹0.3 million

* *Including house rent allowance, variable allowance, leave travel allowance, food coupons, telephone allowance and vehicle maintenance aggregating to ₹8.11 million.*

In addition to the above, the RBI has approved the sign-on grant of 4,234,216 employee stock options at a price of ₹31.40 each upon his joining our Bank. However, pursuant to the resolution dated August 8, 2019 passed by the Nomination and Remuneration Committee, the grant price for employee stock options under the USFB ESOP Plan 2019 was finalised at ₹35 per option. Accordingly, our Bank proposes to approach the RBI to seek approval for granting employee stock options to Nitin Chugh at the revised grant price of ₹35 per option. Further, pursuant to the resolution passed by the Nomination and Remuneration Committee on August 8, 2019, Nitin Chugh (upon joining our Bank) will be entitled to apply for subscription/ subsequent allotment of Equity Shares of the Bank pursuant to the USFB ESPS 2019, subject to the approval of the RBI and the Board.

Confirmations

None of our Directors is, or was a director of any listed company during the last five years preceding the date of this Draft Red Herring Prospectus, whose shares have been, or were suspended from being traded on any of the stock exchanges during the term of their directorship in such company.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Bank.

Except as mentioned below, none of our Directors is, or was a director of any listed company which has been, or was delisted from any stock exchange during the term of their directorship in such company:

Sr. No.	Particulars	Details
1.	Name of the Director	Jayanta Kumar Basu
2.	Name of the company	Mounteverest Trading & Investment Limited
3.	Name of the stock exchange(s) on which the company was listed	BSE and NSE
4.	Date of high court order for merger pursuant to which it was delisted	November 9, 2010
5.	Whether delisting was compulsory or voluntary	Automatic delisting due to merger
6.	Reasons for delisting	Pursuant to scheme of merger between Mounteverest Trading & Investment Limited with Monnet Ispat Limited
7.	Whether the company has been relisted	Not applicable
8.	Date of relisting on	Not applicable
9.	Term of directorship (along with relevant dates) in the above company	November 21, 2009 to November 9, 2010

Terms of appointment of Directors

1. Remuneration to Executive Director:

Samit Kumar Ghosh was paid a total remuneration of ₹9.24 million during Fiscal 2019. The details of remuneration governing his appointment as approved by the RBI are stated below:

Particulars	Remuneration
Gross Salary*	₹8.97 million(1)
Perquisites	Gratuity of approximately ₹0.02 million, personal accident insurance of ₹0.5 million, term life insurance of ₹1 million, medical benefits health insurance of up to ₹0.3 million (for self, spouse, children)(2)

* *Including house rent allowance, vehicle maintenance, variable allowance, education allowance, leave travel allowance, food coupons, telephone allowance and medical maintenance aggregating to ₹4.48 million.*

1. *Our Board and Shareholders, pursuant to resolutions dated May 28, 2019 and July 12, 2019, respectively, have approved a gross salary of ₹14.97 million for Fiscal 2019 and ₹17.97 million for Fiscal 2020, subject to RBI approval.*
2. *Our Board and Shareholders, pursuant to resolutions dated May 28, 2019 and July 12, 2019, respectively, have approved group term life insurance of ₹10 million for Fiscal 2019 and Fiscal 2020, subject to RBI approval.*

Pursuant to the resolution passed by the Nomination and Remuneration Committee on August 8, 2019, Samit Kumar Ghosh is entitled to apply for subscription/ subsequent allotment of Equity Shares of the Bank pursuant to the USFB ESPS 2019, subject to the approval of the RBI and the Board.

2. Remuneration to Independent Directors:

Pursuant to the Board resolution dated May 28, 2019, each Independent Director is entitled to receive sitting fees of approximately ₹0.07 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of committees of the Board, within the limits prescribed under the Companies Act, 2013, and the rules made thereunder. The details of remuneration paid to our Independent Directors during Fiscal 2019 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Sunil Vinayak Patel	1.46	Nil
2.	Sachin Bansal^	Nil	Nil
3.	Luis Miranda	0.77	Nil
4.	Biswamohan Mahapatra	0.85	Nil
5.	Prabal Kumar Sen	0.74	Nil
6.	Nandlal Laxminarayan Sarda	0.94	Nil
7.	Mona Kachhwaha*	0.49	Nil
8.	Mahadev Lakshminarayanan#	Nil	Nil

^ *Sachin Bansal was appointed with effect from June 1, 2019. Our Bank has not paid him remuneration for Fiscal 2019*

* *Mona Kachhwaha will be re-categorised as a Non-Executive Director with effect from September 22, 2019*

\# *Mahadev Lakshminarayanan was appointed as an Independent Director of our Bank with effect from August 1, 2019. Our Bank has not paid him remuneration for Fiscal 2019*

3. Remuneration to Non-Executive Directors:

Pursuant to the Board resolution dated May 28, 2019, each Non-Executive Director is entitled to receive sitting fees of approximately ₹0.07 million per meeting for attending meetings of the Board and sitting fees of ₹0.05 million per meeting for attending meetings of the committees of the Board within the limits prescribed under the Companies Act, 2013, and the rules made thereunder. The details of remuneration paid to our Non-Executive Directors during Fiscal 2019 are as follows:

S. No.	Name of Director	Sitting fees paid (in ₹ million)	Remuneration (in ₹ million)
1.	Jayanta Kumar Basu	0.10	Nil
2.	Vandana Viswanathan#	1.02	Nil
3.	Chitra Kartik Alai*	Nil	Nil

\# *Vandana Viswanathan will be appointed/ re-designated as an Independent Director of our Bank with effect from September 22, 2019*

* *Chitra Kartik Alai was appointed with effect from May 9, 2019. Our Bank has not paid her remuneration for Fiscal 2019*

Arrangement or understanding with major Shareholders, customers, suppliers or others

Other than the loan agreement dated September 26, 2014 entered into with SIDBI, pursuant to which SIDBI has appointed Chitra Kartik Alai as a nominee director on the Board, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Directors was selected as a director. For details, see "*Financial Indebtedness*" on page 290.

Shareholding of Directors in our Bank

As per our Articles of Association, our Directors are not required to hold any qualification shares.

Other than Samit Kumar Ghosh, who holds one Equity Share on behalf of the Promoter, none of our Directors hold any Equity Shares of the Bank.

Shareholding of Directors in our subsidiaries and associate companies

Our Bank does not have any subsidiaries or associate companies.

Appointment of relatives of our Directors to any office or place of profit

None of the relatives of our Directors currently holds any office or place of profit in our Bank.

Interests of Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Bank. Some of our Directors hold positions as directors on boards of our Promoter. In consideration for these services, they are paid managerial remuneration in accordance with the provisions of applicable law. Further, our Directors (excluding our Independent Directors) are entitled to participate in the USFB ESPS 2019.

Except as stated in "*Financial Statements*" on page 187, 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, if any, held by them 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. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them.

While Samit Kumar Ghosh, Sunil Vinayak Patel and Vandana Viswanathan were the first Directors of our Bank, none of our Directors have any interest in the promotion or formation of our Bank.

None of our Directors have any interest in any property acquired or proposed to be acquired of the Bank or by the Bank.

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors except the normal remuneration for services rendered as Directors.

No loans have been availed by our Directors from our Bank.

None of the beneficiaries of loans, advances and sundry debtors are related to the Directors of our Bank.

None of the Directors is party to any bonus or profit sharing plan of our Bank other than the performance linked incentives given to each of the Directors.

Changes in the Board in the last three years

Name	Date of Appointment/ Change/Cessation	Reason
Mahadev Lakshminarayanan	August 1, 2019	Appointment as an Independent Director
Sachin Bansal	July 12, 2019	Appointment as an Independent Director
Sachin Bansal	June 1, 2019	Appointment as an Additional Independent Director
Chitra Kartik Alai	May 9, 2019	Appointment as a Nominee Director (Non-Executive)
Sanjay Jain	May 9, 2019	Cessation as a Nominee Director (Non-Executive)
Jayanta Kumar Basu	January 4, 2019	Appointment as an Non-Executive Director
Jayanta Kumar Basu	November 14, 2018	Appointment as an Additional Non-Executive Director
Sanjay Jain	May 7, 2018	Appointment as a Nominee Director (Non-Executive)
Anadi Charan Sahu	May 6, 2018	Resignation as a Nominee Director (Non-Executive)
Mona Kachhwaha	December 22, 2017	Appointment as an Independent Director
Anadi Charan Sahu	February 1, 2017	Appointment as a Nominee Director (Non-Executive)
Luis Miranda	January 16, 2017	Appointment as an Independent Director
Prabal Kumar Sen	January 16, 2017	Appointment as an Independent Director
Biswamohan Mahapatra	January 16, 2017	Appointment as an Independent Director

Borrowing Powers of Board

Pursuant to a resolution passed by the Shareholders of our Bank on December 30, 2016 and subject to the Companies Act, 2013, AoA, capital adequacy norms as prescribed by RBI and any other applicable laws, rules, regulations and guidelines from time to time, the Board is authorised to borrow from time to time all such sums of money for the purpose of business of the Bank, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Bank (apart from the temporary loans obtained or to be obtained from the bankers in the ordinary course of business) and including the borrowings of the Promoter which have been novated to the Bank pursuant to the acquisition of the business of UFSL, exceeding the aggregate of the paid-up capital and free reserves, provided that the maximum amount of monies so borrowed by the Board and outstanding shall not, at any time, exceed the sum of ₹100 billion.

Corporate Governance

The corporate governance provisions of the Listing Regulations will be applicable to us immediately upon the listing of the Equity Shares on the Stock Exchanges. We are in compliance with the requirements of the applicable regulations, including the Listing Regulations, the Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof and formulation of policies. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board committees, as required under law.

Our Board has been constituted in compliance with the Companies Act, the Listing Regulations, guidelines issued by the RBI from time to time, and in accordance with best practices in corporate governance. The Board of Directors functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides the Board of Directors detailed reports on its performance periodically.

The composition of our Board is also in compliance with the Banking Regulation Act, SFB Licensing Guidelines and conditions stipulated by the RBI Final Approval. Further, pursuant to approval dated November 22, 2016 for the constitution of our Board, the RBI:

a) approved the nomination of Sunil Vinayak Patel, Samit Kumar Ghosh, Anadi Sahu, Biswamohan Mahapatra, Vandana Viswanathan, Nandlal Laxminarayan Sarda, Prabal Kumar Sen and Luis Miranda as the directors on the Board of the Bank (Our Board composition has since undergone certain changes. For details, see " - *Changes in the Board in the last three years"*, on page 140);

b) directed that, in terms of Section 16(1A) of the Banking Regulation Act, there cannot be more than three common directors between UFSL and the Bank;

c) directed the Bank to submit its compliance with provisions of Section 10A of the Banking Regulation Act and conditions on Independent Directors stipulated in the SFB Licensing Guidelines;

d) directed that the Board and the Nomination and Remuneration Committee be constituted upon receiving the bank license under the Banking Regulation Act; and

e) with respect to appointment of part-time chairman and managing director and chief executive officer, directed that the Board/ Nomination and Remuneration Committee furnish their recommendations along with board resolutions and terms and conditions of such appointment.

Pursuant to RBI approval dated January 30, 2017, read with RBI approval dated December 15, 2017, Samit Kumar Ghosh was appointed as the Managing Director and Chief Executive Officer with effect from July 27, 2016 until November 30, 2019. Thereafter, pursuant to RBI approval dated January 30, 2017, Sunil Vinayak Patel was appointed as the Part-Time Chairman of the Bank for a period of three years with effect from February 1, 2017.

Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Sunil Vinayak Patel , *Chairman*;
2. Luis Miranda;
3. Biswamohan Mahapatra;
4. Nandlal Laxminarayan Sarda; and
5. Mahadev Lakshminarayanan

The Managing Director and Chief Executive Officer is the invitee of the Audit Committee.

The Audit Committee was constituted by a meeting of the Board of Directors held on July 30, 2016 and reconstituted on July 30, 2019. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013, the Listing Regulations and the guidelines issued by the RBI from time to time. The terms of reference of the Audit Committee include the following:

1. Oversight of our Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Recommendation for appointment, replacement, reappointment, remuneration and terms of appointment of auditors of our Bank;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report, in terms of the Companies Act, 2013;

- Changes, if any, in accounting policies and practices and reasons for the same;

- Major accounting entries involving estimates based on the exercise of judgment by management;

- Significant adjustments made in the financial statements arising out of audit findings;

- Compliance with listing and other legal requirements relating to financial statements;

- Disclosure of any related party transactions; and

- Qualifications and modified opinion(s) in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. Laying down the criteria for granting omnibus approval in accordance with the Bank's policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;

7. Examination of the financial statement and auditors' report thereon;

8. Monitoring the end use of funds raised through public offers and related matters;

9. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the issue document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

10. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

11. Approval or any subsequent modification of transactions of the Bank with related parties provided that the audit committee may make omnibus approval for related party transactions proposed to be entered into by the Bank subject to such conditions as may be prescribed;

12. Scrutiny of inter-corporate loans and investments;

13. Valuation of undertakings or assets of the Bank, wherever it is necessary;

14. Evaluation of internal financial controls and risk management systems;

15. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

16. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

17. Discussion with internal auditors of any significant findings and follow up there on;

18. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

19. Discussion with statutory auditors, internal auditors, secretarial auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

20. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

21. To establish a vigil mechanism for directors and employees to report their genuine concerns or grievances;

22. To review the functioning of the whistle blower mechanism;

23. To ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Bank;

24. Periodic inspection report submitted by the RBI and certificates/returns/reports to the RBI pertaining to the Audit Committee function;

25. Annual tax audit statement and auditors report thereon;

26. Quarterly Board oversight updates to be provided by Internal Audit and Compliance;

27. Approval of appointment of chief financial officer (i.e., the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;

28. Carrying out any other function as may be required / mandated as per the provisions of the Companies Act, 2013, Listing Agreements and/or any other applicable laws; and

29. Reviewing the utilization of loan and/or advances from investment by the holding company in the subsidiary exceeding ₹ 1,000 million or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances/ investments.

The audit committee shall mandatorily review the following information:

(1) management discussion and analysis of financial condition and results of operations;

(2) statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

(3) management letters / letters of internal control weaknesses issued by the statutory auditors;

(4) internal audit reports relating to internal control weaknesses;

(5) the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the audit committee;

(6) statement of deviations as and when becomes applicable:

    (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of Listing Regulations.

    (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Listing Regulations.

The role of the Audit Committee includes the following:

a) Exposure to sensitive sectors i.e. capital market & real estate;

b) KYC/ AML Guidelines - (i) Review of implementation (ii) Review of compliance of concurrent audit reports with respect to adherence to KYC/ AML guidelines at branches;

c) Review of housekeeping - particularly balancing and reconciliation of long outstanding entries suspense/ sundries / drafts payable / paid / funds in transit / clearing / SGL / CSGL accounts;

d) Review of compliance in respect of the Annual Financial Inspection conducted by RBI (ACB should review this on ongoing basis till the bank furnishes full compliance. ACB should closely monitor persisting deficiencies pointed out in RBI Inspection Reports);

e) Review of Audit plan and status of achievement thereof;

f) Review of significant Audit Findings of the following audits along with the compliance thereof - (i) LFAR (ii) concurrent audit (iii) internal inspection (iv) I.S. audit of data centre (v) treasury and derivatives (vi) management audit at controlling offices/ head offices (vii) audit of service branches (viii) currency chest (ix) FEMA audit of branches authorized to deal in foreign exchange, etc.;

g) Compliance report on directives issued by ACB/ Board/ RBI;

h) Report on compliance of corporate governance requirements under Listing Regulations and other guidelines issued by SEBI from time to time;

i) Report on compliance of regulatory requirement of regulators in host countries in respect of overseas branches;

j) Review of Frauds (frauds of Rupees one crore and above to be reviewed as and when reported);

k) Review of financial results for the quarter;

l) Review of information on violations by various functionaries in the exercise of discretionary powers;

m) Information in respect of equity share holdings in borrower companies more than 30% of their paid up capital;

n) Status of implementation of Ghosh and Jilani Committee reports;

o) Detailed report on fraudulent transactions relating to Internet Banking through phishing attacks pointing out in particular the deficiencies in the existing systems and steps taken by the IT department to prevent such cases;

p) Change in accounting policy and practices which may have significant bearing on financial statements. A confirmation that accounting policies are in compliance with accounting standards and RBI guidelines;

q) Review of IS Audit Policy;

r) Review of transactions with related parties;

s) Review of accounting policies / systems of the bank with a view to ensuring greater transparency in the' bank's accounts and adequacy of accounting standards;

t) Review of adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

u) Review of the bank's financial and risk management policies;

v) Appointment of statutory auditors and review of performance - both for domestic and overseas operations;

w) Penalties imposed/ penal action taken against bank under various laws and statutes and action taken for corrective measures;

x) Review of report on revenue leakage detected by internal/ external auditors and status of recovery thereof - reasons for undercharges and steps taken to prevent revenue leakage; and

y) Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:

    1. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and

    2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

The Audit Committee is required to meet at least four times in a year and not more than 120 days are permitted to elapse between two meetings under the terms of the Listing Regulations.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Biswamohan Mahapatra , *Chairman*;

2. Vandana Visawanathan;

3. Sunil Vinayak Patel; and

4. Prabal Kumar Sen

Our Managing Director and Chief Executive Officer and Head – Human Resources are invitees to meetings of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee was constituted by a meeting of the Board of Directors held on July 30, 2016 and reconstituted on July 30, 2019. The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013, guidelines issued by the RBI from time to time, and the Listing Regulations. The terms of reference of the Nomination and Remuneration Committee include:

1. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

    The Nomination and Remuneration Committee, while formulating the above policy, will ensure that —

(i) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Bank successfully;

(ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals;

2. Formulating criteria for evaluation of performance of independent directors and the Board;
3. To ensure 'fit and proper' status of proposed/ existing Directors;
4. Devising a policy on diversity of Board;
5. Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
6. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of directors their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance. The Bank shall disclose the remuneration policy and the evaluation criteria in its annual report;
7. Analysing, monitoring and reviewing various human resource and compensation matters
8. Determining the Bank's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
9. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
10. Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
11. Recommending to the Board, all remuneration, in whatever form, payable to senior management;
12. Administering, monitoring and formulating detailed terms and conditions of the employees' stock option scheme of the Bank, inter-alia, including the following:

    a) determining the eligibility of employees;

    b) the quantum of option to be granted under the Employees' Stock Option Scheme per Employee and in aggregate;

    c) the exercise price of the option granted;

    d) the conditions under which option may vest in employee and may lapse in case of termination of employment for misconduct;

    e) the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;

    f) the specified time period within which the employee shall exercise the vested option in the event of termination or resignation of an Employee;

    g) the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;

    h) re-pricing of the options which are not exercised, whether or not they have been vested if stock option rendered unattractive due to fall in the Market Price of the Shares;

    i) formulating and implementing the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee:

        - the number and the price of stock option shall be adjusted in a manner such that total value of the Option to the Employee remains the same after the Corporate Action;

- for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad may be considered;

- the Vesting Period and the life of the option shall be left unaltered as far as possible to protect the rights of the Employee who is granted such option;

j) the grant, vest and exercise of option in case of Employees who are on long leave;

k) allow exercise of unvested options on such terms and conditions as it may deem fit;

l) the procedure for cashless exercise of options;

m) forfeiture/ cancellation of options granted;

n) framing of suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, by the employees' stock option scheme trust, the Bank and its employees, as applicable;

o) all other issues incidental to the implementation of employees' stock option scheme; and

p) construing and interpreting the Plan and any agreements defining the rights and obligations of the Bank and eligible employees under the Plan, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Plan.

13. Administering, monitoring and formulating detailed terms and conditions of the employee stock purchase scheme of the Bank;

14. Conducting due diligence as to the credentials of any director before his or her appointment/ re-appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI;

15. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract;

16. To develop a succession plan for the Board and to regularly review the plan;

17. To approve job descriptions & KRA's of senior managers and business line managers on an annual basis;

18. To review performance of the senior/business line managers by the Nomination and Remuneration Committee on an annual basis;

19. Overseeing the framing, review and implementation of the bank's compensation policy for whole time directors/ chief executive officers/ risk takers and control function staff for ensuring effective alignment between remuneration and risks;

20. To recommend to the board, all remuneration, in whatever form, payable to senior management;

21. Framing suitable policies and systems to ensure that there is no violation, as amended from time to time, of any securities laws or any other applicable laws in India or overseas, including:

    a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and

    b) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003;

22. Carrying out any other function as is mandated by the Board from time to time and / or enforced/mandated by any statutory notification, amendment or modification, as may be applicable; and

23. Performing such other functions as may be necessary or appropriate for the performance of its duties.

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Sunil Vinayak Patel, *Chairman*;

2. Vandana Viswanathan; and

3. Samit Kumar Ghosh

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on January 19, 2017. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013 and the Listing Regulations. The terms of reference of the Stakeholders' Relationship Committee are as follows:

1) To resolve the grievances of the security holders of the Bank including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc. and assisting with quarterly reporting of such complaints;

2) To review of measures taken for effective exercise of voting rights by shareholders;

3) To review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar and Share Transfer Agent;

4) To review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank;

5) Formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;

6) To redress of shareholders' and investors' complaints/grievances such as transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.;

7) To approve, register, refuse to register transfer or transmission of shares and other securities;

8) To sub-divide, consolidate and or replace any share or other securities certificate(s) of the Bank;

9) Allotment and listing of shares, approval of transfer or transmission of shares, debentures or any other securities;

10) To authorise affixation of common seal of the Bank;

11) To issue duplicate share or other security(ies) certificate(s) in lieu of the original share/security(ies) certificate(s) of the Bank after split/ consolidation / rematerialization and in replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized;

12) To approve the transmission of shares or other securities arising as a result of death of the sole/ any joint shareholder;

13) To dematerialize or rematerialize the issued shares;

14) To authorise to sign and endorse the share transfers on behalf of the Bank;

15) To ensure proper and timely attendance and redressal of investor queries and grievances;

16) To carry out any other functions contained in the Listing Regulations, Companies Act, 2013 and/ or equity listing agreements (if applicable), as and when amended from time to time;

17) To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s); and

18) Any other matters as may be delegated by the Board.

Further, the Stakeholders Relationship Committee is authorised to do all such acts, perform duties and other functions in connection with the Issue. For further details, see "*Our Management – Listing Committee*" on page 149.

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

1. Luis Miranda, *Chairman*;

2. Prabal Kumar Sen; and

3. Nandlal Laxminarayan Sarda

The Corporate Social Responsibility Committee was constituted by our Board of Directors at their meeting held on January 19, 2017 and reconstituted by the Board of Directors at their meeting held on May 28, 2019. The terms of reference of the Corporate Social Responsibility Committee of our Bank include the following:

a) Formulation of a corporate social responsibility policy to the Board, indicating the activities to be undertaken by the Bank in areas or subject specified in the Companies Act, 2013. The activities should be within the list of permitted activities specified in the Companies Act, 2013 and the rules thereunder;

b) Recommending the amount of expenditure to be incurred, amount to be at least 2% of the average net profit of the Bank in the three immediately preceding financial years;

c) Instituting a transparent monitoring mechanism for implementation of the corporate social responsibility projects or programs or activities undertaken by the Bank;

d) Monitoring the corporate social responsibility policy from time to time and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;

e) Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;

f) Identifying and appointing the corporate social responsibility team of the Bank including corporate social responsibility manager, wherever required; and

g) Performing such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Bank.

Risk Management Committee

The members of the Risk Management Committee are:

1. Biswamohan Mahapatra, *Chairman*;

2. Sunil Vinayak Patel;

3. Luis Miranda;

4. Samit Kumar Ghosh;

5. Nandlal Laxminarayan Sarda; and

6. Jayanta Kumar Basu

The Risk Management Committee was constituted by our Board of Directors at their meeting held on January 19, 2017 and reconstituted by the Board of Directors at their meeting held on May 28, 2019. The terms of reference of the Risk Management Committee of our Bank include the following:

(a) To ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed;

(b) To establish a framework for the risk management process and to ensure its implementation in the Bank;

(c) To ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;

(d) Review and recommend changes, from time to time, to the Risk Management plan and / or associated frameworks, processes and practices of the Bank;

(e) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;

(f) Perform other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference;

(g) Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.

(h) Identify, monitor and measure the risk profile of the Bank;

(i) Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks;

(j) Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures;

(k) Monitor compliance of various risk parameters by operating departments;

(l) Review the outsourcing functions of the Bank;

(m) Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (annually). (risk management framework to be reviewed for adequacy);

(n) Limit management framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis; and

(o) Overview the functions and performance of the Risk Management Committee of the management.

The Risk Management Committee shall also oversee the following functions:

(A) Outsourcing Function

RBI instructions

The Risk Management Committee of the Board should be responsible, *inter alia* for:

(1) Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;

(2) Laying down appropriate approval authorities for outsourcing depending on risks and materiality;

(3) Undertaking regular review of outsourcing strategies and arrangements for their continued relevance and safety and soundness; and

(4) Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

(B) Management Supervisory Function

Monitoring of the exposures (both credit and investment) by the banks, review of the adequacy of the risk management process and upgradation thereof, internal control systems and ensuring compliance with the statutory/ regulatory framework.

Listing Committee

The members of the Listing Committee are:

1. Biswamohan Mahapatra, *Chairman*;
2. Samit Kumar Ghosh; and
3. Sunil Vinayak Patel

The Listing Committee was re-constituted by our Board of Directors on November 13, 2018. The Listing Committee is also authorised to approve the following in connection to the initial public offering pursuant to a resolution passed by the Board on July 30, 2019:

a. To constitute a committee for the purposes of issue, transfer, offer and allotment of Equity Shares, and deciding on other matters in connection with or incidental to the Issue, including the pricing and terms of the Equity Shares, the Issue price, the price band, the size and all other terms and conditions of the Issue including the number of Equity Shares to be offered in the Issue, the bid/ Issue opening and bid/Issue closing date, discount (if any), reservation, determining the anchor investor portion and allocating such number of Equity Shares to anchor investors in consultation with the BLRMs and in accordance with the SEBI Regulations and to constitute such other committees of the Board, as may be required under applicable laws, including as provided in the SEBI Listing Regulations;

b. To make applications, seek clarifications, obtain approvals and seek exemptions from, where necessary, the RBI, SEBI, the relevant registrar of companies and any other governmental or statutory authorities as may be required in connection with the Issue and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required and wherever necessary, incorporate such modifications / amendments as may be required in the draft red herring prospectus, the red herring prospectus and the prospectus as applicable;

c. To finalize, settle, approve, adopt and file in consultation with the BRLMs where applicable, the DRHP, the RHP the Prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant governmental and statutory authorities or in accordance with Applicable Laws;

d. To decide in consultation with the BRLMs on the actual Issue size including any pre-IPO placement, timing, pricing, discount, reservation and all the terms and conditions of the Issue, including the price band (including issue price for anchor investors), bid period, Issue price, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue including to make any amendments, modifications, variations or alterations in relation to the Issue;

e. To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Issue, syndicate members to the Issue, brokers to the Issue, escrow collection bankers to the Issue, refund bankers to the Issue, registrars, legal advisors, auditors, and any other agencies or persons or intermediaries to the Issue and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the issue agreement with the BRLMs;

f. To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the DRHP, the RHP, the Prospectus, issue agreement, syndicate agreement, underwriting agreement, cash escrow and sponsor bank agreement, agreements with the registrar to the issue and all other documents, deeds, agreements and instruments whatsoever with the registrar to the Issue, legal advisors, auditors, stock exchange(s), BRLMs and any other agencies/intermediaries in connection with the Issue with the power to authorize one or more officers of the Bank to execute all or any of the aforesaid documents or any amendments thereto as may be required or desirable in relation to the Issue;

g. To seek, if required, the consent and/or waiver of the lenders of the Bank, customers, parties with whom the Bank has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents and/or waivers that may be required in relation to the Issue or any actions connected therewith;

h. To open and operate bank accounts in terms of the escrow agreement and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

i. To open and operate bank accounts of the Bank in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Bank to execute all documents/deeds as may be necessary in this regard;

j. To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Issue;

k. To accept and appropriate the proceeds of the Issue in accordance with the Applicable Laws;

l. To approve code of conduct as may be considered necessary by the Listing Committee as required under applicable laws, regulations or guidelines for the Board, officers of the Bank and other employees of the Bank;

m. To approve the implementation of any corporate governance requirements that may be considered necessary by the Board or the Listing Committee as may be required under the applicable laws or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and listing agreements to be entered into by the Bank with the relevant stock exchanges, to the extent allowed under law;

n. To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Bank with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Bank to sign all or any of the aforestated documents;

o. To authorize and approve notices, advertisements in relation to the Issue in consultation with the relevant intermediaries appointed for the Issue;

p. To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, share certificates in accordance with the relevant rules, in consultation with the BRLMs;

q. To do all such acts, deeds and things as may be required to dematerialise the Equity Shares and to sign and / or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Bank to execute all or any of the aforestated documents;

r. To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s) in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Bank where necessary;

s. To settle all questions, difficulties or doubts that may arise in regard to the Issue, including such issues or allotment, terms of the IPO, utilisation of the IPO proceeds and matters incidental thereto as it may deem fit;

t. To submit undertaking/certificates or provide clarifications to the SEBI, Registrar of Companies, National Capital Territory of Delhi and Haryana and the relevant stock exchange(s) where the Equity Shares are to be listed;

u. To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the Listing Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Issue and any documents or instruments so executed and delivered or acts and things done or caused to be done by the Listing Committee shall be conclusive evidence of the authority of the Listing Committee in so doing;

v. To delegate any of its powers set out under (a) to (q) hereinabove, as may be deemed necessary and permissible under applicable laws to the officials of the Bank.

w. To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the Listing Regulations or any other Applicable Laws;

x. To approve the list of 'group of companies' of the Bank, identified pursuant to the materiality policy adopted by the Board, for the purposes of disclosure in the DRHP, RHP and Prospectus;

y. Deciding, negotiating and finalizing the pricing and all other related matters regarding the Pre-IPO Placement, including the execution of the relevant documents with the investors in consultation with the BRLMs and in accordance with applicable laws;

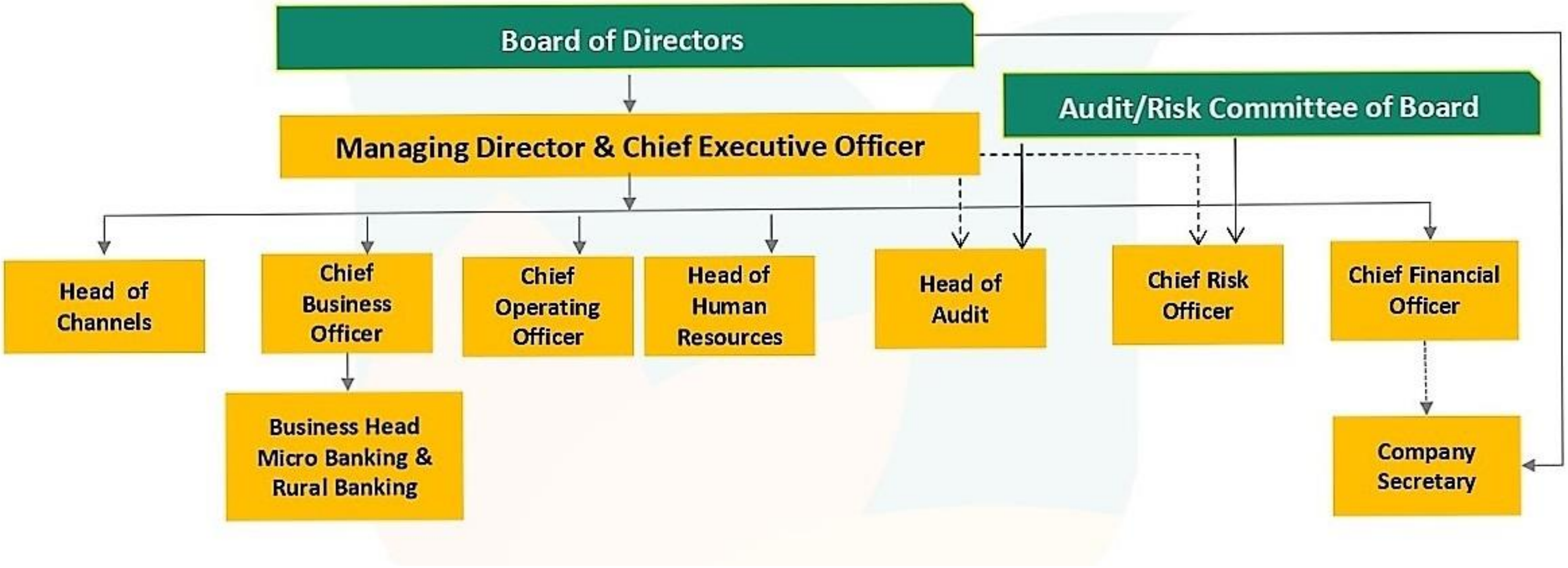
z. To withdraw the DRHP or the RHP or to decide not to proceed with the Issue at any stage in accordance with Applicable Laws and in consultation with the BRLMs;

aa. To appoint, in consultation with the BRLMs, the registrar and other intermediaries to the Issue, in accordance with the provisions of the SEBI Regulations and other Applicable Laws including legal counsels, banks or agencies concerned and entering into any agreements or other instruments for such purpose, to remunerate all such intermediaries/agencies including the payments of commissions, brokerages, etc. and to terminate any agreements or arrangements with such intermediaries/ agents; and

Other committees of our Bank

In addition to the committees mentioned–in " - *Committees of the Board*" on page 141, our Bank has constituted various other committees, such as, Business Strategy Committee, Human Resources & Compensation Committee, Customer Service Committee, Information Technology Strategy Committee, Committee of Directors, Review Committee of Wilful Defaulters and Fraud Committee (Special Committee of Board for Monitoring High Value Frauds) to oversee and govern various internal functions and activities of the Bank.

Management Organisation Chart



Key Managerial Personnel

The details of the Key Managerial Personnel of our Bank are as follows:

Samit Kumar Ghosh is the Managing Director and Chief Executive Officer of our Bank. For further details in relation to Samit Kumar Ghosh, see "*– Brief Biographies of Directors*" on page 136. For details of compensation paid to him, see "*Terms of Appointment of Directors*" on page138.

Sanjay Kao is the Chief Business Officer of our Bank. He holds a bachelor of technology degree in chemical engineering from Banaras Hindu University and a post graduate diploma in management from the Indian Institute of Management, Calcutta. He was previously employed with Lipton India Limited, Dunia Finance LLC, Citibank, N.A. and ABN AMRO Bank, N.V. He was appointed as the Chief Business Officer of our Bank with effect from February 12, 2018. During Fiscal 2019, he received a remuneration of ₹7.44 million.

Carol Furtado is the Head - Human Resources of our Bank. She holds a bachelor of science degree from Bangalore University and post graduate diploma in business administration from Mount Carmel Institute of Management. She has previously worked in ANZ Grindlays Bank, Bank Muscat S.A.O.G. and Centurion Bank Limited. In 2009, she was presented with the Financial Women's Association award in recognition of her demonstrated professional commitment from Women's World Banking. She was appointed as the–Head - Human Resources of our Bank with effect from February 1, 2017. During Fiscal 2019, she received a remuneration of ₹8.35 million.

Upma Goel is the Chief Financial Officer of our Bank. She is a chartered accountant from the Institute of Chartered Accountants of India. She was previously employed with L&T Finance Holdings Limited, Ujjivan Financial Services Limited and Escorts Securities Limited. She joined the Bank as the Chief Financial Officer with effect from February 1, 2017. During Fiscal 2019, she received a remuneration of ₹7.45 million.

Alok Chawla is the Head – Audit of the Bank. He holds a bachelor's degree in commerce from the Delhi University. He is a chartered accountant from the Institute of Chartered Accountants of India. He is also a certified internal auditor with the Institute of Internal Auditors, Inc. He was previously employed with Mizuho Bank, Ltd., ING Vysya Bank and Tata Motors Finance Limited. He was appointed as the–Head - Audit of our Bank with effect from November 2, 2018. During Fiscal 2019, he received a remuneration of ₹2.67 million.

Jaya Janardanan is the Chief Operating Officer of our Bank. She holds a master's degree in commerce from Bombay University. She was previously employed with Alpic Finance Ltd., JP Morgan Chase Bank N.A., ICICI Bank Limited, ING Vysya Bank, Bank of America, Masherq Bank, Dhanlaxmi Bank and Aditya Birla Group. She was appointed as the Chief Operating Officer of our Bank with effect from October 22, 2018. During Fiscal 2019, she received a remuneration of ₹3.15 million.

Chanchal Kumar is the Company Secretary and Compliance Officer of our Bank. He holds a bachelor's degree in commerce from Delhi University. He is a chartered accountant from the Institute of Chartered Accountants of India and a company secretary from the Institute of Company Secretaries of India. He is a certified associate of the Indian Institute of Banking and Finance. He was previously employed with Yes Bank, GE Capital Services India, ICICI Bank Limited and Anand Corporate Services Limited. He joined the Bank as the Company Secretary and Compliance Officer with effect from March 24, 2018. During Fiscal 2019, he received a remuneration of ₹3.94 million.

Jolly Zachariah is the Head – Channels of our Bank. He holds a bachelor's degree in commerce from Bombay University. He was the chief operating officer (west) of Ujjivan Financial Services Limited and was previously employed with Citigroup. He joined the Bank as the Head – Channels with effect from February 1, 2017. During Fiscal 2019, he received a remuneration of ₹6.60 million.

Arunava Banerjee is the Chief Risk Officer of our Bank. He holds a master's degree in arts (economics) from Calcutta University and is an associate of the Indian Institute of Bankers. He was previously employed with State Bank of India, Standard Chartered Bank and Bahraini Saudi Bank. He is the past chief financial officer of Remza Investment Company W.L.L. He was appointed as the Chief Risk Officer of our Bank with effect from February 1, 2017. During Fiscal 2019, he received a remuneration of ₹5.69 million.

Rajat Singh is the Business Head – Micro Banking and Rural Banking of our Bank. He has a bachelor's degree in agricultural and food engineering from Indian Institute of Technology, Kharagpur. He joined Ujjivan Financial Services Limited in 2007 as a financial analyst. He was appointed as the Head – Strategy and Planning of our Bank with effect from February 1, 2017 and was subsequently re-designated as the Head – Micro Banking and Rural Banking on February 21, 2019. During Fiscal 2019, he received a remuneration of ₹5.92 million.

Relationship between our Key Managerial Personnel and Key Managerial Personnel and Directors

None of the Key Managerial Personnel are either related to each other or to the Directors.

Shareholding of Key Managerial Personnel

Other than Samit Kumar Ghosh, Carol Furtado and Rajat Singh who hold one Equity Share each on behalf of the Promoter, none of our Key Managerial Personnel hold any Equity Shares in our Bank.

Bonus or Profit Sharing Plans of the Key Managerial Personnel

None of our Key Managerial Personnel is party to any bonus or profit sharing plan of our Bank, other than the performance linked incentives given to Key Managerial Personnel.

Status of Key Managerial Personnel

All the Key Managerial Personnel are permanent employees of our Bank.

Interests of Key Managerial Personnel

Our Key Managerial Personnel do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of Equity Shares held in the Bank, if any. Some of our KMPs are entitled to employee stock options and equity shares resulting from the exercise of options of our Promoter. Further, our KMPs are entitled to participate in the USFB ESPS 2019.

None of the Key Managerial Personnel have been paid any consideration of any nature from our Bank on whose rolls they are employed, other than their remuneration.

There is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any Key Managerial Personnel was selected as member of senior management.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel in the last three years are as follows:

Name	Designation	Date of change	Reason for change
Rajat Singh	Business Head – Micro Banking and Rural Banking	February 21, 2019	Change in designation to Business Head – Micro Banking and Rural Banking
Alok Chawla	Head - Audit	November 2, 2018	Appointment as Head - Audit
Jaya Janardanan	Chief Operating Officer	October 22, 2018	Appointment as Chief Operating Officer
Chanchal Kumar	Company Secretary	March 24, 2018	Appointment as Company Secretary
Sanjeev Barnwal	Company Secretary	March 23, 2018	Cessation as Company Secretary
Sanjay Kao	Chief Business Officer	February 12, 2018	Appointment as Chief Business Officer
Upma Goel	Chief Financial Officer	February 1, 2017	Appointment as Chief Financial Officer
Carol Furtado	Head – Human Resources	February 1, 2017	Appointment as Head – Human Resources
Jolly Zachariah	Head – Channels	February 1, 2017	Appointment as Head – Channels
Arunava Banerjee	Chief Risk Officer	February 1, 2017	Appointment as Chief Risk Officer
Rajat Singh	Head – Strategy and Planning	February 1, 2017	Appointment as Head – Strategy and Planning
Sudha Suresh	Chief Financial Officer	January 31, 2017	Resignation as Chief Financial Officer

Service Contracts with Directors and Key Managerial Personnel

Other than statutory benefits upon termination of their employment in our Bank on retirement, no officer of our Bank, including our Directors and the Key Managerial Personnel has entered into a service contract with our Bank pursuant to which they are entitled to any benefits upon termination of employment.

Contingent and deferred compensation payable to our Director and Key Managerial Personnel

Other than the deferred bonus compensation payable to our KMPs, there is no contingent or deferred compensation payable to our Directors and KMPs, which does not form a part of their remuneration.

Payment or benefit to Key Managerial Personnel

Except as stated in this section, no non-salary amount or benefit has been paid or given to any of our Bank's officers including Key Managerial Personnel within the two preceding years or is intended to be paid or given.

Employees Stock Options

For details of our employee stock options, see "*Capital Structure*" on page 61.

OUR PROMOTER AND PROMOTER GROUP

UFSL is the sole Promoter of our Bank. Our Promoter currently holds an aggregate of 1,440,036,800 Equity Shares (which includes six Equity Shares held by nominees on behalf of UFSL), aggregating to 100% of the pre-Issue issued, subscribed and paid-up Equity Share capital of our Bank. For further details, see "*Capital Structure*" on page 61.

Corporate Information

UFSL, our Promoter is a listed company whose equity shares are listed on the Stock Exchanges.

Our Promoter was originally incorporated as 'Ujjivan Financial Services Private Limited' on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Pursuant to a certificate issued by the RBI on October 31, 2005, our Promoter was permitted to commence operations as an NBFC under section 45 IA of the Reserve Bank of India Act, 1934. In Fiscal 2009, UFSL was classified as a systemically important non-deposit accepting NBFC. Our Promoter was granted NBFC-MFI status by the RBI on September 5, 2013. Subsequently, our Promoter was converted into a public limited company pursuant to a special resolution passed by its shareholders at the extraordinary general meeting ("**EGM**") held on November 3, 2015 and the name of our Promoter was changed to 'Ujjivan Financial Services Limited'. A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the registrar of companies, Bengaluru, Karnataka on November 26, 2015. Subsequently, a fresh certificate of NBFC-MFI registration consequent upon the change of name of our Promoter was issued by the RBI on March 4, 2016. Pursuant to the Business Transfer Agreement, UFSL has sold its business undertaking comprising of the lending and financing business undertaken as an NBFC-MFI and other business activities incidental thereto, to our Bank. UFSL has converted from an NBFC-MFI to NBFC-Non Deposit taking Systemically Important Core Investment Company and received a fresh certificate of registration dated October 10, 2017 from the RBI. The conversion was done pursuant to the conditions prescribed in the RBI Final Approval dated November 11, 2016.

The registered office of UFSL is located at Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka , India.

The main objects of UFSL are:

"1. To carry on the business, whether in India or outside, of making investments in group companies in the form of shares, bonds, debentures, debt, loans or securities and providing guarantees, other forms of collateral, or taking on other contingent liabilities, on behalf of or for the benefit of, any group companies.

2. To carry on financial activities, whether in India or outside, in the nature of investment in bank deposits, money market instruments (including money market mutual funds and liquid mutual funds), government securities, and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment companies from time to time."

UFSL does not have any identifiable promoter and is a professionally managed company.

Board of directors

The board of directors of UFSL comprises of the following:

1. K.R. Ramamoorthy
2. Ittira Davis
3. Abhijit Sen
4. Jayanta Kumar Basu
5. Vandana Viswanathan
6. Narayan Anand

Shareholding pattern

The authorised share capital of UFSL is ₹1,250,000,000 divided into 125,000,000 equity shares of face value of ₹10 each and the issued and paid-up share capital of UFSL is ₹1,213,628,310 divided into 121,362,831 equity shares of face value ₹10 each as of June 30, 2019.

The shareholding pattern of UFSL as of June 30, 2019 is as follows:

S. No	Description	Cases	Equity shares	Percentage of equity share capital (%)
1.	Mutual funds	7	10,170,708	8.38
2.	Foreign portfolio - corporate	29	17,107,539	14.10
3.	FIIs	4	25,779,570	21.24
4.	Trusts	6	3,863	0.00
5.	AIFs	11	7,925,334	6.53
6.	Resident individuals	73,662	32,504,080	26.78
7.	Insurance companies	5	5,390,750	4.44
8.	Employees	917	1,077,579	0.89
9.	Non resident Indians	283	1,795,608	1.48
10.	Clearing members	171	638,323	0.53
11.	Banks	3	491,503	0.40
12.	Directors	2	51,000	0.04
13.	Non-resident Indian non-repatriable	422	793,308	0.65
14.	Bodies corporates	915	14,299,014	11.78
15.	NBFCs	6	14,200	0.01
16.	HUFs	2,596	1,306,334	1.08
17.	Foreign corporate bodies	1	2,013,368	1.66
18.	Foreign nationals	1	750	0.00
Total		79,041	121,362,831	100

Changes in control

There has been no change in the control of UFSL in the last three years preceding the date of this Draft Red Herring Prospectus.

Our Bank confirms that the permanent account number, bank account number(s), company registration number and the address of the registrar of companies where UFSL is registered, shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Interests of our Promoter

Our Promoter is interested in our Bank to the extent it has promoted our Bank and to the extent of: (i) its shareholding in the Bank and dividend payable, if any, and other distributions in respect of the Equity Shares held by it; and (ii) the Preference Shares held, dividend payable, if any, and other distributions in respect of the Preference Shares held by it. For details, see "*Capital Structure"* on page 61.

Further, our Promoter has granted certain employee stock options to certain employees and KMPs of our Bank, pursuant to which such individuals are entitled to the equity shares of our Promoter.

Our Promoter and our Bank have entered into a license agreement dated August 22, 2017 for the use of certain intellectual property rights. For details, see "*History and Certain Corporate Matters*" on page 128. Our Bank and our Promoter have entered into a cost sharing agreement dated April 2, 2018, as amended on March 29, 2019, pursuant to which our Bank has agreed to share with our Promoter and our Promoter has agreed to avail from our Bank, *inter alia*, administrative related services and certain shared premises, on an actual cost reimbursement basis.

Other than the cost sharing arrangement between our Promoter and our Bank as disclosed above, our Promoter has no interest in any property acquired in the three years preceding the date of this Draft Red Herring Prospectus or proposed to be acquired by our Bank or in any transaction by our Bank for acquisition of land, construction of building or supply of machinery.

No sum has been paid or agreed to be paid to our Promoter or to the firms or companies in which our Promoter is interested as a member in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by such Promoter or by such firms or companies in connection with the promotion or formation of our Bank.

Payment of benefits to our Promoter or our Promoter Group

No amount or benefit has been paid or given to our Promoter during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoter.

Material guarantees given by our Promoter to third parties with respect to Equity Shares of our Bank

Our Promoters have not given any material guarantees to third parties with respect to the Equity Shares of our Bank.

Companies or firms with which our Promoter have disassociated in the last three years

Except as disclosed below, our Promoter has not disassociated, sold or transferred its stake in any company or firm in the three years immediately preceding the date of this Draft Red Herring Prospectus.

S. No.	Name of Promoter	Name of Entity	Reason for disassociation	Date of disassociation
1.	UFSL	Alpha Micro Finance Consultants Private Limited	Divestment of stake	February 1, 2017

Our Promoter Group

Our Bank does not have any natural persons or entities who are part of the Promoter Group.

OUR GROUP COMPANY

In terms of the SEBI ICDR Regulations and pursuant to the resolution passed by our Board at its meeting held on July 30, 2019, group companies of our Bank shall include (i) the companies (other than the Promoter) with which there were related party transactions as per the standalone restated financial statements of the Bank for the last three financial years (and any stub period, if any, in respect of which, restated standalone financial statements are included in the Issue Documents); (ii) companies in which the Bank or its promoter holds 10% or more of the equity share capital of such company; and (iii) companies (other than the Promoter) with whom the Bank has entered into one or more transactions with such company during the last completed financial year, which in value exceeds 5% of the total revenue of the Bank for that financial year as per the standalone restated audited financial statements shall be considered as group companies.

Accordingly, in terms of the policy adopted by our Board for determining group companies, our Board has identified Parinaam Foundation as the group company of the Bank ("**Group Company**").

Details of our Group Company

1. Parinaam Foundation ("Parinaam")

Corporate Information

Parinaam is a private limited company and was incorporated on March 31, 2008 under Section 25 of the Companies Act, 1956 in Bengaluru, Karnataka. The corporate identity number of Parinaam is U93090KA2008NPL045840.

Nature of Activities

Parinaam is involved in the business of, *inter alia*, promoting, researching, designing, developing, implementing, providing and sponsoring schemes, programmes, projects, plans and efforts for effective social development, economic welfare and improvement of livelihood of people who are socially and economically backward.

Interest of our Promoter

Our Promoter does not hold any of the issued, subscribed and paid up capital of Parinaam.

Financial Performance

The financial information derived from the audited financial results of Parinaam for the Financial Years ended 2018, 2017 and 2016 is set forth below:

(In ₹ million except per share data)

Particulars	Financial Year ended March 31,		
	2018	2017	2016
Equity capital	0.50	0.50	0.50
Reserves and surplus (excluding revaluation reserves and including fund balance)	91.80	37.31	32.11
Donations received	67.90	15.39	7.16
Profit/(Loss) after tax	(0.08)	0.19	(6.12)
Earnings per share (Basic) (face value of ₹10)	(1.63)	3.88	(122.34)
Earnings per share (Diluted) (face value of ₹10)	(1.63)	3.88	(122.34)
Net asset value per share	1,846	756.20	652.20

Significant notes of auditors of Parinaam for the last three Financial Years

There are no significant notes of auditors for the last three Financial Years.

Loss making Group Companies

Details of the losses made by our Group Company in the last three Fiscals are as follows:

(In ₹ million)

S. No.	Name of the Group Companies	Profit/(Loss) after tax		
		Fiscal 2018	Fiscal 2017	Fiscal 2016
1.	Parinaam Foundation	(0.08)	0.19	(6.12)

Nature and extent of interest of our Group Companies

a. ***In the promotion of our Bank***

Our Group Company does not have any interest in the promotion of our Bank.

b. ***In the properties acquired by our Bank or proposed to be acquired by our Bank in the preceding three years before filing this Draft Red Herring Prospectus***

Our Bank and our Group Company had entered into a cost sharing agreement dated April 2, 2018, as amended on March 29, 2019, pursuant to which our Bank had agreed to share with our Group Company and our Group Company had agreed to avail from our Bank, *inter alia*, administrative related services and certain shared premises, on an actual cost reimbursement basis. Pursuant to a letter dated March 7, 2019, issued by our Bank, the cost sharing arrangment with our Group Company was terminated with effect from April 30, 2019.

Other than the cost sharing arrangement disclosed above, our Group Company is not interested in the properties acquired by our Bank in the three years preceding the filing of this Draft Red Herring Prospectus or proposed to be acquired by our Bank.

c. ***In transactions for acquisition of land, construction of building and supply of machinery***

Our Group Company is not interested in any transactions for the acquisition of land, construction of building or supply of machinery.

Defunct Group Companies

Our Group Company is not defunct and no applications have been made to the relevant registrar of companies for striking off its name during the five years preceding the date of filing the Draft Red Herring Prospectus with SEBI.

Group Companies which are a sick industrial company or are under winding up/ insolvency proceedings

Our Group Company does not fall under the definition of sick companies under the erstwhile Sick Industrial Companies (Special Provisions) Act, 1985 and is not under any winding up or insolvency proceedings.

Common Pursuits between our Group Company and our Bank

Our Group Company is not in the same line of business as our Bank and there are no common pursuits between our Group Company and our Bank.

Related Business Transactions with the Group Companies and significance on the financial performance of our Bank

Other than the transactions disclosed in the section "*Financial Statements*" on page 187, there are no other related business transactions with the Group Company.

Business interest of our Group Companies in our Bank

Except the receipt of funds for undertaking corporate social responsibility, activities of the Bank and as disclosed in "*Financial Statements*" on page 187, our Group Company has no business interest in our Bank.

Litigation

Our Group Company is not party to any pending litigation which will have material impact on our Bank.

Other confirmations

The equity shares of our Group Company are not listed on any stock exchange and our Group Company has not made any public or rights issue of securities in the preceding three years.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the Shareholders, at their discretion, subject to the provisions of the Banking Regulation Act and regulations made thereunder, the RBI Act and regulations and guidelines made thereunder, the Articles of Association and other applicable law, including the Companies Act, 2013. The dividend distribution policy of our Bank was approved and adopted by our Board on April 26, 2017 and subsequently, amendments to the dividend distribution policy were approved and adopted by our Board on January 22, 2019 and July 30, 2019. The dividend, if any, will depend on a number of factors, including but not limited to profit earned during the financial year, past dividend trends, optimal capital adequacy ratio subject to regulatory minimum of total and tier I capital adequacy ratio, additional regulatory requirements of capital in near future cost of raising funds from alternative sources, reinvestment opportunities and any other applicable criteria from the legal or regulatory framework applicable to our Bank.

As per our dividend distribution policy, the Bank may use any of the electronic modes of payment facility approved by the RBI for the payment of the dividends. Where it is not possible to use electronic mode of payment, payable-at-par warrants or cheques will be issued to the eligible Shareholders. Further, where the amount payable as dividend exceeds ₹1,500, the payable-at-par warrants or cheques shall be sent by speed post.

While our Bank has not declared any dividends on Equity Shares in the last three financial years and the stub period, it has declared dividends on Preference Shares during Fiscal 2019 and for the quarter ended June 30, 2019.

The details of dividend paid by our Bank on Preference Shares are set out in the following table:

Particulars	Fiscal 2017	Fiscal 2018	Fiscal 2019	June 30, 2019
Number of Preference Shares	200,000,000	200,000,000	200,000,000	200,000,000
Dividend per Preference Shares (in ₹)	Nil	Nil	1.10	Nil
Face value of Preference Shares (in ₹)	10	10	10	10
% of dividend	Nil	Nil	11	Nil
Amount of dividend (in ₹)	Nil	Nil	220,000,000	Nil
Dividend distribution tax (in ₹)	Nil	Nil	45,221,648	Nil
Rate of dividend distribution tax (%)	Nil	Nil	20.56	Nil

Pursuant to a resolution passed by the Board on July 30, 2019, our Bank has declared an interim dividend on its Preference Shares at the rate of 5.5% i.e. ₹0.55 per Preference Share, aggregating to ₹110,000,000 (excluding the dividend distribution tax) on 200,000,000 Preference Shares.

SELECTED STATISTICAL INFORMATION

The selected statistical information contained in this section is based on or derived from our Restated Financial Statements for Fiscal 2017, 2018 and 2019 and for the three months ended June 30, 2018 and June 30, 2019. The following discussion should be read together with the information included in the sections "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" included elsewhere in this Draft Red Herring Prospectus.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. However, note that 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 was incorporated on July 4, 2016, however, we began our operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities pursuant to receipt of the license to operate as a small finance bank. As a result, our financial statements for Fiscal 2017 reflect only two months of operations from February 1, 2017 to March 31, 2017. Accordingly, the financial and statistical data for Fiscal 2017 will not be comparable with information for Fiscal 2018 and 2019 and for the three months ended June 30, 2018 and 2019. Unless otherwise indicated average balances are the averages as of the last day of the relevant period and as of the first day of the relevant period. All ratios are calculated based on the relevant days of operations during the period unless specified, and annualized for the relevant days of operations during the period.

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities of the Bank together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of advances and deposits for the period. The average yield on average assets is the ratio of interest income to average interest-earning assets (except that investments include equity investments and interest income with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Three Months Ended June 30,					
	2018			2019		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₹ million, except percentages)					
Interest Earning Assets:						
Advances	74,710.02	3,832.92	20.58%	109,399.80	5,699.13	20.95%
Investments	12,181.47	223.97	7.37%	15,931.51	350.25	8.84%
Others(1)	2,546.44	6.29	0.99%	5,348.76	4.33	0.33%
Total Interest Earning Assets	89,437.92	4,063.18	18.22%	130,680.08	6,053.72	18.63%
Non-interest Earning Assets:						
Fixed assets	2,074.78	-	-	2,895.88	-	-
Other assets	4,442.87	-	-	6,598.16	-	-
Total Non-Interest Earning Assets	6,517.65	-	-	9,494.04	-	-
Total Assets	95,955.57	-	-	1,40,174.12	-	-
Interest-bearing Liabilities:						
CASA	1,887.79	13.38	2.84%	8,055.84	59.04	2.95%
Other Deposits	35,992.01	689.10	7.68%	68,625.18	1,459.46	8.55%
Total deposits	37,879.84	702.48	7.44%	76,681.02	1,518.50	7.96%

	Three Months Ended June 30,					
	2018			2019		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₹ million, except percentages)					
Borrowings	38,987.44	905.54	9.32%	40,560.79	1,010.69	10.02%
Total Interest-bearing Liabilities	76,867.28	1,608.02	8.39%	117,241.81	2,529.19	8.68%
Non-interest bearing Liabilities:						
Capital and reserves	16,702.12	-	-	18,668.72	-	-
Other liabilities	2,386.17	-	-	4,263.59	-	-
Total non-interest bearing Liabilities	19,088.29	-	-	22,932.31	-	-
Total Liabilities	95,955.57	-	-	140,174.12	-	-

Note:
1. *Includes balance with RBI in other accounts, balance with banks in other deposits and money at call and short notice.*

	Year ended March 31,								
	2017			2018			2019		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₹ million, except percentages)								
Interest Earning Assets:									
Advances	58,156.30	1,933.10	20.56%	65,986.28	13,710.67	20.78%	89,443.33	17,360.77	19.41%
Investments	7,233.89	192.50	16.46%	13,395.78	922.93	6.89%	13,795.51	930.98	6.75%
Others[(1)]	14,242.86	44.50	1.93%	3,735.47	45.15	1.21%	4,465.99	24.36	0.55%
Total Interest Earning Assets	79,633.05	2,170.10	16.86%	83,117.53	14,678.75	17.66%	107,704.82	18,316.11	17.01%
Non-interest Earning Assets:									
Fixed assets	1,257.71	-	-	1,690.57	-	-	2,413.97	-	-
Other assets	4,263.15	-	-	4,735.80	-	-	5,956.65	-	-
Total Non-Interest Earning Assets	5,520.85	-	-	6,426.37	-	-	8,370.62	-	-
Total Assets	85,153.90	-	-	89,543.89	-	-	116,075.44	-	-
Interest-bearing Liabilities:									
CASA	16.20	0.04	1.53%	709.62	18.28	2.58%	4,613.88	125.09	2.71%
Other Deposits	1,015.82	1.37	0.83%	19,184.99	1,090.78	5.69%	51,145.92	3,445.72	6.74%
Total deposits	1,032.02	1.42	0.85%	19,894.61	1,109.06	5.57%	55,759.79	3,570.81	6.40%
Borrowings	65,536.73	1,092.17	10.31%	50,721.24	4,959.59	9.78%	40,094.68	3,681.18	9.18%
Total Interest-bearing Liabilities	66,568.76	1,093.58	10.16%	70,615.85	6,068.65	8.59%	95,854.47	7,251.99	7.57%
Non-interest bearing Liabilities:									
Capital and reserves	8,751.68	-	-	16,435.03	-	-	17,332.82	-	-
Other liabilities	9,833.46	-	-	2,493.00	-	-	2,888.15	-	-
Total non-interest bearing Liabilities	18,585.14	-	-	18,928.03	-	-	20,220.97	-	-
Total Liabilities	85,153.89	-	-	89,543.89	-	-	116,075.44	-	-

Note:
(1) Includes balance with RBI in other accounts, balance with banks in other deposits and money at call and short notice.

Yields, Spreads and Margins

The following tables set forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets. Unless otherwise indicated average balances are the averages for the period.

Three Months Ended June 30,		
	2018	**2019**
(₹ million, except percentages)		
Interest income on interest-earning assets (advances)	3,832.92	5,699.13
Interest expense on interest-bearing liabilities	1,608.02	2,529.19
Average interest-earning assets*	91,538.06	134,089.32
Average interest-earning assets (advances)	74,710.02	109,399.80
Average interest-bearing liabilities**	77,129.08	117,444.35
Average total assets	95,955.57	140,174.12
Net Interest Income(1)	2,455.16	3,524.51
Average interest-earning assets (advances) as a percentage of average total assets	77.86%	78.05%
Average interest-bearing liabilities as a percentage of average total assets	80.11%	83.64%
Average interest-earning assets (advances) as a percentage of average interest-bearing liabilities	97.19%	93.31%
Yield(2)	18.22%	18.63%
Loan Yield(3)	20.03%	20.08%
Cost of Funds(4)#	8.36%	8.66%
Spread(5)	11.67%	11.42%
Net Interest Margin(6)	10.71%	10.51%
Other Income to Total Income ratio(7)	0.12	0.14
Average cost of borrowings	9.32%	10.02%

Notes:

**Average interest earning assets are interest-earning assets calculated on the basis of quarterly average.*

***Average interest bearing liabilities are interest-bearing liabilities calculated on the basis of month end balance averages.*

1. *Net Interest Income is difference of total interest earned and total interest expended.*
2. *Yield is interest income divided by average interest-earning assets.*
3. *Loan Yield is interest income divided by average interest-earning assets (advances).*
4. *Cost of funds is interest expense divided by average interest-bearing liabilities calculated on the basis of month end balances.*
5. *Spread is difference between Loan Yield and Cost of Funds.*
6. *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.*
7. *Other income to total income ratio is calculated as a ratio of other income divided by total income (total of net interest income and non-interest income).*

#Cost of Funds for the three month period ended June 30, 2018 and June 30, 2019 calculated on the basis of daily averages was 8.51% and 8.49%, respectively.

Year ended March 31,			
	2017	**2018**	**2019**
(₹ million, except percentages)			
Interest income on interest-earning assets (advances)	1,933.10	13,710.67	17,360.77
Interest expense on interest-bearing liabilities	1,093.58	6,068.64	7,251.99
Average interest-earning assets*	79,633.05	83,490.97	101,309.52
Average interest-earning assets (advances)	58,156.30	65,986.28	89,443.33
Average interest-bearing liabilities**	66,568.76	70,615.86	87,071.76
Average total assets	85,153.90	89,543.89	116,075.44
Net Interest Income(1)	1,076.52	8,610.11	11,064.12
Average interest-earning assets (advances) as a percentage of average total assets	68.30%	73.69%	77.06%
Average interest-bearing liabilities as a percentage of average total assets	78.17%	78.86%	82.58%
Average interest-earning assets (advances) as a percentage of average interest-bearing liabilities	87.36%	93.44%	93.31%
Yield(2)	16.86%	17.66%	17.01%
Loan Yield(3)	18.73%	19.66%	18.66%
Cost of Funds(4)#	10.01%	9.01%	8.33%
Spread(5)	8.72%	10.65%	10.33%
Net Interest Margin(6)	8.36%	10.31%	10.93%
Other Income to Total Income ratio(7)	0.03	0.07	0.10
Average cost of borrowings	10.31%	9.78%	9.18%

Notes:

**Average interest earning assets are interest-earning assets calculated on the basis of quarterly average.*

***Average interest bearing liabilities are interest-bearing liabilities calculated on the basis of month end balance averages.Net Interest Income is difference of total interest earned and total interest expended.*

1. *Yield is interest income divided by average interest-earning assets.*
2. *Loan Yield is interest income divided by average interest-earning assets (advances).*
3. *Cost of funds is interest expense divided by average interest-bearing liabilities calculated on the basis of month end balances.*
4. *Spread is difference between Loan Yield and Cost of Funds.*
5. *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.*
6. *Other income to total income ratio is calculated as a ratio of other income divided by total income (total of net interest income and non-interest income).*
7. *Cost of Funds for the year ended March 31, 2019 calculated on the basis of daily averages was 8.49%.*

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables sets forth, for the periods indicated, details of the Bank's interest income, interest expense and Net Interest Income and the allocation of the changes in the Bank's interest income (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates. The changes in Net Interest Income between periods have been reflected as attributed either to volume or rate changes. For the purposes of these tables, changes that are due to both volume and rate have been allocated solely to changes in rate.

	Three Months Ended June 30, 2018 vs. Three Months Ended June 30, 2019		
	Increase (Decrease)(1) Due to		
	Net Change	**Change in Average Volume**	**Change in Average Rate**
	(₹ million, except percentages)		
Interest Income			
Advances	1,866.21	1,779.72	86.49
Investments	126.28	68.95	57.33
Others	(1.96)	6.92	(8.88)
Total interest-earning assets	**1,990.53**	**1,873.64**	**116.89**
Interest Expense			
Total deposits(1)	816.02	719.56	96.46
Borrowings	105.16	36.54	68.61
Total interest-bearing liabilities	**921.18**	**844.61**	**76.57**
Net Interest Income	**1,069.35**	**1,029.03**	**40.32**

Note:
(1) Total deposit includes saving deposits, current deposits and term deposits.

	Fiscal 2018 vs. Fiscal 2019		
	Increase (Decrease)(1) Due to		
	Net Change	**Change in Average Volume**	**Change in Average Rate**
	(₹ million, except percentages)		
Interest Income			
Advances	3,650.10	4,873.92	(1,223.82)
Investments	8.05	27.54	(19.49)
Others	(20.79)	8.83	(29.62)
Total interest-earning assets	3,637.36	4,342.17	(704.81)
Interest Expense			
Total deposits(1)	2,461.75	1,999.37	462.38
Borrowings	(1,278.41)	(1,039.08)	(239.33)
Total interest-bearing liabilities	1,183.35	2,168.98	(985.63)
Net Interest Income	2,454.01	2,173.20	280.81

Note:
1. *Total deposit includes saving deposits, current deposits and term deposits.*

Financial Ratios of the Bank

The following tables set forth certain key financial indicators as of and for the dates and periods indicated for the Bank.

	As of and for the three months ended June 30,	
	2018	2019
Return on average equity(1)	11.18%	20.36%
Return on average assets(2)	1.95%	2.71%
Dividend payout ratio(3)#	N.A.	N.A.
Cost to average assets(4)	8.90%	8.27%
Average net worth to total average assets(5)	17.41%	13.32%
Credit to total deposit ratio(6)	204.76%	148.09%
Retail to total deposit ratio	19.71%	43.09%
CASA to total deposits ratio	6.28%	10.39%
Cost to income ratio(7)	71.72%	64.37%

Notes:

1. *Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves excluding revaluation reserves).*
2. *Return on average assets is the ratio of the net profit after tax to the average assets.*
3. *Dividend payout ratio is the ratio of dividend to adjusted net profit (after dividend tax).*
4. *Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the average assets.*
5. *Average net worth to total average assets is the ratio of quarterly average capital and reserves (excluding revaluation reserves) divided by total average assets.*
6. *Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding interbank deposits.*
7. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

\# *Dividend payout ratio is not applicable as we did not declare any dividend on our Equity Shares.*

	As of and for the year ended March 31,		
	2017	2018	2019
Return on average equity(1)	0.02%	0.42%	11.49%
Return on average assets(2)	0.003%	0.08%	1.72%
Dividend payout ratio(3)#	N.A.	N.A.	N.A.
Cost to average assets(4)	7.92%	7.26%	8.57%
Average net worth to total average assets(5)	10.28%	18.35%	14.93%
Credit to total deposit ratio(6)	3,092.94%	200.43%	149.72%
Retail to total deposit ratio	3.15%	11.32%	37.07%
CASA to total deposits ratio	1.57%	3.68%	10.63%
Cost to income ratio(7)	95.35%	67.13%	76.45%

Notes:

1. *Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves excluding revaluation reserves).*
2. *Return on average assets is the ratio of the net profit after tax to the average assets.*
3. *Dividend payout ratio is the ratio of dividend to adjusted net profit (after dividend tax).*
4. *Cost to average assets is the ratio of the operating expenses, excluding lease depreciation, to the average assets.*
5. *Average net worth to total average assets is the ratio of quarterly average capital and reserves (excluding revaluation reserves) divided by total average assets.*
6. *Credit to deposit ratio is calculated as a ratio of total domestic advances excluding interbank advances to total domestic deposits excluding interbank deposits.*
7. *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*

\# *Dividend payout ratio is not applicable as we did not declare any dividend on our Equity Shares.*

Return on Equity and Assets

The following tables presents selected financial ratios for the Bank for the periods indicated:

	Three Months Ended June 30,	
	2018	2019
	(₹ million, except percentages)	
Net profit	465.55	944.85
Average shareholders' equity	16,702.12	18,668.72
Net profit as a percentage of average total assets	1.95%	2.71%
Net profit as a percentage of average shareholders' equity	11.18%	20.36%
Average shareholders' equity as a percentage of average total assets	17.41%	13.32%
Gross Advances (including securitization / IBPC)	77,879.44	117,829.38
Net Advances	76,057.92	113,275.05

	Fiscal 2017
	(₹ million, except percentages)
Net profit	0.35
Average shareholders' equity	8,751.68
Net profit as a percentage of average total assets	0.003%
Net profit as a percentage of average shareholders' equity	0.02%
Average shareholders' equity as a percentage of average total assets	10.28%
Gross Advances (including securitization / IBPC)	63,839.77
Net Advances	58,610.45

	Fiscal	
	2018	2019
	(₹ million, except percentages)	
Net profit	68.63	1,992.18
Average shareholders' equity	16,435.03	17,332.82
Net profit as a percentage of average total assets	0.08%	1.72%
Net profit as a percentage of average shareholders' equity	0.42%	11.49%
Average shareholders' equity as a percentage of average total assets	18.35%	14.93%
Gross Advances (including securitization / IBPC)	75,611.98	110,485.91
Net Advances	73,362.11	105,524.55

Funding

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 deposits raised were 3.15%, 11.32% and 37.07% of total deposits as of March 31, 2017, 2018 and 2019, respectively, and were 43.09% as of June 30, 2019. Of the Bank's total deposits as of March 31, 2019, 1.09% was demand deposits and 9.53% were savings bank deposits, while 89.37% were time deposits while as of June 30, 2019 demand deposits were 1.48% and savings bank deposits were 8.92% of the Bank's total deposits.

	Three Months Ended June 30,	
	2018	2019
	(₹ million, except percentages)	
Period end balance	38,034.50	79,567.64
Average balance during the period not captured(1)	37,879.84	76,681.02
Interest on deposits	702.48	1,518.50
Average interest rate during the period(2)	7.44%	7.96%
Interest at period end(3)	702.48	1,518.50

Notes:

1. *Average balances outstanding.*
2. *Represents the ratio of interest expense on all deposits to the average of balances of all deposits.*
3. *Represents the total interest paid on account of all deposits during the period.*

	Year ended March 31,		
	2017	2018	2019
	(₹ million, except percentages)		
Year end balance	2,064.05	37,725.18	73,794.40
Average balance during the year not captured(1)	1,032.02	19,894.61	55,759.79
Interest on deposits	1.42	1,109.06	3,570.81
Average interest rate during the year(2)	0.85%	5.57%	6.40%
Interest at year end(3)	1.42	1,109.06	3,570.81

Notes:

1. *Average balances outstanding.*
2. *Represents the ratio of interest expense on all deposits to the average of balances of all deposits.*
3. *Represents the total interest paid on account of all deposits during the period.*

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, 2017, 2018 and 2019, the average cost (interest expense divided by the average of balance for the relevant period) of current and savings deposits was 0.62%, 2.81% and 2.71%, respectively, and the average cost of time deposits was 0.83%, 6.55% and 6.74%, respectively. As of June 30, 2019, the average cost (interest expense divided by the average of balance for the relevant period) of current and savings deposits was 2.93%, and the average cost of time deposits was 8.51%.

The deposits for the periods set forth are as follows:

	Three Months Ended June 30,			
	2018		2019	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Demand deposits	118.32	0.31%	1,177.26	1.48%
Savings deposits	2,270.47	5.97%	7,093.51	8.92%
Time deposits	35,645.69	93.72%	71,296.87	89.61%
Total Deposits	**38,034.50**	**100.00%**	**79,567.64**	**100.00%**

	Year ended March 31,					
	2017		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Demand deposits	0.03	0.00%	102.31	0.27%	805.54	1.09%
Savings deposits	32.37	1.57%	1,284.53	3.40%	7,035.37	9.53%
Time deposits	2,031.65	98.43%	36,338.34	96.32%	65,953.49	89.37%
Total Deposits	**2,064.05**	**100.00%**	**37,725.18**	**100.00%**	**73,794.40**	**100.00%**

The details of Retail Deposits and Institutional Deposits are as set forth below:

	Three Months Ended June 30,			
	2018		2019	
	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)			
Retail Deposits(1)	7,495.85	19.71%	34,289.31	43.09%
Institutional Deposits(2)	30,538.59	80.29%	45,278.33	56.91%
Total	**38,034.44**	**100.00%**	**79,567.64**	**100.00%**

Notes:
1. *Retail deposits are deposits sourced by our retails verticals which are branch banking, micro banking, housing finance and MSE and includes staff deposits.*
2. *Institutional deposits typically include deposits from financial institutions, banks (including co-operative banks), mutual funds, TASC, government offices and local bodies such as panchayats and municipal corporations.*

	Year ended March 31,					
	2017		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(₹ million, except percentages)					
Retail Deposits(1)	64.93	3.15%	4,270.39	11.32%	27,359.21	37.07%
Institutional Deposits(2)	1,999.12	96.85%	33,454.79	88.68%	46,435.19	62.93%
Total	**2,064.05**	**100.00%**	**37,725.18**	**100.00%**	**73,794.40**	**100.00%**

Notes:
1. *Retail deposits are deposits sourced by our retails verticals which are branch banking, micro banking, housing finance and MSE and includes staff deposits.*
2. *Institutional deposits typically include deposits from financial institutions, banks (including co-operative banks), mutual funds, TASC, government offices and local bodies such as panchayats and municipal corporations.*

Borrowings

The following tables sets forth, for the periods indicated, information related to the Bank's borrowings.

	Three Months ended June30,	
	2018	2019
	(₹ million, except percentages)	
Period end balance	39,446.43	39,460.68
Average balance during the period not captured(1)	38,987.44	40,560.79
Interest on RBI/Inter-bank borrowings and other interest expended	905.54	1,010.70
Average interest rate during the period(2)	9.32%	10.02%
Interest at period end(3)	905.54	1,010.70

Notes:
1. *Average balances outstanding.*
2. *Represents the ratio of interest expense on all borrowings to the average of balances of all borrowings.*
3. *Represents the total interest paid on account of all borrowings during the period.*

	Year ended March 31,		
	2017	2018	2019
	(₹ million, except percentages)		
Year end balance	62,914.04	38,528.45	41,660.90
Average balance during the year not captured[1]	65,536.73	50,721.24	40,094.68
Interest on RBI/Inter-bank borrowings and other interest expended	1,092.17	4,959.59	3,681.18
Average interest rate during the year[2]	10.31%	9.78%	9.18%
Interest at year end[3]	1,092.17	4,959.59	3,681.18

Notes:

1. *Average balances outstanding.*
2. *Represents the ratio of interest expense on all borrowings to the average of balances of all borrowings.*
3. *Represents the total interest paid on account of all borrowings during the period.*

Cash Flow Mismatch Analysis

The following tables set forth the Bank's structural liquidity gap position for its domestic operations as of the dates indicated:

	As of June 30, 2019(4)(5)(6)(7)											
	1 Day	**2 Days to 7 Days**	**8 Days to 14 Days**	**15 Days to 30 Days**	**31 Days to 2 Months**	**Over 2 Months to 3 Months**	**Over 3 Months to 6 Months**	**Over 6 Months to 12 Months**	**Over 1 Year to 3 Years**	**Over 3 Years to 5 Years**	**Over 5 Years**	**Total**
	(₹ million, except percentages)											
Cash and bank balances[(8)]	5,502.83	5.63	11.02	49.90	46.22	187.06	334.98	394.21	677.04	4.94	0.67	7,214.48
Advances[(1)]	99.97	1,187.30	2,380.39	2,841.16	6,626.45	6,050.04	21,990.11	33,085.23	28,205.71	2,869.99	9,469.18	114,805.53
Investments	1,390.32	210.02	171.18	415.59	421.80	1,692.09	2,133.44	5,221.14	4,907.42	28.88	4.93	16,596.81
Fixed assets	-	-	-	-	-	-	-	-	-	-	2,947.27	2,947.27
Other assets[(2)]	1.93	49.33	139.45	1,189.88	51.96	16.63	330.70	5.66	5.93	-	1,101.03	2,892.48
Total inflows	6,995.04	1,452.28	2,702.03	4,496.53	7,146.43	7,945.81	24,789.23	38,706.23	33,796.09	2,903.81	13,523.09	144,456.58
Capital and Reserves	-	-	-	-	-	-	-	-	2,000.00	-	17,141.14	19,141.14
Deposits	123.38	1,412.68	699.12	1,604.20	2,007.50	8,255.06	9,944.85	23,839.21	31,520.21	142.08	19.35	79,567.64
Borrowings	399.88	-	666.70	400.00	4,115.70	292.70	3,862.37	8,913.03	15,445.30	5,365.00	-	39,460.68
Other liabilities[(3)]	3,063.53	222.57	238.45	372.83	1,006.79	32.22	830.22	175.72	150.45	13.73	180.62	6,287.12
Total outflows	3,586.79	1,635.25	1,604.27	2,377.04	7,129.99	8,579.98	14,637.44	32,927.96	49,115.95	5,520.81	17,341.11	144,456.57
Liquidity gap	3,408.26	(182.97)	1,097.76	2,119.49	16.44	(634.16)	10,151.80	5,778.28	(15,319.86)	(2,617.01)	(3,818.02)	-
Cumulative liquidity gap	3,408.26	3,225.29	4,323.05	6,442.54	6,458.98	5,824.81	15,976.61	21,754.88	6,435.03	3,818.02	-	-
Cumulative liabilities	3,586.79	5,222.03	6,826.30	9,203.34	16,333.33	24,913.30	39,550.74	72,478.70	1,21,594.65	1,27,115.46	1,44,456.57	144,456.57
Cumulative liquidity gap as a % of cumulative liabilities	95.02%	61.76%	63.33%	70.00%	39.54%	23.38%	40.40%	30.02%	5.29%	3.00%	0.00%	0.00%

Notes:

1. *Advances includes the unavailed portion of overdraft facility and NPAs*
2. *Other assets include interest receivable*
3. *Other liabilities include interest payable and unavailed loan*
4. *Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI*
5. *Assets and liabilities are classified into categories as per residual maturity*
6. *Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis, regulatory guidance or management judgment*
7. *Investments and balance with RBI mature as per DTL maturity*
8. *Cash and bank balances include reverse repo*

	As of March 31, 2019[4][5][6][7]											
	1 Day	**2 Days to 7 Days**	**8 Days to 14 Days**	**15 Days to 30 Days**	**31 Days to 2 Months**	**Over 2 Months to 3 Months**	**Over 3 Months to 6 Months**	**Over 6 Months to 12 Months**	**Over 1 Year to 3 Years**	**Over 3 Years to 5 Years**	**Over 5 Years**	**Total**
	(₹ million, except percentages)											
Cash and bank balances[8]	997.81	8,364.46	18.57	31.22	124.62	282.17	159.45	447.34	513.65	3.46	1.86	10,944.60
Advances[1]	0.81	1,034.33	2,110.55	3,272.71	6,790.73	7,043.00	16,462.62	32,107.34	27,448.03	2,416.84	7,271.38	105,958.33
Investments	1,599.29	-	110.00	642.03	976.73	2,241.64	1,863.37	4,244.99	3,557.48	19.29	11.40	15,266.22
Fixed assets	-	-	-	-	-	-	-	-	-	-	2,844.50	2,844.50
Other assets[2]	-	21.94	109.46	1,134.98	100.52	63.75	333.83	24.18	3.64	-	1,049.98	2,842.28
Total inflows	2,597.90	9,420.73	2,348.58	5,080.95	7,992.60	9,630.56	18,819.27	36,823.84	31,522.80	2,439.58	11,179.12	137,855.93
Capital and Reserves	-	-	-	-	-	-	-	-	2,000.00	-	16,196.29	18,196.29
Deposits	75.72	893.49	897.91	3,275.31	4,292.27	11,374.74	8,381.89	20,361.06	24,090.48	98.45	53.09	73,794.41
Borrowings	-	-	916.70	-	766.70	916.70	5,475.10	8,762.07	18,558.63	5,765.00	500.00	41,660.90
Other liabilities[3]	1,832.66	7.11	283.61	616.52	302.48	167.10	472.03	268.36	140.45	11.09	102.93	4,204.33
Total outflows	**1,908.38**	**900.59**	**2,098.21**	**3,891.83**	**5,361.45**	**12,458.54**	**14,329.02**	**29,391.49**	**44,789.57**	**5,874.54**	**16,852.31**	**137,855.93**
Liquidity gap	689.52	8,520.14	250.38	1,189.12	2,631.16	(2,827.99)	4,490.25	7,432.35	(13,266.77)	(3,434.96)	(5,673.19)	-
Cumulative liquidity gap	689.52	9,209.66	9,460.04	10,649.15	13,280.31	10,452.33	14,942.57	22,374.92	9,108.16	5,673.19	-	-
Cumulative liabilities	1,908.38	2,808.98	4,907.18	8,799.01	14,160.46	26,619.00	40,948.02	70,339.51	115,129.08	121,003.62	137,855.93	137,855.93
Cumulative liquidity gap as a % of cumulative liabilities	36.13%	327.87%	192.78%	121.03%	93.78%	39.27%	36.49%	31.81%	7.91%	4.69%	0.00%	0.00%

Notes:

1. *Advances includes the unavailed portion of overdraft facility and NPAs*
2. *Other assets include interest receivable*
3. *Other liabilities include interest payable and unavailed loan*
4. *Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI*
5. *Assets and liabilities are classified into categories as per residual maturity*
6. *Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis, regulatory guidance or management judgment*
7. *Investments and balance with RBI mature as per DTL maturity*
8. *Cash and bank balances include reverse repo*

Classification of Investments

	Three Months ended June30,	
	2018	2019
	(₹ million)	
Held to Maturity(1)	6,476.45	9,565.06
Available for Sale(2)	5,561.69	7,031.75
Held for Trading(3)	-	-
Total	12,038.14	16,596.81

Notes:
1. *Investments that our Bank intends to hold till maturity are classified as "Held to Maturity".*
2. *Investments, which are not classified in "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.*
3. *Investments that are held principally for sale within 90 days from the date of purchase are classified as "Held for Trading".*

	Year ended March 31,		
	2017	2018	2019
	(₹ million)		
Held to Maturity(1)	3,962.10	5,459.83	9,586.42
Available for Sale(2)	10,504.67	6,864.96	5,679.80
Held for Trading(3)	-	-	-
Total	**14,466.77**	**12,324.79**	**15,266.22**

Notes:
1. *Investments that our Bank intends to hold till maturity are classified as "Held to Maturity".*
2. *Investments, which are not classified in "Held to Maturity" and "Held for Trading", are classified as "Available for Sale" investments.*
3. *Investments that are held principally for sale within 90 days from the date of purchase are classified as "Held for Trading".*

Loan Portfolio

As of June 30, 2019, the Bank's Gross Advances (including securitization / IBPC) were ₹ 117,829.38 million. As of June 30, 2019, the Bank's gross non-fund based exposure was ₹ 2.50 million. The Bank's Gross Advances (including securitization / IBPC) are to borrowers in India.

The table below sets forth the Bank's advances by segment as of June 30, 2018 and 2019:

	As of June 30,			
	2018		2019	
	(₹ million)	% of total	(₹ million)	% of total
Micro banking	70,629.62	90.69%	96590.01	81.97%
Micro and Small Enterprise Loans	2,802.66	3.60%	6855.88	5.82%
Affordable Housing Loans	4,170.49	5.35%	10,072.27	8.55%
Financial Institutional Group Loans	-	-	3583.50	3.04%
Personal Loans	-	-	361.80	0.31%
Others	276.66	0.36%	365.93	0.31%
Total Gross Advances (including securitization / IBPC)	**77,879.44**	**100.00%**	**117,829.38**	**100.00%**
Secured Advances (As % of Total Gross Advances (including securitization / IBPC))	**5,495.41**	**7.06%**	**19,371.97**	**16.44%**

As of March 31, 2019, the Bank's Gross Advances (including securitization / IBPC) were ₹ 110,485.91 million. As of March 31, 2019, the Bank's gross non-fund based exposure was ₹ 2.50 million.

The table below sets forth the Bank's Gross Advances (including securitization / IBPC) by segment as of March 31, 2017, 2018 and 2019:

	As of March 31,					
	2017		2018		2019	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Micro banking	62,243.47	97.50%	69,979.21	92.55%	93,546.75	84.67%
Micro and Small Enterprise Loans	563.50	0.88%	2,242.43	2.97%	5,905.97	5.35%
Affordable Housing Loans	985.52	1.54%	3,227.76	4.27%	8,298.63	7.51%
Financial Institutional Group Loans	-	0.00%	-	0.00%	2,249.70	2.04%
Personal Loans	-	0.00%	-	0.00%	114.33	0.10%
Others	47.27	0.07%	162.57	0.22%	370.53	0.34%
Total Gross Advances (including securitization / IBPC)	**63,839.77**	**100.00%**	**75,611.98**	**100.00%**	**110,485.91**	**100.00%**

	As of March 31,					
	2017		2018		2019	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Secured Advances (As % of Total Gross Advances (including securitization / IBPC))	**1,169.77**	**1.83%**	**4,061.93**	**5.37%**	**15,014.62**	**13.59%**

The table below sets forth the Bank's disbursements by segment as of June 30, 2018 and 2019:

	As of June 30,			
	2018		2019	
	(₹ million)	% of total	(₹ million)	% of total
Micro banking	18,885.32	90.77%	24,376.45	82.39%
Micro and Small Enterprise Loans	747.46	3.59%	1,403.29	4.74%
Affordable Housing Loans	1,149.20	5.52%	2,047.27	6.92%
Financial Institutional Group Loans	-	-	1,475.00	4.99%
Personal Loans	-	-	174.59	0.59%
Others	22.93	0.11%	110.85	0.37%
Total Disbursements	**20,804.91**	**100.00%**	29,587.45	**100.00%**
Cashless Disbursements	15,424.89	74.14%	27,609.73	93.32%

The table below sets forth the Bank's disbursements by segment as of March 31, 2017, 2018 and 2019:

	As of March 31,					
	2017		2018		2019	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Micro banking	8,897.01	95.36%	75,975.17	94.12%	97,392.14	87.65%
Micro and Small Enterprise Loans	217.94	2.34%	2,058.32	2.55%	4,914.38	4.42%
Affordable Housing Loans	215.02	2.30%	2,505.43	3.10%	6,128.58	5.52%
Financial Institutional Group Loans	-	0.00%	-	0.00%	2,400.00	2.16%
Personal Loans	-	0.00%	-	0.00%	116.73	0.11%
Others	-	0.00%	185.15	0.23%	158.27	0.14%
Total Disbursements	**9,329.96**	**100.00%**	**80,724.07**	**100.00%**	**111,110.11**	**100.00%**
Cashless Disbursements	**3,676.84**	**39.41%**	**48,071.95**	**59.55%**	**95,850.42**	**86.27%**

The table below sets forth the Bank's total loans by segment for the three months ended June 30, 2018 and 2019:

	Three Months Ended June 30,	
	2018	2019
Micro banking	588,773	709,231
Micro and Small Enterprise Loans	1,411	1,131
Affordable Housing Loans	1,329	2,118
Financial Institutional Group Loans	-	10
Personal Loans	-	981
Others	638	755
Total	**5,92,151**	7,14,226

The table below sets forth the Bank's total loans by segment for Fiscal 2017, 2018 and 2019:

	Year Ended March 31,		
	2017	2018	2019
Micro banking	321,806	2,706,058	2,993,127
Micro and Small Enterprise Loans	841	5,957	6,424
Affordable Housing Loans	704	3,955	7,280
Financial Institutional Group Loans	-	-	13
Personal Loans	-	-	798
Others	-	2,841	2,763
Total	**323,351**	**2,718,811**	**3,010,405**

The table below sets forth the Bank's average ticket size by segment as of June 30, 2018 and 2019:

	As of June 30,	
	2018	2019
	(₹)	
Micro banking	32,075.73	34,370.25
Micro and Small Enterprise Loans	529,738.94	1,240,754.65
Affordable Housing Loans	864,706.72	966,603.69
Financial Institutional Group Loans	-	147,500,000.00
Personal Loans	-	177,974.42
Others	35,940.92	146,819.21

The table below sets forth the Bank's average ticket size by segment as of March 31, 2017, 2018 and 2019:

	As of March 31,		
	2017	2018	2019
	(₹)		
Micro banking	27,647.11	28,075.96	32,538.59
Micro and Small Enterprise Loans	259,143.88	345,529.63	765,002.66
Affordable Housing Loans	305,426.14	633,484.20	841,838.50
Financial Institutional Group Loans	-	-	184,615,384.62
Personal Loans	-	-	146,283.79
Others	-	65,170.36	57,282.91

The table below sets forth the Bank's average tenor by segment as of June 30, 2018 and 2019:

	As of June 30,	
	2018	2019
	(No. of Months)	
Micro banking	19.76	20.14
Micro and Small Enterprise Loans	67.31	104.82
Affordable Housing Loans	165.97	174.44
Financial Institutional Group Loans	-	13.88
Personal Loans	-	38.54
Others	20.68	19.67

The table below sets forth the Bank's average tenor by segment as of March 31, 2017, 2018 and 2019:

	As of March 31,		
	2017	2018	2019
	(No. of Months)		
Micro banking	20.80	20.25	19.83
Micro and Small Enterprise Loans	40.41	53.16	84.70
Affordable Housing Loans	105.47	142.87	172.41
Financial Institutional Group Loans	-	-	13.40
Personal Loans	-	-	36.55
Others	-	16.29	19.88

The table below sets forth the Bank's yields by segment for the three months ended June 30, 2018 and 2019:

	Three Months Ended June 30,	
	2018	**2019**
Micro banking	20.39%	21.32%
Micro and Small Enterprise Loans	20.39%	18.17%
Affordable Housing Loans	13.92%	13.50%
Financial Institutional Group Loans	-	11.52%
Personal Loans	-	17.61%
Others	9.93%	9.76%
Total	20.06%	20.24%

The table below sets forth the Bank's yields by segment for Fiscal 2017, 2018 and 2019:

	Year Ended March 31,		
	2017(1)	**2018(1)**	**2019**
Micro banking	N.A.	N.A.	20.63%
Micro and Small Enterprise Loans	N.A.	N.A.	18.83%
Affordable Housing Loans	N.A.	N.A.	13.62%
Financial Institutional Group Loans	N.A.	N.A.	11.80%
Personal Loans*	N.A.	N.A.	18.71%

Notes:
(1) The Bank only started monitoring yields by segment from Fiscal 2019
** For Q4 Fiscal 2019*

The table below sets forth the Bank's portfolio at risk by segment as of June 30, 2018 and 2019:

(₹ million)

	As of June 30,	
	2018	**2019**
Micro banking	2,333.32	1,309.87
Micro and Small Enterprise Loans	100.38	429.20
Affordable Housing Loans	74.28	313.20
Financial Institutional Group Loans	0.00	0.00
Personal Loans	0.00	2.92
Others	1.61	1.47
Total	**2,509.59**	**2,056.65**

The table below sets forth the Bank's portfolio at risk by segment as of March 31, 2017, 2018 and 2019:

(₹ million)

	As of March 31,		
	2017	**2018**	**2019**
Micro banking	5,785.33	2,973.43	1,214.61
Micro and Small Enterprise Loans	11.06	54.37	248.49
Affordable Housing Loans	6.37	16.04	180.85
Financial Institutional Group Loans	0.00	0.00	0.00
Personal Loans	0.00	0.00	0.54
Others	0.00	1.17	1.68
Total	**5,802.75**	**3,045.01**	**1,646.17**

Interest Rate Sensitivity Analysis

The following tables set forth the interest rate sensitivity analysis of the Bank's assets and liabilities for the Bank's operations as of the dated indicated:

As of June 30, 2019

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	2,496.92	2,496.92
Balances with other banks	3,872.87	168.12	-	-	176.57	4,217.56
Advances	19,070.95	54,011.85	31,058.85	9,133.41	-	113,275.05
Investments*	4,942.41	4,203.52	2,109.85	5,840.03	1.00	17,096.81
Fixed Assets	-	-	-	-	2,947.27	2,947.27
Other Assets	-	-	-	-	2,892.48	2,892.48
Forex Swaps	-	-	-	-	-	-
Total Assets	**27,886.22**	**58,383.50**	**33,168.69**	**14,973.44**	**8,514.25**	**142,926.10**
Off-balance Sheet Items	114.37	1,063.49	16.85	335.77	-	1,530.48
Total Rate Sensitive Assets /Assets	**28,000.58**	**59,446.99**	**33,185.54**	**15,309.21**	**8,514.25**	**144,456.58**
Liabilities						
Capital and Reserve	-	-	2,000.00	-	17,141.14	19,141.14
Deposits	14,101.95	33,784.06	31,662.29	19.35	-	79,567.64
Borrowings	5,874.98	12,775.40	20,810.30	-	-	39,460.68
Other Liabilities	-	-	-	-	4,756.64	4,756.64
Repos	-	-	-	-	-	-
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**19,976.92**	**46,559.46**	**54,472.59**	**19.35**	**21,897.78**	**142,926.10**
Off-balance Sheet Items	1,530.48	-	-	-	-	**1,530.48**
Total Rate Sensitive Liabilities /Liabilities	**21,507.40**	**46,559.46**	**54,472.59**	**19.35**	**21,897.78**	**144,456.58**

Note:

* *Investments include reverse repo*

As of March 31, 2019

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Assets						
Cash and Balances with RBI	-	-	-	-	2,314.64	2,314.64
Balances with other banks	6,200.00	167.43	-	-	112.53	6,479.96
Advances	20,241.86	48,161.58	29,849.74	7,271.38	-	105,524.55
Investments*	5,195.77	1,467.60	2,744.61	5,857.25	1.00	15,266.22
Fixed Assets	-	-	-	-	2,844.50	2,844.50
Other Assets	2,150.00	-	-	-	2,842.28	4,992.28
Forex Swaps	-	-	-	-	-	-

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-Sensitive	Total
	(₹ million)					
Total Assets	**33,787.63**	**49,796.60**	**32,594.34**	**13,128.63**	**8,114.95**	**137,422.17**
Off-balance Sheet Items	10.28	408.38	15.13	-	-	433.79
Total Rate Sensitive Assets /Assets	**33,797.91**	**50,204.99**	**32,609.47**	**13,128.63**	**8,114.95**	**137,855.93**
Liabilities						
Capital and Reserve	-	-	2,000.00	-	16,196.29	18,196.29
Deposits	20,809.44	28,742.96	24,188.93	53.09	-	73,794.41
Borrowings	2,600.10	14,237.17	24,323.63	500.00	-	41,660.90
Other Liabilities	-	-	-	-	3,770.55	3,770.55
Repos	-	-	-	-	-	-
Forex Swaps	-	-	-	-	-	-
Total Liabilities	**23,409.54**	**42,980.12**	**50,512.56**	**553.09**	**19,966.84**	**137,422.15**
Off-balance Sheet Items	433.79	-	-	-	-	**433.79**
Total Rate Sensitive Liabilities /Liabilities	**23,843.32**	**42,980.12**	**50,512.56**	**553.09**	**19,966.84**	**137,855.93**

Note:

* *Investments include reverse repo*

Capital Adequacy

Our Bank is subject to the CAR requirements prescribed by the RBI. As of June 30, 2019, we were required to maintain a minimum CAR of 15.00%, based on the total capital to risk-weighted assets. The following tables set forth certain information relating to the CAR of our Bank as of the periods indicated:

(₹ million, except percentages)

	As of and for the three month period ended June 30,	
	2018	**2019**
Tier I Capital	15,448.39	17,333.46
Tier II Capital	482.42	593.39
Total Capital	15,930.82	17,926.86
Total Risk Weighted Assets	**67,123.80**	**94,338.25**
Capital Adequacy Ratio		
Tier I Capital (as a Percentage of Total Risk Weighted Assets (%))	23.01%	18.37%
Tier II Capital (as a Percentage of Total Risk Weighted Assets (%))	0.72%	0.63%
Total Capital (as a Percentage of Total Risk Weighted Assets (%))	**23.73%**	**19.00%**

(₹ million, except percentages)

	As of and for the year ended March 31,		
	2017	**2018**	**2019**
Tier I Capital	14,601.36	14,829.50	16,533.74
Tier II Capital	479.55	481.30	497.91
Total Capital	15,080.91	15,310.80	17,031.65
Total Risk Weighted Assets	**71,575.29**	**66,452.47**	**89,896.78**
Capital Adequacy Ratio			
Tier I Capital (as a Percentage of Total Risk Weighted Assets (%))	20.40%	22.32%	18.39%
Tier II Capital (as a Percentage of Total Risk Weighted Assets (%))	0.67%	0.72%	0.55%
Total Capital (as a Percentage of Total Risk Weighted Assets (%))	**21.07%**	**23.04%**	**18.95%**

Regional Concentration

The Bank's widespread branch network enables the Bank to diversify its lending risks geographically. The following tables present an analysis of the Bank's advances and deposits by region as of the dates indicated.

The following tables set forth the Bank's Gross Advances (including securitization / IBPC) by geographical split as of the dates indicated:

	As of June 30,			
	2018		**2019**	
	(₹ million)	**% of total**	**(₹ million)**	**% of total**
Metropolitan	21,254.19	27.29%	34,175.34	29.00%
Semi-Urban	24,939.97	32.02%	36,033.51	30.58%
Urban	28,945.85	37.17%	41,604.05	35.31%

	As of June 30,			
	2018		2019	
	(₹ million)	% of total	(₹ million)	% of total
Rural	2,739.425	3.52%	6,016.48	5.11%
Total Gross Advances (including securitization / IBPC)	**77,879.44**	**100.00%**	**117,829.38**	**100.00%**

	As of March 31,					
	2017		2018		2019	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Metropolitan	17,795.88	27.88%	20,680.78	27.35%	31,126.84	28.17%
Semi-Urban	19,876.30	31.13%	24,295.47	32.13%	34,582.93	31.30%
Urban	24,254.10	37.99%	28,275.36	37.40%	39,933.03	36.14%
Rural	1,913.50	3.00%	2,360.37	3.12%	4,843.11	4.38%
Total Gross Advances (including securitization / IBPC)	**63,839.77**	**100.00%**	**75,611.98**	**100.00%**	**110,485.91**	**100.00%**

The following tables set forth the Bank's Gross Advances (including securitization / IBPC) by region as of the dates indicated:

Region	States	As of June 30,	
		2018	2019
		(₹ million)	
East	Assam	3,308.73	4,462.39
	Bihar	3,928.90	6,715.71
	Jharkhand	2,073.10	2,738.62
	Meghalaya	174.30	199.39
	Odisha	2,177.13	3,299.56
	Tripura	1,005.74	1,363.12
	West Bengal	10,711.46	15,915.18
	Total	**23,379.36**	**34,693.96**
North	Chandigarh (UT)	166.81	227.47
	Chhattisgarh	565.90	839.76
	Haryana	3,702.44	5,645.89
	Himachal Pradesh	100.55	151.77
	Madhya Pradesh	1,482.70	2,224.54
	New Delhi	1,618.46	2,529.36
	Punjab	2,326.72	3,263.54
	Rajasthan	3,027.36	4,579.73
	Uttar Pradesh	2,558.89	3,603.07
	Uttarakhand	407.86	517.26
	Total	**15,957.69**	**23,582.40**
South	Goa	75.09	79.33
	Karnataka	10,753.24	17,813.99
	Kerala	1,747.68	2,103.79
	Pondicherry	613.93	962.87
	Tamil Nadu	11,953.80	19,546.02
	Total	**25,143.74**	**40,505.99**
West	Gujarat	5,450.41	8,505.17
	Maharashtra	7,948.23	10,541.86
	Total	13,398.64	**19,047.03**
Grand Total		**77,879.44**	**117,829.38**

Region	States	As of March 31,		
		2017	2018	2019
		(₹ million)		
East	Assam	2,529.33	3,150.27	4,151.54
	Bihar	2,956.24	3,852.53	6,225.92
	Jharkhand	1,974.12	2,031.42	2,680.25
	Meghalaya	183.41	179.75	183.85
	Odisha	1,769.63	2,097.87	3,366.46
	Tripura	813.02	995.12	1,323.31
	West Bengal	9,344.19	10,458.77	14,996.50
	Total	**19,569.94**	**22,765.73**	**32,927.83**
North	Chandigarh (UT)	130.39	158.32	223.94
	Chhattisgarh	317.06	517.91	799.39
	Haryana	3,088.11	3,551.98	5,261.17
	Himachal Pradesh	60.68	93.50	155.71

Region	States	As of March 31,		
		2017	2018	2019
		(₹ million)		
	Madhya Pradesh	878.61	1,351.31	2,135.75
	New Delhi	1,197.11	1,525.92	2,484.52
	Punjab	1,791.36	2,252.99	3,012.31
	Rajasthan	2,130.07	2,850.27	4,275.47
	Uttar Pradesh	2,698.83	2,572.26	3,348.60
	Uttarakhand	443.20	413.82	494.66
	Total	**12,735.42**	**15,288.28**	**22,191.52**
South	Goa	60.89	76.12	84.85
	Karnataka	9,862.63	10,718.23	16,139.91
	Kerala	1,405.87	1,738.72	2,060.87
	Pondicherry	470.79	577.83	909.81
	Tamil Nadu	9,200.12	11,462.44	18,589.05
	Total	**21,000.30**	**24,573.34**	**37,784.49**
West	Gujarat	3,431.66	4,955.11	7,551.15
	Maharashtra	7,102.44	8,029.53	10,030.92
	Total	**10,534.10**	**12,984.64**	**17,582.07**
Grand Total		**63,839.76**	**75,611.99**	**110,485.91**

The following tables set forth the Bank's deposits by region as of the dates indicated:

Region	States	As of June 30,	
		2018	2019
		(Deposits, ₹ million)	
East	Assam	175.11	4,489.53
	Bihar	158.65	993.03
	Jharkhand	132.99	766.10
	Meghalaya	2.67	41.71
	Odisha	96.02	493.97
	Tripura	1,237.26	1,992.85
	West Bengal	1,576.25	5,922.70
	Total	**3,378.95**	**14,699.88**
North	Chandigarh (UT)	-	1,990.98
	Chhattisgarh	70.73	248.26
	Haryana	819.14	4,904.19
	Himachal Pradesh	36.47	2,571.37
	Madhya Pradesh	57.96	303.41
	New Delhi	3,023.35	4,042.91
	Punjab	1,891.32	6,076.65
	Rajasthan	407.99	1,023.26
	Uttar Pradesh	231.07	1,331.80
	Uttarakhand	1,341.92	2,998.99
	Total	**7,879.95**	**25,491.82**
South	Goa	-	158.90
	Karnataka(1)	19,955.64	11,353.88
	Kerala	136.92	3,308.16
	Pondicherry	78.60	171.79
	Tamil Nadu	669.85	5,786.86
	Total	**20,841.01**	**20,779.59**
West	Gujarat	681.36	1,629.70
	Maharashtra	5253.18	16,966.65
	Total	**5,934.54**	**18,596.35**
Grand Total		**38,034.50**	**79,567.64**

Notes

1. *CDs being a treasury product have been added to Karnataka basis treasury function being a part of the Corporate Office.*

Region	States	As of March 31,		
		2017	2018	2019
		(Deposits, in million)		
East	Assam	-	56.92	4,316.01
	Bihar	-	52.77	864.35
	Jharkhand	-	59.04	650.04
	Meghalaya	-	-	26.54
	Odisha	-	45.64	460.82
	Tripura	-	1,117.73	1,859.54
	West Bengal	-	830.90	5,037.08
	Total	**-**	**2,163.00**	**13,214.38**

Region	States	As of March 31,		
		2017	2018	2019
		(Deposits, in million)		
North	Chandigarh (UT)	-	-	920.71
	Chhattisgarh	-	43.71	202.11
	Haryana	-	467.66	3,372.57
	Himachal Pradesh	-	16.04	2,502.32
	Madhya Pradesh	-	16.71	281.33
	New Delhi	-	2,245.99	4,110.20
	Punjab	-	267.49	4,348.51
	Rajasthan	0.06	301.11	812.51
	Uttar Pradesh	-	132.20	1,026.72
	Uttarakhand	-	1,144.50	1,997.98
	Total	**0.06**	**4,635.40**	**19,574.96**
South	Goa	-	-	57.51
	Karnataka[(1)]	1,588.41	23,241.59	17,068.40
	Kerala	-	48.00	1,282.31
	Pondicherry	-	52.39	166.55
	Tamil Nadu	-	329.06	5,339.47
	Total	**1,588.41**	**23,671.04**	**23,914.24**
West	Gujarat	-	312.14	1,384.54
	Maharashtra	475.58	6,943.60	15,706.28
	Total	475.58	7,255.75	17,090.82
Grand Total		**2,064.05**	**37,725.18**	**73,794.40**

Notes

1. CDs being a treasury product have been added to Karnataka basis treasury function being a part of the Corporate Office.

The following tables set forth the Bank's Banking Outlets (including Asset Centres) by region as of the dates indicated:

Region	States	As of June 30,	
		2018	2019
		(No. of Branches)	
East	Assam	17	17
	Bihar	22	32
	Jharkhand	14	14
	Meghalaya	1	1
	Odisha	14	16
	Tripura	8	8
	West Bengal	70	79
	Total	**146**	**167**
North	Chandigarh (UT)	1	1
	Chhattisgarh	4	4
	Haryana	26	36
	Himachal Pradesh	1	1
	Madhya Pradesh	11	11
	New Delhi	8	8
	Punjab	16	16
	Rajasthan	20	20
	Uttar Pradesh	18	18
	Uttarakhand	5	4
	Total	**110**	**119**
South	Goa	1	2
	Karnataka	61	74
	Kerala	12	12
	Pondicherry	1	1
	Tamil Nadu	63	73
	Total	**138**	**162**
West	Gujarat	25	35
	Maharashtra	45	41
	Total	**70**	**76**
Grand Total		**464**	**524**

Region	States	As of March 31,		
		2017	2018	2019
		(No. of Branches)		
East	Assam	17	17	17
	Bihar	22	22	32
	Jharkhand	14	14	14

Region	States	As of March 31,		
		2017	2018	2019
		(No. of Branches)		
	Meghalaya	1	1	1
	Odisha	11	14	16
	Tripura	8	8	8
	West Bengal	53	70	79
	Total	**126**	**146**	**167**
North	Chandigarh (UT)	1	1	1
	Chhattisgarh	6	4	4
	Haryana	26	26	36
	Himachal Pradesh	1	1	1
	Madhya Pradesh	12	11	11
	New Delhi	9	8	8
	Punjab	16	16	16
	Rajasthan	21	20	20
	Uttar Pradesh	21	18	18
	Uttarakhand	5	5	4
	Total	**118**	**110**	**119**
South	Goa	1	1	2
	Karnataka	62	61	74
	Kerala	12	12	12
	Pondicherry	1	1	1
	Tamil Nadu	56	63	73
	Total	**132**	**138**	**162**
West	Gujarat	30	25	35
	Maharashtra	51	45	41
	Total	**81**	**70**	**76**
Grand Total		**457**	**464**	**524**

The following tables set forth the Bank's Banking Outlets (including Asset Centres) by geographical regions as of the dates indicated:

	As of June 30,	
	2018	2019
Metropolitan	105	107
Semi-Urban	147	153
Urban	165	160
Rural	47	104
Total Banking Outlets	**464**	**524**

	As of March 31,		
	2017	2018	2019
Metropolitan	120	105	107
Semi-Urban	149	147	153
Urban	170	165	160
Rural	18	47	104
Total Banking Outlets	**457**	**464**	**524**

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	With effect from March 31, 2005, a Sub-standard Asset would be one which has remained a NPA for a period less than or equal to 12 months.
Doubtful asset	With effect from March 31, 2005, 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 (up to 36 months) from date of categorization as an NPA will slip to Doubtful-II category.
- Doubtful – III	All NPAs after completion of 48 months from date of categorization as an NPA will slip to Doubtful-III category.
Loss asset	A loss asset is one where the loss has been identified by the bank, internal auditor, external auditors or the RBI inspectors, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible with little salvage or recovery value.
Accounts where there is erosion in the value of securities/frauds committed by the borrowers	In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate: 1. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category. 2. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

The following tables provide a summary of the Bank's gross loan assets as of the periods indicated, in accordance with RBI classifications.

Asset Category	**As of June 30,**	
	2018	**2019**
	(₹ million)	
Standard assets	75,803.85	112,980.69
Sub-standard assets	902.93	766.73
Doubtful assets	789.37	156.54
Loss assets	383.29	37.62
Total	**77,879.44**	**113,941.59**

Asset Category	**As of March 31,**		
	2017	**2018**	**2019**
	(₹ million)		
Standard assets	58,592.48	72,852.77	105,247.86
Sub-standard assets	146.67	2,080.16	682.99
Doubtful assets	17.10	45.46	220.76
Loss assets	0.23	633.58	75.98
Total	58,756.48	75,611.97	106,227.59

The following tables set forth the Bank's provisions for possible credit losses at the dates indicated:

Asset Category	As of June 30,	
	2018	2019
	(₹ million, except percentages)	
Provision held	2,203.77	1,269.38
Provision held as percentage of gross advances	2.83%	1.11%
Provision held as percentage of gross NPAs	106.19%	132.54%

Asset Category	As of March 31,		
	2017	2018	2019
	(₹ million, except percentages)		
Provision held	1,247.86	2,614.84	1,242.19
Provision held as percentage of gross advances	2.12%	3.46%	1.17%
Provision held as percentage of gross NPAs	760.94%	94.77%	126.95%

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 fees/charges outstanding if any, then interest outstanding and then principal outstanding except in those cases where bank has a specific agreement with a borrower with regards to appropriation of recoveries.

The Bank's gross NPA ratio increased from 0.28% as of March 31, 2017 to 3.65% as of March 31, 2018 and subsequently decreased to 0.92% as of March 31, 2019 and was 0.84% as of June 30, 2019. The Bank's net NPA ratio increased from 0.03% as of March 31, 2017 to 0.69% as of March 31, 2018 and subsequently decreased to 0.26% as of March 31, 2019 and was 0.26% as of June 30, 2019.

See "*Risk Factors — Risks Relating to the Bank's Business — If we are not able to control the level of non-performing assets in our portfolio or any increase in our NPA portfolio, RBI mandated provisioning requirements could adversely affect our business, financial conditions and results of operations.*"

The following tables set forth, for the periods indicated, information about the Bank's NPA portfolio.

	As of June 30,	
	2018	2019
	(₹ million, except percentages)	
Non-Performing Assets		
Gross NPAs	2,075.59	957.76
Specific provisions	1,821.51	666.53
Floating provisions	0.00	0.00
NPA net of provisions	254.08	291.24
Gross advances	77,879.44	113,941.59
Net Advances	76,057.92	113,275.05
Gross NPAs/gross advances (%)	2.66%	0.84%
Net NPAs/Net advances (%)	0.33%	0.26%
Specific provision as a percentage of gross NPAs	87.76%	69.59%
Total provisions as a percentage of gross NPAs	106.19%	132.54%
Provision cover (including prudential write-offs)	88.02%	69.64%

	As of March 31,		
	2017	2018	2019
	(₹ million, except percentages)		
Non-Performing Assets			
Gross NPAs	163.99	2,759.20	978.51
Specific provisions	146.02	2,249.87	703.04

	As of March 31,		
	2017	2018	2019
	(₹ million, except percentages)		
Floating provisions	-	-	-
NPA net of provisions	17.97	509.34	275.47
Gross advances	58,756.46	75,611.99	10,6227.59
Net Advances	58,610.45	73,362.11	105,524.55
Gross NPAs/gross advances (%)	0.28%	3.65%	0.92%
Net NPAs/Net advances (%)	0.03%	0.69%	0.26%
Specific provision as a percentage of gross NPAs	89.04%	81.54%	71.85%
Total provisions as a percentage of gross NPAs	760.93%	94.77%	126.95%
Provision cover (including prudential write-offs)	89.04%	81.87%	71.90%

The table below sets forth the Bank's gross NPAs by segment as of June 30, 2018 and 2019:

	As of June 30,			
	2018		2019	
	(₹ million)	% of total	(₹ million)	% of total
Micro banking	2,043.50	2.89%	701.21	0.73%
Micro and Small Enterprise Loans	25.39	0.91%	180.45	2.63%
Affordable Housing Loans	6.22	0.15%	74.87	0.74%
Financial Institutional Group Loans	0.00	0.00%	0.00	0.00%
Personal Loans	0.00	0.00%	0.00	0.00%
Others	0.49	0.60%	1.23	1.21%

The table below sets forth the Bank's gross NPAs by segment as of March 31, 2017, 2018 and 2019:

	As of March 31,					
	2017		2018		2019	
	(₹ million)	% of total	(₹ million)	% of total	(₹ million)	% of total
Micro banking	163.58	0.29%	2,731.96	3.90%	793.53	0.85%
Micro and Small Enterprise Loans	0.41	0.07%	21.87	0.98%	134.46	2.28%
Affordable Housing Loans	0.00	0.00%	4.99	0.15%	49.30	0.59%
Financial Institutional Group Loans	0.00	0.00%	0.00	0.00%	0.00	0.00%
Personal Loans	0.00	0.00%	0.00	0.00%	0.00	0.00%
Others	0.00	0.00%	0.38	0.45%	1.22	0.05%

The Bank's provision coverage ratio (including technical write-offs) as of March 31, 2017, 2018 and 2019, computed as per RBI guidelines, was 89.04%, 81.87% and 71.90%, respectively while it was 88.02% and 69.64% as of June 30, 2018 and 2019, 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 rowspan="5">Doubtful asset</td><td colspan="2">Provisioning at 100.00% is to be made for the deficit portion i.e. to the extent to which advances are not covered by the realizable value of the security to which the Bank has a valid recourse and the realizable value is estimated on a realistic basis. With regard to the secured portion, as per the guidelines of the RBI, provision is to be made at rates ranging from 25% to 100.00% of the secured portion depending upon the period for which the advance has remained in the doubtful category. In regard to the secured portion, provision is to be made in accordance with the table below:</td></tr>
<tr><td>Period for which advance remained in “Doubtful” category</td><td>Provision requirement (%)</td></tr>
<tr><td>Up to one year</td><td>25.00%</td></tr>
<tr><td>One to three years</td><td>40.00%</td></tr>
<tr><td>More than three years</td><td>100.00%</td></tr>
<tr><td>Loss asset</td><td colspan="2">The entire asset is written off or 100.0% provision is made on outstanding amount.</td></tr>
</table>

See “*Key Regulations and Policies”* on page 120.

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.

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 the account performs regularly, it will be upgraded to standard asset after one year of satisfactory performance of the loan.

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 a rate equal to the Bank’s one year MCLR rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category 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 a rate equal to the Bank’s one year MCLR rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

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 Early Warning Signals (EWS), branch credit risk scoring, daily overdue and collections management, branch reviews, concentration risk analysis, stress testing and effective use of bureau services.

- The Bank also has a recovery team focused on NPAs and written-off accounts in micro banking and early interventions for other verticals.

Productivity Ratios

The following tables sets forth certain information relating to our productivity ratios:

	As of June 30,	
	2018	**2019**
Banking Outlets (Including Asset Centres)	464	524
ATMs	232	387
Total number of employees	12,290	15,626
Gross Advances (including securitization / IBPC) per employee (₹ million)	6.34	7.54
Gross Advances (including securitization / IBPC) per Banking Outlet and Asset Centres (₹ million)	167.84	224.87
Total Accounts	4.70	7.83
- Lending Accounts (in million)	3.97	4.62
- Deposit Accounts (in million)	0.73	3.21
Disbursements per Banking Outlet and Asset Centres (₹ million)	44.84	56.47
Disbursements per employee (₹ million)	1.69	1.89
Deposits per employee (₹ million)	3.09	5.09
Deposits per Banking Outlet (₹ million)	81.97	151.85

	As of March 31,		
	2017	2018	2019
Banking Outlets (Including Asset Centres)	457	464	524
ATMs	12	146	385
Total number of employees	10,167	11,242	14,752
Gross Advances (including securitization / IBPC) per employee (₹ million)	6.28	6.73	7.49
Gross Advances (including securitization / IBPC) per Banking Outlet and Asset Centres (₹ million)	139.69	162.96	210.85
Total Accounts			
- Lending Accounts (in million)	3.93	4.01	4.38
- Deposit Accounts (in million)	0.04	0.46	3.08
Disbursements per Banking Outlet and Asset Centres (₹ million)	20.42	173.97	212.04
Disbursements per employee (₹ million)	0.92	7.18	7.53
Deposits per employee (₹ million)	0.20	3.36	5.00
Deposits per Banking Outlet (₹ million)	4.52	81.30	140.83

Additional Disclosures

The following tables sets forth certain information relating to our borrowing profile:

	As of June 30,	
	2018	2019
Current Accounts	118.32	1,177.26
Savings Accounts	2,270.47	7,093.51
Term Loans	8,886.76	2,765.80
Non-Convertible Debentures (₹ million)	6,000.00	400.00
Refinancing	24,559.67	35,895.00

	As of March 31,		
	2017	2018	2019
Current Accounts	0.03	102.31	805.54
Savings Accounts	32.37	1,284.53	7,035.37
Term Loans	54,164.04	12,968.78	2,965.90
Non-Convertible Debentures (₹ million)	8,250.00	6,000.00	1,000.00
Refinancing	500.00	19,559.67	37,695.00

The following tables sets forth information relating to our customer base:

	As of June 30,	
	2018	2019
Asset Customers only	2.90	1.83
Asset and Liability Customers	0.80	2.36
Liability Customers only	0.24	0.53
Total Customers	**3.94**	**4.72**

	As of March 31,		
	2017	2018	2019
Asset Customers Only	3.53	3.10	1.87
Asset and Liability Customers	0.04	0.62	2.15
Liability Customers Only	0.00	0.15	0.59
Total Customers	**3.57**	**3.87**	**4.61**

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The following tables set forth the financial information derived from our Restated Financial Statements as of and for the Fiscal Years ended March 31, 2017, March 31, 2018 and March 31, 2019 and for the quarters ended June 30, 2018 and June 30, 2019.

In accordance with the SEBI ICDR Regulations the audited financial statements of the Bank as of and for the Financial Years ended March 31, 2019, March 31, 2018 and March 31, 2017 prepared in accordance with Indian GAAP (collectively, the "**Audited Financial Statements**") are available on our website at www.ujjivansfb.in.

Our Bank is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Audited Financial Statements do not constitute, (i) a part of this Draft Red Herring Prospectus; or (ii) a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or a solicitation of any offer or an offer document to purchase or sell any securities under the Companies Act, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere. The Audited Financial Statements should not be considered as part of information that any investor should consider subscribing for or purchase any securities of our Bank and should not be relied upon or used as a basis for any investment decision. None of the Bank or any of its advisors, nor BRLMs, nor any of their respective employees, directors, affiliates, agents or representatives accept any liability whatsoever for any loss, direct or indirect, arising from any information presented or contained in the Audited Financial Statements, or the opinions expressed therein.

The financial information presented below should be read in conjunction with our Restated Financial Statements, the notes thereto and in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 260.

[***The remainder of this page has intentionally been left blank.***]

Report of Independent Auditor on the restated statement of assets and liabilities as at June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017 and restated statements of profits and losses and restated statement of cash flows for the three months ended June 30, 2019 and June 30, 2018, year ended March 31, 2019 and March 31, 2018, and period from July 4, 2016 to March 31, 2017 along with the Summary Statement of Significant Accounting Policies, and other explanatory information of Ujjivan Small Finance Bank Limited (collectively, the "Restated Financial Information")

The Board of Directors
Ujjivan Small Finance Bank Limited
Plot no. 2364/8 Khampur Raya Village,
Shadi Khampur, Main Patel Road,
New Delhi – 110 008.

Dear Sirs / Madams,

1. We have examined the Restated Financial Information of Ujjivan Small Finance Bank Limited ('the Bank') as at June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018, March 31, 2017, annexed to this report for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP"), Red Herring Prospectus ("RHP") and Prospectus, prepared by the Bank in connection with its proposed Initial Public Offer of equity shares of face value of Rs.10 each ("Offer"). The Restated Financial Information, which have been approved by the Board of Directors of the Bank at their meeting held on August 14, 2019, have been prepared by the Bank in accordance with the requirements of:

   a) Sub-section (1) of Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

   b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "SEBI ICDR Regulations"); and

   c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

Board of Directors Responsibility for the Restated Financial Information

2. The Bank's Board of Directors are responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India ("SEBI") and BSE Limited and the National Stock Exchange of India Limited, and the RHP and the Prospectus to be filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("RoC") in connection with the proposed Offer. The Restated Financial Information have been prepared by the Management of the Bank in accordance with the basis of preparation stated in Note 2 to Annexure 22 of the Restated Financial Information.

   The Board of Directors of the Bank are responsible for designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Bank complies with the Act, the SEBI ICDR Regulations and the Guidance Note.

Auditors Responsibility

3. We have examined the Restated Financial Information taking into consideration:

    a) The terms of reference and our engagement agreed with you vide our engagement letter dated August 14, 2019, requesting us to carry out work on such Restated Financial Information, proposed to be included in the DRHP, RHP and Prospectus of the Bank in connection with the Bank's proposed Offer;

    b) The Guidance Note. The Guidance note also requires that we comply with the ethical requirements as stated in the Code of Ethics issued by the ICAI;

    c) Concepts of test check and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

    d) The requirements of Section 26 of the Act and the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to compliance with the Act, the SEBI ICDR Regulations and the Guidance Note in connection with the Proposed Offer.

Restated Financial Information as per audited financial statements

4. The Restated Financial Information have been compiled by the Management from the audited financial statements of the Bank as at and for each of the three months ended June 30, 2019 and June 30, 2018, years ended March 31, 2019 and March 31 2018, and period from July 4, 2016 to March 31, 2017, prepared in accordance with accounting standards notified under section 133 of the Act (the "Indian GAAP") and have been approved by the Board of Directors at their meeting held on August 14, 2019.

5. For the purpose of our examination, we have relied on:

    a) Auditors' Reports issued by us dated August 14, 2019 on the financial statements of the Bank as at and for the three months ended June 30, 2019 and June 30, 2018, as referred in Para 4 above.

    b) Auditors' Reports issued by us dated May 28, 2019 on the financial statements of the Bank as at and for the year ended March 31, 2019, as referred in Para 4 above.

    c) Auditors' Reports issued by Price Waterhouse Chartered Accountants LLP, ("Previous Auditors"), dated May 8, 2018 and April 26, 2017 on the financial statements of the Bank as at for the years ended March 31, 2018 and period from July 4, 2016 to March 31, 2017 respectively, as referred in Para 4 above.

    The audited financial statements for the year ended March 31, 2018 and period from July 4, 2016 to March 31, 2017 and the Independent Auditors' Reports thereon issued by the Previous Auditor have been furnished to us by the Bank. Upon specific request by the Bank, we have examined and reported on the restated financial information for the year ended March 31, 2018 and period from July 4, 2016 to March 31, 2017. The adjustments in so far as it relates to the amounts, disclosures, material errors, regrouping, reclassification, etc., included in respect of the year ended March 31, 2018 and period from July 4, 2016 to March 31, 2017 is restricted to and based solely on the audited financial statements and auditor's reports issued by the Previous Auditor for such year and period respectively. We have not performed any additional procedures other than those stated herein and do not accept any responsibility of whatsoever nature in this regard.

6. Based on the above and according to the information and explanations given to us, we report that:

   i) Restated Financial Information have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years as at and for the year ended March 31, 2019 and March 31, 2018, and period from July 4, 2016 to March 31, 2017 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the three months ended June 30, 2019 and June 30, 2018;

   ii) There are no qualifications in the auditors' reports on the audited financial statements of the Bank as at and three month period ended June 30, 2019 and June 30, 2018, year ended March 31, 2019, March 31, 2018 and period from July 4, 2016 to March 31, 2017, which require any adjustments to the Restated Financial Information; and

   iii) Restated Financial Information have been prepared in accordance with the Act, the SEBI ICDR Regulations and the Guidance Note.

7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the report on the audited financial statements mentioned in paragraph 4 above.

8. According to the information and explanations given to us, in our opinion, the Restated Financial Information, read with Summary of Significant Accounting Policies disclosed in Annexure 22, accompanying this report, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Annexure 4 and Annexure 5 respectively, and have been prepared in accordance with the Act, ICDR Regulations, to the extent applicable, and the Guidance Note.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous auditor's reports issued by us or by the Previous Auditors, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

11. Our report is intended solely for use of the Board of Directors and for inclusion in the DRHP, RHP and Prospectus to be filed with Securities and Exchange Board of India, National Stock Exchange of India Limited and BSE Limited and the RoC in connection with the proposed Offer of the Bank. Our report should not be used, referred to or distributed for any other purpose without prior consent in writing. Accordingly, we do not accept any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **MSKA & Associates**
Chartered Accountants
ICAI Firm registration number: 105047W

Swapnil Kale
Partner

Membership No. 117812
UDIN: 19117812AAAAHE8587

Place: Bengaluru
Date: August 14, 2019

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure-1: Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	Annexure	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
CAPITAL AND LIABILITIES						
Capital	6	16,400.37	16,400.37	16,400.37	16,400.37	16,400.37
Reserves and Surplus	7	2,740.78	534.53	1,795.94	68.98	0.35
Deposits	8	79,567.64	38,034.50	73,794.40	37,725.18	2,064.05
Borrowings	9	39,460.68	39,446.43	41,660.90	38,528.45	62,914.04
Other Liabilities and Provisions	10	4,756.64	2,766.58	3,770.54	2,005.75	2,980.24
TOTAL		**142,926.11**	**97,182.41**	**137,422.15**	**94,728.73**	**84,359.05**
ASSETS						
Cash and Balances with Reserve Bank of India	11	2,996.92	2,175.89	4,464.64	2,496.34	2,609.29
Balances with Banks and Money at Call and Short Notice	12	4,217.56	2,640.87	6,479.96	2,452.01	5,018.92
Investments	13	16,596.81	12,038.14	15,266.22	12,324.79	14,466.77
Advances	14	113,275.05	76,057.92	105,524.55	73,362.11	58,610.45
Fixed Assets	15	2,947.28	2,166.11	2,844.50	1,983.45	1,397.69
Other Assets	16	2,892.49	2,103.48	2,842.28	2,110.03	2,255.93
TOTAL		**142,926.11**	**97,182.41**	**137,422.15**	**94,728.73**	**84,359.05**
Contingent Liabilities	17	372.71	475.91	308.53	195.09	283.36
Bills for Collection		-	-	-	-	-
Significant Accounting Policies	22					
Notes forming part of the financial statements	23					

The accompanying annexures are integral part of this statement.

As per our report of even date

For MSKA & Associates
Chartered Accountants
Firm Registration Number: 105047W

For and on behalf of the Board of Directors of
Ujjivan Small Finance Bank Limited

Swapnil Kale
Partner
Membership Number: 117812

Sunil Patel
DIN: 00050837
Chairman

Samit Kumar Ghosh
DIN: 00185369
Managing Director &
Chief Excecutive Officer

Vandana Viswanathan
DIN: 05192578
Non-Executive Director

Nandlal Sarda
DIN: 00147782
Independent Director

Place: Bengaluru
Date: August 14, 2019

Upma Goel
Chief Financial Officer

Chanchal Kumar
Company Secretary
Membership Number: A50952

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure-2: Restated Summary Statement of Profit and Loss

(Rs. in Millions)

Particulars	Annexure	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
I. INCOME						
Interest Earned	18	6,053.71	4,063.18	18,316.11	14,678.75	2,170.10
Other Income	19	1,001.29	533.10	2,059.64	1,114.80	68.64
TOTAL		**7,055.00**	**4,596.28**	**20,375.75**	**15,793.55**	**2,238.74**
II. EXPENDITURE						
Interest Expended	20	2,529.20	1,608.02	7,251.99	6,068.64	1,093.58
Operating Expenses	21	2,913.44	2,143.24	10,033.54	6,528.70	1,091.90
Provisions and Contingencies (Refer Annexure 23 (17))		667.52	379.47	1,098.04	3,127.58	52.91
TOTAL		**6,110.16**	**4,130.73**	**18,383.57**	**15,724.92**	**2,238.39**
III. PROFIT						
Net Profit/ (Loss) for the period/year		944.84	465.55	1,992.18	68.63	0.35
Profit/ (Loss) brought forward		1,183.63	51.73	51.73	0.26	-
TOTAL		**2,128.47**	**517.28**	**2,043.91**	**68.89**	**0.35**
IV. APPROPRIATIONS						
Transfer to						
a) Statutory Reserves		236.21	-	498.05	17.16	0.09
b) Investment Reserve		-	-	-	-	-
c) Interim Preference Dividend Paid (includes tax on dividend)		-	-	265.22	-	-
d) Investment Fluctuation Reserve		31.78	-	97.01	-	-
e) Balance Carried over to Balance Sheet		1,860.48	517.28	1,183.63	51.73	0.26
TOTAL		**2,128.47**	**517.28**	**2,043.91**	**68.89**	**0.35**
V. Earnings per Equity Share (Face value of Rs. 10 per share)*						
Basic (Rs.) (Refer Annexure 23 (25))		0.66	0.32	1.20	0.05	0.00
Diluted (Rs.) (Refer Annexure 23 (25))		0.66	0.32	1.20	0.05	0.00
Significant Accounting Policies	22					
Notes forming part of the financial statements	23					

*For three months EPS not annualised

The accompanying annexures are integral part of this statement.

As per our report of even date

For MSKA & Associates Chartered Accountants Firm Registration Number: 105047W	**For and on behalf of the Board of Directors of** **Ujjivan Small Finance Bank Limited**	
Swapnil Kale Partner Membership Number: 117812	Sunil Patel DIN: 00050837 Chairman	Samit Kumar Ghosh DIN: 00185369 Managing Director & Chief Excecutive Officer
	Vandana Viswanathan DIN: 05192578 Non-Executive Director	Nandlal Sarda DIN: 00147782 Independent Director
Place: Bengaluru Date: August 14, 2019	Upma Goel Chief Financial Officer	Chanchal Kumar Company Secretary Membership Number: A50952

UJJIVAN SMALL FINANCE BANK LIMITED
Annexure-3: Restated Summary Statement of Cash Flows

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
A. Cash Flow from Operating Activities					
Net Profit before taxation	**1,424.46**	**695.63**	**2,684.24**	**85.43**	**11.94**
Adjustments for :					
Depreciation on Bank's Property	172.52	121.12	605.98	413.73	51.04
Loss on sale of Land, Building & Other assets (net)	0.85	2.57	11.43	6.37	0.10
Fixed Assets Written off (including goodwill written off)	-	0.02	0.14	0.08	162.57
Provision for Non Performing Assets	124.20	131.95	231.72	3,868.95	21.01
Provision for Standard Assets	63.70	17.44	174.17	(761.20)	23.35
Amortisation of premium on HTM Investments	7.66	5.12	24.84	17.37	2.36
Profit on revaluation of Investments	-	-	-	(41.97)	41.97
Operating Profit before Working Capital changes	**1,793.39**	**973.85**	**3,732.52**	**3,588.76**	**314.34**
Adjustments for :					
Increase in Advances	(7,874.70)	(2,827.76)	(32,394.16)	(18,620.61)	(58,631.46)
(Increase)/Decrease in Investments	(1,338.25)	281.53	(2,966.27)	2,166.58	(14,511.10)
(Increase)/Decrease in Other Assets	(269.58)	(17.00)	(865.11)	891.21	(3,022.52)
Increase in Deposits	5,773.24	309.32	36,069.22	35,661.13	2,064.05
Increase/ (Decrease) in Other Liabilities	922.40	743.39	1,590.62	(213.29)	2,956.90
Cash generated from Operations	**(993.50)**	**(536.67)**	**5,166.82**	**23,473.78**	**(70,829.79)**
Direct Taxes Paid	(260.25)	(82.99)	(389.65)	(336.69)	(8.10)
Net Cash generated from Operating Activities (A)	**(1,253.75)**	**(619.66)**	**4,777.17**	**23,137.09**	**(70,837.89)**
B. Cash Flow from Investing Activities					
Proceeds from sale of Fixed Assets	2.77	1.04	11.33	3.68	-
Purchase of Fixed Assets including WIP	(278.92)	(307.41)	(1,489.93)	(1,009.62)	(1,611.40)
Net Cash used in Investing Activities (B)	**(276.15)**	**(306.37)**	**(1,478.60)**	**(1,005.94)**	**(1,611.40)**
C. Cash Flow from Financing Activities					
Proceeds from issue of equity shares (net of issue expenses)	-	-	-	-	16,400.37
Increase/(Decrease) in Borrowings (Net)	(2,200.22)	917.98	3,132.45	(24,385.59)	62,914.04
Preference dividend paid during the period/year	-	-	(220.00)	-	-
Dividend distribution tax paid during the period/year	-	-	(45.22)	-	-
Net Cash generated from/(used in) Financing Activities (C)	**(2,200.22)**	**917.98**	**2,867.23**	**(24,385.59)**	**79,314.41**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	**(3,730.12)**	**(8.05)**	**6,165.80**	**(2,254.44)**	**6,865.12**
Cash and Cash Equivalents at the beginning of the period/year	10,776.48	4,610.68	4,610.68	6,865.12	-
Cash and Cash Equivalents at the end of the period/year	**7,046.36**	**4,602.63**	**10,776.48**	**4,610.68**	**6,865.12**

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Account) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.

2. Cash and Cash Equivalents comprises of 'Cash & Balances with Reserve Bank of India (Annexure 11)' and 'Balances with Banks and Money at Call and Short Notice (Annexure 12)' with balances having original maturity of less than three months.

The accompanying annexures are integral part of this statement.

As per our report of even date

For MSKA & Associates
Chartered Accountants
Firm Registration Number: 105047W

For and on behalf of the Board of Directors of
Ujjivan Small Finance Bank Limited

Swapnil Kale
Partner
Membership Number: 117812

Sunil Patel
DIN: 00050837
Chairman

Samit Kumar Ghosh
DIN: 00185369
Managing Director & Chief Excecutive Officer

Vandana Viswanathan
DIN: 05192578
Non-Executive Director

Nandlal Sarda
DIN: 00147782
Independent Director

Place: Bengaluru
Date: August 14, 2019

Upma Goel
Chief Financial Officer

Chanchal Kumar
Company Secretary
Membership Number: A50952

Annexure 4- Restated Statement on Adjustments to Audited Financial Statements Ujjivan Small Finance Bank Limited

Summarized below are the restatement adjustments made to the Audited Standalone Financial Statements for the period ended June 30, 2019 and June 30, 2018 and for the years ended March 31, 2019 and March 31, 2018, and period ended March 31, 2017 and their impact on the profit / (loss) of the Bank:

(Rs in Millions)

Particulars	**For the Period ended**		**For the Year ended**		
	Period from April 1, 2019 to June 30, 2019	**Period from April 1, 2018 to June 30, 2018**	**Year ended March 31, 2019**	**Year ended March 31, 2018**	**Period ended March 31, 2017**
Profit after tax as per audited financial statement	**944.84**	**465.55**	**1,992.18**	**68.63**	**0.35**
(i) Impact of adjustments due to adjustment relating to taxation:					
- Short Provisioning of Minimum Alternate Tax (MAT) in 2017 now adjusted	-	-	-	-	**(3.04)**
- MAT credit entitlement	-	-	-	-	**3.04**
- Excess provision of current tax reversed in March 2018	-	-	-	**3.04**	-
- MAT utilised in March 2018	-	-	-	**(3.04)**	-
Total impact of adjustments	-	-	-	-	-
Profit after adjustments (As per Restated Statement of Profit and Loss)	**944.84**	**465.55**	**1,992.18**	**68.63**	**0.35**
The excess provision of current tax and short provisioning of MAT in year ended March 31, 2017, has been restated in financial year March 31, 2017. Above table explains the impact of this adjustment in the financial statement for period ended March 31, 2017. This adjustment had already been considered in the audited financial statement for the year ended March 31, 2018.					

Annexure - 4 Continued

Restated Statement on Adjustments to Audited Financial Statements Ujjivan Small Finance Bank Limited

Notes

1	**Adjustments for Audit Qualifications**	Nil
2	**Changes in Accounting Policy**	Nil
3	**Regrouping and Reclassifications**	Refer Annexure 5
4	**Reconciliation of Balance sheet items**	

Other liabilities in the Balance Sheet as at March 31, 2017 ***(Rs in Millions)***

Particulars	**Amount**
Balance of other liabilites, as per audited Balance Sheet as at March 31, 2017 (after considering regrouping and reclassifications)	1,275.16
Adjustment on account of Restatements:-	
Adjustment on account of Taxation	3.04
Balance of Other liabilities as per Restated Summary Statement of Assets and Liabilities as at March 31, 2017	1,278.20

Other assets in the Balance Sheet as at March 31, 2017 ***(Rs in Millions)***

Particulars	**Amount**
Balance of other assets, as per audited Balance Sheet as at March 31, 2017	1,470.85
Adjustment on account of Restatements:-	
Adjustment on account of Taxation	3.04
Balance of Other assets as per Restated Summary Statement of Assets and Liabilities as at March 31, 2017	1,473.89

Other liabilities in the Balance Sheet as at March 31, 2018 ***(Rs in Millions)***

Particulars	**Amount**
Balance of other liabilites, as per audited Balance Sheet as at March 31, 2018	735.85
Adjustment on account of Restatements:-	
Adjustment on account of Taxation	(3.04)
Balance of Other liabilities as per Restated Summary Statement of Assets and Liabilities as at March 31, 2018	732.81

Other assets in the Balance Sheet as at March 31, 2018 ***(Rs in Millions)***

Particulars	**Amount**
Balance of other assets, as per audited Balance Sheet as at March 31, 2018	1,249.29
Adjustment on account of Restatements:-	
Adjustment on account of Taxation	(3.04)
Balance of Other assets as per Restated Summary Statement of Assets and Liabilities as at March 31, 2018	1,246.25

Annexure - 5

Regrouping and Reclassifications

Appropriate adjustments have been made in the restated summary statement of assets and liabilities, restated summary statement of profit and loss and restated summary statement of cash flow in accordance with the requirements of the securities and Exchange boards of India (issue of capital and disclosure requirements) regulations, 2018 (as amended), by a reclassification of the corresponding items of income, expense, assets, liabilities and cash flows in order to bring them in line with the groupings as per the audited financial statements of the bank as at and for the year ended March 31, 2019.

Regrouping for the year ended March 31, 2017

(Rs in Millions)

Particulars	As per Audited Financials 2016-17	Changes due to regrouping	Balance after regrouping
Income & Expense			
Interest Earned	2,127.07	43.03	2,170.10
Other Income	133.95	(65.31)	68.64
Operating Expenses	1,114.18	22.28	1,091.90
Assets & Liabilities			
Deposits	2,064.12	(0.07)	2,064.05
Other Liabilities and Provisions	2,977.14	0.07	2,977.21

Regrouping for the year ended March 31, 2018

(Rs in Millions)

Particulars	As per Audited Financials 2017-18	Changes due to regrouping	Balance after regrouping
Income & Expense			
Interest Earned	14,666.54	12.21	14,678.75
Other Income	1,127.01	(12.21)	1,114.80
Interest Expended	6,093.32	24.68	6,068.64
Operating Expenses	6,504.02	(24.68)	6,528.70
Assets & Liabilities			
Deposits	37,724.77	0.41	37,725.18
Other Liabilities and Provisions	2,009.20	(0.41)	2,008.79
Cash and Balances with Reserve Bank of India	1,976.34	520.00	2496.34
Balances with Banks and Money at Call and Short Notice	2,972.01	(520.00)	2452.01
Advances	73,354.64	7.47	73362.11
Other Assets	2,120.54	(7.47)	2113.07

UJJIVAN SMALL FINANCE BANK LIMITED
Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Annexure 6 - Restated Statement of Share Capital					
Authorized Capital					
Current Period:2,300,000,000 (Previous Period/Year :1,500,000,000) Equity Shares of Rs. 10 each	23,000.00	15,000.00	15,000.00	15,000.00	15,000.00
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs. 10 each	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Issued, Subscribed and Called up Capital					
1,440,036,800 Equity Shares of Rs. 10 each	14,400.37	14,400.37	14,400.37	14,400.37	14,400.37
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs. 10 each	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
	16,400.37	**16,400.37**	**16,400.37**	**16,400.37**	**16,400.37**
Paid - up Capital					
1,440,036,800 Equity Shares of Rs. 10 each	14,400.37	14,400.37	14,400.37	14,400.37	14,400.37
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs. 10 each	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
TOTAL	**16,400.37**	**16,400.37**	**16,400.37**	**16,400.37**	**16,400.37**
Annexure 7 - Restated Statement of Reserves and Surplus					
I) Statutory Reserves					
Opening balance	515.30	17.25	17.25	0.09	-
Additions during the period/year	236.21	-	498.05	17.16	0.09
Deductions during the period/year			-	-	-
Closing balance	**751.51**	**17.25**	**515.30**	**17.25**	**0.09**
II) Investment Fluctuation Reserve					
Opening balance	97.01	-	-	-	-
Additions during the period/year	31.78	-	97.01	-	-
Deductions during the period/year	-	-	-	-	-
Closing balance	**128.79**	**-**	**97.01**	**-**	**-**
III) Balance of Profit and Loss Account	1,860.48	517.28	1,183.63	51.73	0.26
TOTAL (I + II + III)	**2,740.78**	**534.53**	**1,795.94**	**68.98**	**0.35**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Annexure 8 - Restated Statement of Deposits					
A. I. Demand Deposits					
(i) From Banks	33.93	0.01	24.93	0.01	-
(ii) From Others	1,143.33	118.32	780.61	102.30	0.03
II. Savings Bank Deposits	7,093.51	2,270.47	7,035.37	1,284.53	32.37
III. Term Deposits					
(i) From Banks	30,273.53	11,971.77	26,151.49	9,604.34	460.00
(ii) From Others	41,023.34	23,673.93	39,802.00	26,734.00	1,571.65
TOTAL (I + II + III)	**79,567.64**	**38,034.50**	**73,794.40**	**37,725.18**	**2,064.05**
B. Deposits of Branches					
I. In India	79,567.64	38,034.50	73,794.40	37,725.18	2,064.05
II. Outside India			-	-	-
TOTAL (I + II)	**79,567.64**	**38,034.50**	**73,794.40**	**37,725.18**	**2,064.05**
Annexure 9 - Restated Statement of Borrowings					
I. Borrowings in India					
(i) Reserve Bank of India	-	-	-	-	-
(ii) Other Banks	2,500.00	6,166.01	2,500.00	9,017.29	36,027.44
(iii) Other Institutions and Agencies	36,560.68	27,280.42	38,160.90	23,511.16	18,636.60
(iv) Non-Convertible Redeemable Debenture	400.00	6,000.00	1,000.00	6,000.00	8,250.00
TOTAL	**39,460.68**	**39,446.43**	**41,660.90**	**38,528.45**	**62,914.04**
II. Borrowings Outside India	-	-	-	-	-
TOTAL (I + II)	**39,460.68**	**39,446.43**	**41,660.90**	**38,528.45**	**62,914.04**
Secured borrowings included in I and II above	**2,705.68**	**11,541.29**	**3,105.90**	**14,404.10**	**47,535.31**
Annexure 10 - Restated Statement of Other Liabilites and Provisions					
(i) Bills Payable	869.80	329.83	874.04	243.56	0.07
(ii) Inter-Office Adjustments (net)	-	-	-	-	-
(iii) Interest Accrued	1,509.42	982.53	1,022.56	664.39	600.14
(iv) Standard Asset-General Provisions (Refer Annexure 23 (4.3))	602.86	382.42	539.15	364.99	1,101.83
(v) Others (including provisions)	1,774.56	1,071.80	1,334.79	732.81	1,278.20
TOTAL	**4,756.64**	**2,766.58**	**3,770.54**	**2,005.75**	**2,980.24**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Annexure 11 - Restated Statement of Cash and Balances with Reserve Bank of India					
I. Cash in Hand (including Cash at ATM)	951.49	600.03	898.87	377.39	402.02
II. Balances with Reserve Bank of India					
(i) In Current Account	1,545.43	1,235.86	1,415.77	1,598.95	2,207.27
(ii) In Other Accounts (Including Reverse Repo)	500.00	340.00	2,150.00	520.00	-
TOTAL (I + II)	**2,996.92**	**2,175.89**	**4,464.64**	**2,496.34**	**2,609.29**
Annexure 12 - Restated Statement of Balances with Banks and Money at Call and short Notice					
I. In India					
(i) Balances with Banks					
(a) in Current Accounts	176.57	117.16	112.53	114.44	105.83
(b) in Other Deposit Accounts*	168.12	273.71	168.12	337.67	763.09
(ii) Money at Call and Short Notice					
(a) with Banks	3,600.00	1,750.00	5,100.00	1,800.00	3,650.00
(b) with Other Institutions	272.87	500.00	1,099.31	199.90	500.00
TOTAL	**4,217.56**	**2,640.87**	**6,479.96**	**2,452.01**	**5,018.92**
II. Outside India					
(i) In Current Accounts	-	-	-	-	-
(ii) In Other Deposits Accounts	-	-	-	-	-
(iii) Money at Call and Short Notice	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**
TOTAL (I+II)	**4,217.56**	**2,640.87**	**6,479.96**	**2,452.01**	**5,018.92**
*It includes Fixed deposits June 30, 2019: Rs 168.12(in Mn), June 30, 2018 : Rs 214.15 (in Mn) March 31, 2019 :Rs. 168.12 (in Mn), March 31, 2018 :Rs. 214.14 (in Mn) and March 31, 2017 : Rs 763.09 (in Mn) held under lien.					
Annexure 13 - Restated Statement of Investments					
I. Investments in India in (Refer Annexure 23 (2))					
(i) Government Securities	16,595.81	12,037.14	15,265.22	12,323.79	14,465.77
(ii) Other approved Securities	-	-	-	-	-
(iii) Shares	1.00	1.00	1.00	1.00	1.00
(iv) Debentures and Bonds	-	-	-	-	-
(v) Subsidiaries and/or Joint Ventures	-	-	-	-	-
(vi) Others (Investment in Units)	-	-	-	-	-
TOTAL	**16,596.81**	**12,038.14**	**15,266.22**	**12,324.79**	**14,466.77**
II. Investments Outside India in					
(i) Government Securities (Including local authorities)			-	-	-
(ii) Subsidiaries and/or Joint Ventures abroad			-	-	-
TOTAL			**-**	**-**	**-**
TOTAL (I+II)	**16,596.81**	**12,038.14**	**15,266.22**	**12,324.79**	**14,466.77**
III. Gross Value of Investments	16,596.81	12,038.14	15,266.22	12,324.79	14,508.74
Less: Provision for depreciation	-	-	-	-	(41.97)
Net value of Investments	**16,596.81**	**12,038.14**	**15,266.22**	**12,324.79**	**14,466.77**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Annexure 14 - Restated Statement of Advances					
A (i) Bills Purchased and Discounted	-	-	-	-	-
(ii) Cash Credits, Overdrafts and Loans repayable on demand	13,159.35	9,970.46	12,695.53	11,758.49	-
(iii) Term Loans	100,115.70	66,087.46	92,829.02	61,603.62	58,610.45
TOTAL	**113,275.05**	**76,057.92**	**105,524.55**	**73,362.11**	**58,610.45**
B (i) Secured by Tangible Assets	19,332.83	5,491.62	14,991.44	4,059.54	1,169.77
(ii) Covered by Bank/Government Guarantees	-	-	-	-	-
(iii) Unsecured (Refer Annexure 23 (4.6))	93,942.22	70,566.30	90,533.11	69,302.57	57,440.68
TOTAL	**113,275.05**	**76,057.92**	**105,524.55**	**73,362.11**	**58,610.45**
C **I. Advances in India**					
(i) Priority Sectors	54,579.73	39,244.86	61,576.39	11,389.07	58,266.27
(ii) Public Sector	-	-	-	-	-
(iii) Banks	-	160.22	-	60.00	-
(iv) Others	58,695.32	36,652.84	43,948.16	61,913.04	344.18
TOTAL	**113,275.05**	**76,057.92**	**105,524.55**	**73,362.11**	**58,610.45**
II. Advances Outside India			-	-	-
TOTAL			**-**	**-**	**-**
TOTAL (I+II)	**113,275.05**	**76,057.92**	**105,524.55**	**73,362.11**	**58,610.45**
Annexure 15 - Restated Statement of Fixed Assets					
I. Premises	-	-	-	-	-
II. Other Fixed Assets (Including Furniture and Fixtures) (Refer Annexure 23 (26.4 & 26.5))					
At cost as on the beginning of the period/year	4,067.54	2,669.28	2,669.28	1,721.91	-
Additions during the period/year	189.04	224.43	1,511.04	999.45	1,721.91
Deductions during the period/year	(14.35)	(16.26)	(112.78)	(52.07)	(355.87)
Depreciation to date	(1,405.87)	(836.33)	(1,244.07)	(727.86)	-
TOTAL	**2,836.36**	**2,041.12**	**2,823.47**	**1,941.43**	**1,366.04**
III. Capital Work In Progress (Including Capital Advances)	110.92	124.99	21.03	42.02	31.65
TOTAL (I+II+III)	**2,947.28**	**2,166.11**	**2,844.50**	**1,983.45**	**1,397.69**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexures forming part of the Restated Summary Statement of Assets and Liabilities

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Annexure 16 - Restated Statement of Other Assets					
(i) Inter Office Adjustments (Net)	-	-	-	-	-
(ii) Interest Accrued	1,354.98	877.71	1,319.81	846.40	782.04
(iii) Tax paid in Advance / Tax Deducted at Source (Net of provision for tax)	-	21.88	56.83	17.38	-
(iv) Stationery and Stamps	-	-	-	-	-
(v) Non-banking assets acquired in satisfaction of claims	-	-	-	-	-
(vi) Others (including Deferred tax assets)	1,537.51	1,203.89	1,465.64	1,246.25	1,473.89
TOTAL	**2,892.49**	**2,103.48**	**2,842.28**	**2,110.03**	**2,255.93**
Annexure 17 - Restated Statement of Contingent Liabilities (Refer Annexure 23 (26.6))					
(i) Claims against the Bank not acknowledged as debts	6.53	6.18	6.10	6.18	4.55
(ii) Liability for partly paid Investments	-	-	-	-	-
(iii) Liability on account of Outstanding Forward Exchange Contracts	-	-	-	-	-
(iv) Guarantees given on behalf of Constituents					
(a) In India	2.50	2.50	2.50	2.50	-
(b) Outside India	-	-	-	-	-
(v) Acceptances, Endorsements and Other Obligations	-	-	-	-	-
(vi) Other items for which the Bank is contingently liable - Capital commitments not provided/Others	363.69	467.23	299.93	186.41	278.81
TOTAL	**372.71**	**475.91**	**308.53**	**195.09**	**283.36**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexures forming part of the Restated Summary Statement of Profit and Loss

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
Annexure 18 - Restated Statement of Interest Earned					
(i) Interest /Discount on Advance/Bills	5,671.98	3,832.92	17,284.89	13,127.75	1,853.47
(ii) Income on Investments	350.25	223.97	930.98	922.93	192.50
(iii) Interest on Balances With Reserve Bank of India and Other inter-bank funds	4.33	6.29	24.36	45.15	44.50
(iv) Others (Interest income on securitisation)	27.15	-	75.88	582.92	79.63
TOTAL	**6,053.71**	**4,063.18**	**18,316.11**	**14,678.75**	**2,170.10**
Annexure 19 - Restated Statement of Other Income					
(i) Commission, Exchange and Brokerage	453.44	240.38	1,394.57	792.05	105.86
(ii) Profit on Sale of Investments (net)	31.78	28.85	97.01	10.28	2.15
(iii) Profit on Revaluation of Investments	-	-	-	41.97	(41.97)
(iv) (Loss) on sale of Land, Building and other Assets (net)	(0.85)	(2.57)	(11.43)	(6.37)	(0.10)
(v) Profit on Exchange Transactions (net)	-	-	-	-	-
(vi) Income earned by way of Dividends etc.	-	-	-	-	-
from subsidiaries/companies and/or joint ventures abroad/in India					
(vii) Miscellaneous Income	516.92	266.44	579.49	276.87	2.70
Total	**1,001.29**	**533.10**	**2,059.64**	**1,114.80**	**68.64**
Annexure 20 - Restated Statement of Interest Expended					
(i) Interest on Deposits	1,518.50	702.48	3,570.81	1,109.06	1.42
(ii) Interest on Reserve Bank of India/ Inter-Bank Borrowings	124.55	165.77	450.78	2,227.92	941.71
(iii) Others (including interest on Subordinated Debts)	886.15	739.77	3,230.40	2,731.66	150.45
TOTAL	**2,529.20**	**1,608.02**	**7,251.99**	**6,068.64**	**1,093.58**
Annexure 21 - Restated Statement of Operating Expenses					
(i) Payments to and Provision for Employees	1,593.86	1,126.75	5,187.98	3,604.39	464.42
(ii) Rent, Taxes and Lighting (Including operating lease rentals)	345.06	173.95	914.56	476.43	86.33
(iii) Printing and Stationery	42.29	42.82	236.67	138.01	17.37
(iv) Advertisement and Publicity	26.35	122.40	343.89	106.11	6.32
(v) Depreciation on Bank's Property	172.52	121.12	605.98	413.73	51.04
(vi) Director's Fees, Allowances and Expenses	2.16	2.64	8.91	6.10	1.99
(vii) Auditors' fees and Expenses (Refer Annexure 23 (32))	2.22	1.59	7.07	5.15	1.20
(viii) Law Charges	15.99	5.70	40.15	15.85	1.96
(ix) Postages, Telegrams, Telephones etc.	82.49	61.64	288.79	217.47	25.67
(x) Repairs and Maintenance	165.06	163.84	713.67	503.65	62.78
(xi) Insurance	15.66	10.10	41.68	14.36	4.20
(xii) Other Expenditure	449.78	310.69	1,644.19	1,027.45	368.62
	2,913.44	**2,143.24**	**10,033.54**	**6,528.70**	**1,091.90**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure 22 - Significant Accounting policies forming part of restated financial statements

1 CORPORATE INFORMATION

Ujjivan Small Finance Bank Limited (USFB) is a Scheduled Bank and offers a full range of banking products and services such as Savings & Current Accounts; Fixed & Recurring Deposits; Micro, Home, Personal, Vehicle and Micro and Small Enterprises Loans; and Overdraft Facility with mission of providing financial services to the unserved and the underserved. The Bank also has a small portfolio of loans to Financial Institutions. Services offered to its retail customers include Mobile & Internet Banking; Remittances using the UPI platform and IMPS, NEFT and RTGS, Bill Payment facility. In a recent initiative, the Bank has commenced offering Internet Banking to its corporate customers as well.

UFSL being 100% holding company of Bank started its operations as a Non-Banking Financial Company in 2005. In the following years, UFSL saw a steady growth in its services and customer base and continued to take significant steps towards serving the economically active poor. In 2015, the Reserve Bank of India licenced the Small Finance Banks - a new category of specialised banks to serve the financially unserved and underserved population, especially the micro-enterprises, workers and small and marginal farmers.

On November 11, 2016, UFSL received a banking licence from RBI to carry out Small Finance Bank business in India. The Bank took over the business of UFSL and started its operations on February 1, 2017, Scheduled Bank status has been accorded by Reserve Bank of India vide Notification: DBR.PSBD.No. 467/16.02.006/2017-2018 published in the Gazette of India on August 25, 2017. The Bank has its Registered Office in Delhi, Corporate Office in Bengaluru and Regional Offices in Noida, Kolkata, Bengaluru and Pune. The Bank operates in India and does not have a branch in any foreign country.

2 BASIS OF PREPARATION

The Restated Financial Information of the Company have been prepared for inclusion in the Draft Red Herring Prospectus (DRHP) to be filed by the Company with the Securities and Exchange Board of India (“SEBI”) in connection with the proposed Initial Public Offering ('IPO') of equity shares of the Company (referred to as the "Issuer"). The Restated Financial Information comprise of the Restated Summary Statement of Assets and Liabilities as at June 30, 2019, June 30, 2018, 31 March 2019, 31 March 2018, 31 March 2017, the Restated Summary Statements of Profit and Loss, the Restated Summary Statement of Cash Flows for the period ended June 30, 2019 and June 30, 2018 and years ended 31 March 2019, 31 March 2018 and period ended 31 March 2017 and Annexure 1 to 23 thereto (hereinafter collectively referred to as “the Restated Financial Information”). The Bank was incorporated on July 04, 2016 under the provisions of the Companies Act, 2013 and licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 with effect from November 11, 2016 . Bank started its operations w.e.f February 01, 2017. The Restated Financial information pertaining to the period ended March 31, 2017 are from July 04, 2016 to March 31, 2017, and the Restated Financial information pertaining to the year ended March 31, 2018 are from April 1, 2017 to March 31, 2018, and the Restated Financial information pertaining to the year ended March 31, 2019 are from April 1, 2018 to March 31, 2019, and therefore the Restated Financial Information relating to the comparative period March 31, 2017 are not comparable.

The Restated Financial Information have been prepared to comply in all material respects with the requirements of:

1) Section 26 of Part I of Chapter III of the Companies Act, 2013 as amended (“the Act”),

2) the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“SEBI ICDR Regulations”);

and

3) Guidance Note on Report in Company Prospectus (Revised 2019) issued by Institute of Chartered Accountants of India (referred to as ‘the Guidance note’)

The accompanying restated financial statements have been prepared under the historical cost convention and on accrual basis except where otherwise stated, and in compliance with the generally accepted accounting principles in India("GAAP") and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by the RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) amendment rules, 2016 to the extent applicable and practices prevailing within the banking industry in India. The financial statements are presented in millions rounded off to the nearest million unless otherwise stated.

As mandated by the RBI directive, the Bank needs to list itself by January 31, 2020. The Board of Directors of the Bank in their meeting held on July 30, 2019 have approved a proposal for an Initial Public Offer (IPO) of its equity shares, subject to receipt of requisite regulatory approvals and prevailing market conditions. As per Management, the Bank continues to evaluate other options to achieve listing of its equity shares in accordance with guidance from the RBI and applicable law. The Bank is committed to complying with the listing condition within the stipulated timelines.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from estimates and the differences between the actual results and the estimates are recognized prospectively in which the results are known/material.

3.2 PROPERTY, PLANT AND EQUIPMENT (PPE)

Property, Plant and Equipment, Capital work in Progress are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on PPE after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such costs includes the cost of replacing the 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 on the balance sheet date are shown as Capital Work in Progress. Advance paid towards such development are shown as capital advance.

Depreciable amount for PPE is the cost of an asset, or other amount substituted for cost, less its estimated residual value. 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. Leasehold improvements are amortised over the duration of the lease. 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Estimated Useful Life as specified under Schedule II of the Companies Act, 2013 (years)
Computer	3
Furniture and Fittings	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

PPE purchased/sold during the year are depreciated on a pro-rata basis.

PPE costing less than Rs. 5,000 each are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (i.e 5% of Cost) except for Software and Lease hold assets.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition is recognised in the Profit and Loss Account.

Gains or losses arising from disposal or retirement of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within “Other Income” as Profit/(Loss) on sale of PPE, as the case maybe, in the Profit and Loss Account in the year of disposal or retirement.

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.

3.3 INTANGIBLE ASSETS

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 resumption 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.

3.4 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.

3.5 INVESTMENTS

Classification and Valuation of the Bank's Investments are carried out in accordance with RBI guidelines on Investment Classification and Valuation which are as follows:

Categorisation of Investments:
The Bank classifies its Investment at the time of purchase into one of the following 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.
(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 RBI guidelines.

Classification of Investments:
For the purpose of disclosure in the Balance Sheet, Investments in india are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures and (vi) Other Investments.
Investments outside india are classified under three groups viz., (i) Government Securities (Including local authorities), (ii) Subsidiaries and/or Joint Ventures abroad and (iii) 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 which are not classified in the above categories are classified under AFS category

Acquisition cost:
(i) Broken period interest on debt instruments is treated as a receivable at the time of acquisition and post acqusition broken period interest treated as a revenue item.
(ii) Brokerage, commission, etc. pertaining to Investments, paid at the time of acquisition is charged to the Profit and Loss Account.
(iii) Cost of Investments is computed based on the weighted average cost method.

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 of Investments:
(i) Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on Investments (Item II of Annexure 16). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each Investment individually.

(ii) Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.
(vii) Provision for non-performing Investments is made in conformity with RBI guidelines.

(viii) 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.

(ix) 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). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

(x) Unquoted equity shares are valued at their break-up value, If latest Balance sheet is not available then unquoted equity share is valued at Rs. 1 per share.

(xi) Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.

(xii) In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

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.

3.6 ADVANCES

Advances are classified as Performing Advances (Standard) and Non- Performing Advances (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. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) with risk sharing issued.

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:
Specific provisions for Non- Performing Advances and floating provisions are made in conformity with the RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

A general provision on standard assets is made in accordance with RBI guidelines or as per provisioning policy of the bank whichever is higher. Provision made against standard assets is included in 'Other Liabilities and Provisions'. 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'.

Advances exclude derecognised securitised Advances.

Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss Account and included in Other Income

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss Account to the extent such provisions were charged to the Profit and Loss Account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

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 the RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Securitisation transactions and direct assignments:
The Bank transfers its loan receivables through Direct Assignment and IBPC route as well as transfer to Special Purpose Vehicle (SPV).

The Securitisation transactions are without recourse to the Bank. The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains/losses are recognised only If the Bank surrenders the rights to the benefits specified in the loan contracts.

Profit / premium arising at the time of securitisation / assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss net of any losses when redeemed in cash.

Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

Priority Sector Lending Certificates (PSLCs):
The Bank enters into transactions for the sale of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells 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 'Miscellaneous Income'.

3.7 REVENUE RECOGNITION

Interest income on Loans, Advances and Investments (including deposits with Banks and other institutions) are recognized in the Profit and Loss Account on accrual basis, except in the case of Non- Performing Assets and minimum retention requirement (MRR) portion of Securitized loans. Interest Income on Non- Performing Assets is recognized upon realization as per the prudential norms of the RBI.

Revenues from loan documentation charges are recognized upfront when it become due, except in cases where the Bank is uncertain of its ultimate collection.

Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the Profit and Loss Account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Recoveries from bad debts written off are recognized in the Profit & Loss account and included under Other Income.

Fees received on sale of Priority lending certificates is recognised upfront in the Profit and Loss Account.

3.8 EMPLOYEE BENEFITS

Provident Fund: Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity: Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.
The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Compensated Absences: Provision for compensated absences is made on the basis of actuarial valuation as on the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

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 on 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 on the Balance Sheet date. Actuarial gains / losses are recognised in the Profit and Loss Account in the year in which they arise.

3.9 LEASES

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term in accordance with AS-19, Leases.

3.10 SEGMENT REPORTING

In accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and Accounting Standard 17 (AS-17) on "Segment Reporting", the Banks' business has been segregated into Treasury, Retail Banking and Corporate/ Wholesale Segments.

Segment revenues consist of earnings from external customers and inter-segment revenues based on a transfer pricing mechanism. Segment expenses consist of interest expenses including allocated operating expenses and provisions. Segment results are net of segment revenues and segment expenses.

Segment assets include assets related to segments and exclude tax related assets. Segment liabilities include liabilities related to the segment excluding net worth, proposed dividend and dividend tax thereon.

Since the business operations of the Bank are primarily concentrated in India, the Bank is considered to operate only in the domestic segment.

3.11 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Net Profit or Loss for the period/year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period/year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as on the end of the period/year except when its results are anti-dilutive.

3.12 TAXES ON INCOME

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

Current tax assets and liabilities and deferred tax assets and liabilities are off-set when they relate to income taxes levied by the same taxation authority, when the Bank has a legal right to off-set and when the Bank intends to settle on a net basis.

Minimum Alternate Tax (MAT) Credit is recognized as an asset only when and to the extent there is convincing evidence that the Bank will pay normal income tax during specified period. The year in which the MAT credit becomes eligible, it is to be recognized as an asset. In accordance with the recommendation contained in the guidance note issued by the Institute of Chartered Accountants of India (the "ICAI"), said asset is created by way of credit/reversal of provisions to Profit and Loss Account and included as MAT Credit Entitlements in other assets. The bank reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that bank will pay normal Income Tax during the specified period.

3.13 PROVISIONS AND CONTINGENCIES

A provision is recognized when there is an present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:
i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or
ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

3.14 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents includes cash in hand (including balance in ATM), balances with RBI, balances with other Banks and money at call and short notice. Cash and Cash Equivalents for the purpose of Cash Flow Statement comprises of Cash at Bank and in hand and short term Investments with an original maturity of less than three months.

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 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transfer.

Foreign currency monetary items are reported using the exchange rate prevailing at the Balance Sheet date.

Non-monetary items which are measured in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction. Non-monetary items which are measured at Fair Value or other similar value denominated in a foreign currency are translated using the exchange rate at the date when such value is determined.

Exchange differences arising on settlement of monetary items or on reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or expense in the year in which they arise.

UJJIVAN SMALL FINANCE BANK LIMITED
Annexure 23 - Notes forming part of the restated summary statements

1 CAPITAL

1.1 Capital Infusion:
No capital infusion has happened during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019*, March 31, 2018 and March 31, 2017.

*During the financial year ended March 31, 2019, there was no change in the capital structure of the Bank. However, the Authorised Capital of the Bank has been increased from Rs.17,000,000,000 (Rupees One Thousand Seven Hundred Crores) divided into 1,500,000,000 (One Hundred Fifty Crores) equity shares of Rs. 10/- (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% Perpetual Non - Cumulative Preference Shares of Rs. 10/- (Rupees Ten) each to 25,000,000,000 (Rupees Two Thousand Five Hundred Crores) divided into 2,300,000,000 (Two Hundred Thirty Crores) equity shares of Rs. 10/- (Rupees Ten) each and 200,000,000 (Twenty Crores) 11% Perpetual Non- Cumulative Preference Shares of Rs. 10/- (Rupees Ten) each vide shareholder's resolution dated April 26, 2019.

During the period July 04, 2016 to March 31, 2017 the Bank has allotted share capital as follows:
a. Equity Share Capital

(Rs in 'Millions except share data)

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital (Rs.)
On Incorporation	July 4, 2016	50,000.00	10.00	10.00	0.50
Further allotment	July 30, 2016	109,986,800.00	10.00	10.00	1,099.87
Further allotment	February 10, 2017	1,330,000,000.00	10.00	10.00	13,300.00
Total		**1,440,036,800.00**			**14,400.37**

b. Preference Share Capital

(Rs in 'Millions except share data)

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital (Rs.)
Allotment	February 10, 2017	200,000,000.00	10.00	10.00	2,000.00
Total		**200,000,000.00**			**2,000.00**

On January 12, 2017 an agreement to transfer business undertaking (BTA) was executed by virtue of which the business of 'Ujjivan Financial Services Limited' (UFSL) has been acquired by the Bank effective February 01, 2017 at the purchase price of Rs. 15,300.00 (Mn) and purchase price was discharged by the Bank to UFSL by issue of 1,330,000,000 equity shares, of face value of Rs. 10 each, issued at par and issue of 200,000,000 11% Perpetual non-cumulative preference shares of face value of Rs. 10 each.The value of assets taken over was Rs 86,102.25 (Mn) and the value of liabilities taken over are Rs 70,962.23 (Mn).The net assets(Net of liabilities) taken over was Rs 15,140.02 (Mn).The goodwill purchased (i.e.excess of purchase consideration settled over the net assets taken over) of Rs 160.00 (Mn) has been written off during the FY 2016-17 .

1.2 Capital Adequacy Ratio:
The Bank computes its Capital Adequacy Ratio as per New Capital Adequacy Framework- BASEL-II Standardized Approach for Credit Risk and Operating Guidelines for Small Finance Banks (issued by RBI on October 6, 2016).

Under New Capital Adequacy Framework and Operating Guidelines for Small Finance Bank issued on October 6, 2016, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the Credit Risk Weighted Assets (Credit RWA) on an on-going basis. Out of the MTC, at least 7.5% shall be from Minimum Tier 1 Capital of which common equity Tier 1 Capital shall be 6% and 1.50% from Additional Tier 1 Capital and remaining Tier 2 Capital shall be 7.5%. Further as per RBI's directions given in the circular DBR.NBD.No. 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for capital ratios.

The capital adequacy ratio of the Bank is set out below:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018
Common Equity Tier I Capital Ratio (as a percentage of Credit RWA)	16.25%	20.04%
Tier I Capital Ratio (as a percentage of Credit RWA)	18.37%	23.01%
Tier II Capital Ratio (as a percentage of Credit RWA)	0.63%	0.72%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit RWA)	**19.00%**	**23.73%**
Total Credit to Risk Weighted Assets	94,338.53	67,123.80
Amount of equity capital raised	-	-
Amount of Additional Tier -1 Capital Raised; of which	-	-
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
Amount of Tier 2 Capital raised; of which	-	-
Debt Capital Instrument	-	-

Particulars	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Common Equity Tier I Capital Ratio (as a percentage of Credit RWA)	16.17%	19.31%	17.60%
Tier I Capital Ratio (as a percentage of Credit RWA)	18.39%	22.32%	20.40%
Tier II Capital Ratio (as a percentage of Credit RWA)	0.55%	0.72%	0.67%
Total Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit RWA)	**18.95%**	**23.04%**	**21.07%**
Total Credit to Risk Weighted Assets	89,896.78	66,452.47	71,575.29
Amount of equity capital raised	-	-	14,400.37
Amount of Additional Tier -1 Capital Raised; of which	-	-	2,000.00
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-	2,000.00
Amount of Tier 2 Capital raised; of which	-	-	500.00
Debt Capital Instrument	-	-	500.00

1. As per RBI's directions given in the circular,DBR.NBD.No. 4502/16.13.218/2017-18, dated November 8, 2017, no separate risk charge has been calculated for Market Risk and Operational Risk for 31 March 2018 capital ratios.

2. Capital Ratios for March 31, 2017 as published in the annual report of March 31, 2017 has been computed as per BASEL III guideline which was 18.24%. Based on the revised clarification received from RBI as per the above note, Bank has recomputed the March 31, 2017 figures which, after re-grouping has been presented in the above table.

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure 23 - Notes forming part of the restated summary statements

2 INVESTMENTS

2.1 Details of Investments:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018
Value of Investments		
(i) Gross Value of Investments		
(a) In India	16,596.81	12,038.14
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	16,596.81	12,038.14
(b) Outside India	-	-
(i) Opening balance	-	-
(ii) Add : Provisions made during the period	-	-
(iii) Less : Write-off / (write-back) of excess provisions during the period	-	-
(iv) Closing balance	-	-

(Rs. in Millions)

Particulars	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Value of Investments			
(i) Gross Value of Investments			
(a) In India	15,266.22	12,324.79	14,508.74
(b) Outside India	-	-	
(ii) Provisions for Depreciation			
(a) In India	-	-	(41.97)
(b) Outside India	-	-	
(iii) Net Value of Investments			
(a) In India	15,266.22	12,324.79	14,466.77
(b) Outside India	-	-	
(i) Opening balance	-	41.97	-
(ii) Add : Provisions made during the year	-	-	(41.97)
(iii) Less : Write-off / (write-back) of excess provisions during the year	-	(41.97)	-
(iv) Closing balance	-	-	(41.97)

2.2 Category wise details of Investments (Net of provision for depreciation):

(Rs. in Millions)

As at June 30, 2019			
Particulars	**HTM**	**AFS**	**HFT**
i) Government securities	9,565.06	7,030.75	-
ii) Other approved securities	-	-	-
iii) Shares	-	1.00	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	9,565.06	7,031.75	-

(Rs. in Millions)

As at June 30, 2018			
Particulars	**HTM**	**AFS**	**HFT**
i) Government securities	6,475.45	5,561.69	-
ii) Other approved securities	-	-	-
iii) Shares	1.00	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	6,476.45	5,561.69	-

(Rs. in Millions)

As at March 31, 2019			
Particulars	**HTM**	**AFS**	**HFT**
i) Government securities	9,585.42	5,679.80	-
ii) Other approved securities	-	-	-
iii) Shares	1.00	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	9,586.42	5,679.80	-

(Rs. in Millions)

As at March 31, 2018			
Particulars	**HTM**	**AFS**	**HFT**
i) Government securities	5,458.83	6,864.96	-
ii) Other approved securities	-	-	-
iii) Shares	1.00	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	5,459.83	6,864.96	-

(Rs. in Millions)

As at March 31, 2017			
Particulars	**HTM**	**AFS**	**HFT**
i) Government securities	3,961.10	10,504.67	-
ii) Other approved securities	-	-	-
iii) Shares	1.00	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, mutual fund etc.	-	-	-
Total	3,962.10	10,504.67	-

2.3 Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at June 30, 2019:

(Rs. in Millions)

Particulars	**Minimum outstanding during the period**	**Maximum outstanding during the period**	**Daily average outstanding during the period**	**Outstanding As at June 30, 2019**
Securities sold under repo				
i) Government Securities	200.00	200.00	2.20	-
ii) Corporate debt securities	-	-	-	-
	-		-	
Security purchased under reverse repo	-	-	-	-
i) Government Securities	10.00	2,150.00	93.52	500.00
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at June 30, 2018:

(Rs. in Millions)

Particulars	**Minimum outstanding during the period**	**Maximum outstanding during the period**	**Daily average outstanding during the period**	**Outstanding As at June 30, 2018**
Securities sold under repo				
i) Government Securities	30.00	470.00	12.97	-
ii) Corporate debt securities	-	-	-	-
	-		-	
Security purchased under reverse repo	-	-	-	-
i) Government Securities	30.00	2,420.00	79.56	340.00
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2019:

(Rs. in Millions)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding As at March 31, 2019
Securities sold under repo				
i) Government Securities	-	470.00	10.03	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	2,420.00	81.18	2,150.00
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2018:

(Rs. in Millions)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding As at March 31, 2018
Securities sold under repo				
i) Government Securities	-	750.00	57.59	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	520.00	34.22	520.00
ii) Corporate debt securities	-	-	-	-

Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms) as at March 31, 2017:

(Rs. in Millions)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Outstanding As at March 31, 2017
Securities sold under repo				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-

2.4 Non-SLR Investment Portfolio :

Issuer Composition of Non-SLR Investments as at June 30, 2019 are as follows: *(Rs. in Millions)*

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
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	1.00	-	-	-	1.00
iii) Banks	-	-	-	-	-
iv) Private corporates	-	-	-	-	-
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1.00	-	-	-	1.00

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Issuer Composition of Non-SLR Investments as at June 30, 2018 are as follows: *(Rs. in Millions)*

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
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	1.00	-	-	-	1.00
iii) Banks	-	-	-	-	-
iv) Private corporates	-	-	-	-	-
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1.00	-	-	-	1.00

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Issuer Composition of Non-SLR Investments as at March 31, 2019 are as follows: *(Rs. in Millions)*

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
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private corporates	1.00	-	-	-	1.00
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1.00	-	-	-	1.00

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Issuer Composition of Non-SLR Investments as at March 31, 2018 are as follows: *(Rs. in Millions)*

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
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private corporates	1.00	-	-	-	1.00
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1.00	-	-	-	1.00

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

Issuer Composition of Non-SLR Investments as at March 31, 2017 are as follows: *(Rs. in Millions)*

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
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private corporates	1.00	-	-	-	1.00
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1.00	-	-	-	1.00

Note: Amounts reported under columns 3,4,5 and 6 above are not mutually exclusive

2.5 Non - Performing Non-SLR Investments:

The Bank does not have any Non - Performing Non - SLR Investments as at June 30, 2019, June 30, 2018,March 31, 2019, March 31, 2018 and March 31, 2017.

2.6 Sale and transfer of securities to/ from HTM Category:

The value of sales and transfers of securities to / from HTM category excluding one time transfer of securities to / from HTM category with the approval of Board of Directors permitted to be undertaken by Bank at the beginning of the accounting year has not exceeded 5 per cent of the book value of Investments held in HTM category at the beginning of the year. In line with the RBI guidelines on Prudential Norms for Classification, Valuation and Operation of Invetment portfolio by Banks, specific disclosure on book value/market value and provisions if any, relating to such transfer is not required to be made.

3 DERIVATIVES/ EXCHANGE TRADED INTEREST DERIVATIVES/ RISK EXPOSURE 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.

4 ASSET QUALITY

4.1 Non-Performing Assets: *(Rs. in Millions)*

Particulars	As at June 30, 2019	As at June 30, 2018
(i) Net NPAs to Net advances (%)	**0.26%**	**0.33%**
(ii) Movement of Gross NPAs		
(a) Opening balance	**978.52**	**2,759.20**
(b) Additions (Fresh NPAs) during the period #	243.02	145.64
Subtotal (A)	**1,221.54**	**2,904.84**
(c) Reductions during the period #	-	-
(i) Upgradations	15.16	18.54
(ii) Recoveries (excluding recoveries made from upgraded accounts)	87.91	250.37
(iii) Technical/ Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	160.72	560.30
Subtotal (B)	**263.79**	**829.21**
(d) Closing balance (A-B)	**957.75**	**2,075.63**
	-	**-**
(iii) Movement of Net NPAs	-	-
(a) Opening balance	**275.48**	**509.34**
(b) Additions during the period #	168.55	98.59
(c) Reductions during the period #	152.80	353.83
(d) Closing balance	**291.23**	**254.10**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	**703.04**	**2,249.87**
(b) Provisions made during the period	185.42	278.70
(c) Write-back of excess provisions	221.93	707.06
(d) Closing balance	**666.53**	**1,821.51**

For the period ended June 30, 2018 additions and deletions does not include cases which have become NPA during the month and subsequently moved out of NPA in the same month.

(Rs. in Millions)

Particulars	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
(i) Net NPAs to Net Advances (%)	**0.26%**	**0.69%**	**0.03%**
(ii) Movement of Gross NPAs			
(a) Opening balance	**2,759.20**	**163.99**	**-**
(b) Additions (Fresh NPAs) during the year *#	835.39	5,566.91	188.85
Subtotal (A)	**3,594.59**	**5,730.90**	**188.85**
(c) Reductions during the year #			
(i) Upgradations	28.44	143.06	2.37
(ii) Recoveries (excluding recoveries made from upgraded accounts)	809.09	1,063.82	12.24
(iii) Technical/ Prudential Write-offs	-	886.37	-
(iv) Write-offs other than those under (iii) above	1,778.55	878.45	10.25
Subtotal (B)	**2,616.08**	**2,971.70**	**24.86**
(d) Closing balance (A-B)	**978.51**	**2,759.20**	**163.99**
(iii) Movement of Net NPAs			
(a) Opening balance	**509.34**	**17.97**	**-**
(b) Additions during the year *#	382.70	3,682.78	28.95
(c) Reductions during the year #	616.56	3,191.41	10.98
(d) Closing balance	**275.48**	**509.34**	**17.97**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)			
(a) Opening balance	**2,249.87**	**146.02**	**-**
(b) Provisions made during the year	525.12	4,536.43	166.48
(c) Write-back of excess provisions	2,071.95	2,432.58	20.46
(d) Closing balance	**703.04**	**2,249.87**	**146.02**

Additions and deletions does not include cases which have become NPA during the month and subsequently moved out of NPA in the same month.

*Additions include NPA advances acquired as a part of the Business Transfer Agreement.

4.2 Technical or Prudential Write Offs:

Technical or prudential write-offs refer to the amount of Non- Performing Assets which are outstanding in the product level systems, but have been written-off (fully or partially) at the financial ledger level. The financial accounting systems of the Bank are integrated and centralised at the Head Office and no books are maintained at the Branches.

Movement in the stock of technically or prudentially written-off accounts and recoveries made thereon is as given below:

(Rs. in Millions)

Particulars	**As at June 30, 2019**	**As at June 30, 2018**
Opening balance of Technical / Prudential write-offs accounts	1.83	48.21
Add: Technical/Prudential write offs during the period	-	-
Less: Recoveries made from previously Technically / Prudentially written-off accounts during the period	0.28	3.38
Less: Actual write off during the period	-	-
Closing balance of technical / prudential write-offs accounts	**1.55**	**44.83**

(Rs. in Millions)

Particulars	**As at March 31, 2019**	**As at March 31, 2018**	**As at March 31, 2017**
Opening balance of Technical / Prudential write-offs accounts	48.21	-	-
Add: Technical/Prudential write offs during the year	-	886.37	-
Less: Recoveries made from previously Technically / Prudentially written-off accounts during the year	(11.77)	(11.61)	-
Less: Actual write off during the year	(34.61)	(826.55)	-
Closing balance of technical / prudential write-offs accounts	**1.83**	**48.21**	**-**

4.3 Provisions on Standard Assets:

Bank has followed the Prudential Norms on Income Recognition, Asset Classification and Provisions. The excess provisions over and above the same is as per the Board approved policy.

The provision on standard assets is included in Annexure 8- 'Other Liabilities and Provisions – (iv) Standard asset-General Provisions', and is not netted off from Advances.

(Rs. in Millions)

Particulars	**As at June 30, 2019**	**As at June 30, 2018**	**As at March 31, 2019**	**As at March 31, 2018**	**As at March 31, 2017**
Provisions towards standard assets	602.86	382.42	539.15	364.99	1,101.83

4.4 Floating Provisions:

(Rs. in Millions)

Particulars	**As at June 30, 2019**	**As at June 30, 2018**	**As at March 31, 2019**	**As at March 31, 2018**	**As at March 31, 2017**
Opening Balance as on the beginning of the period/year	-	-	-	-	-
Provisions made during the period/year	-	-	-	-	-
Draw-down made during the period/year	-	-	-	-	-
Closing Balance as on the end of the period/year	-	-	-	-	-

4.5 Provision Coverage Ratio:

Particulars	**As at June 30, 2019**	**As at June 30, 2018**	**As at March 31, 2019**	**As at March 31, 2018**	**As at March 31, 2017**
Provision Coverage Ratio (including technical write-offs)	69.64%	88.02%	71.90%	81.87%	89.04%

4.6 Unsecured Advances:

The Bank has not extended any project Advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances as on June 30, 2019 of Rs.93,942.22 (Rs in Mns), June 30, 2018 of Rs. 70,566.31 (Rs in Mns), March 31, 2019 of Rs.90,533.11 (Rs in Mns) , March 31, 2018 of Rs. 69,302.57 (Rs in Mns) and March 31, 2017 of Rs 57,440.68 (Rs in Mns) disclosed in Annexure 14 (B) (iii) are without any collateral or security.

4.7 Divergence in Asset Classification and Provisioning for NPAs:

As per the RBI notification-RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 an additional disclosure by way of notes to accounts regarding Divergence in the Asset Classification and Provisioning needs to be provided. Pursuant to the notification, divergences observed by RBI for the financial year 2017-18 and 2016-17 shall be made in the Notes to Accounts of Financial Statements. During the financial year 2017-18 and 2016-17, there are no Divergences in the Asset Classification and Provisioning identified.

4.8 a) Details of Financial Assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction:

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, the Bank has not sold any Financial Assets to Securitisation Company (SC) / Reconstruction Company (RC) for Asset Reconstruction.

b) Details of book value of Investment in Security Receipts (SR) :

The Bank has not made Investment in Security Receipts during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017,.

4.9 Details of NPA Purchase/ Sold:

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, there has been no purchase/ sale of non-performing financial assets from/ to other banks.

4.10 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A):

During the period ended June 30, 2019 and June 30, 2018 and the financial year ended March 31, 2019, March 31, 2018 and March 31,2017, the Bank does not have any accounts under the Scheme for Sustainable Structuring of Stressed Assets (S4A).

4.11 Disclosures on Flexible Structuring of Existing Loans:

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, the Bank does not have any accounts of Flexible Structuring of Existing Loans.

4.12 Intra-Group Exposure:

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, the Bank does not have any Intra Group Exposure.

4.13 Disclosures on Strategic Debt Restructuring Scheme (SDR).

The Bank does not have any SDR during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

4.14 Disclosures on Change in Ownership outside SDR Scheme.

The Bank has not made any change in Ownership outside SDR Scheme during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

4.15 Disclosures on Change in Ownership of Projects Under Implementation.

The Bank has not made any change in Ownership Change in Ownership of Projects Under Implementation during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

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Annexure 23 - Notes forming part of the restated summary statements

5 BUSINESS RATIOS

Particulars	As at June 30, 2019	As at June 30, 2018
Interest Income as a percentage to Working Funds[1]	17.37%	17.20%
Non - Interest Income as a percentage to Working Funds[1]	2.87%	2.26%
Operating Profit as a percentage to Working Funds[1,4]	4.63%	3.59%
Return on Assets[2]	2.71%	1.97%
Business (deposits plus gross Advances) per employee (Rs in Mn)[3]	10.71	7.56
Profit per employee (in Mn)	0.06	0.04

Particulars	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Interest Income as a percentage to Working Funds[1]	17.28%	17.15%	15.43%
Non - Interest Income as a percentage to Working Funds[1]	1.94%	1.30%	0.49%
Operating Profit as a percentage to Working Funds[1,4]	2.93%	3.74%	0.38%
Return on Assets[2]	1.88%	0.08%	0.00%
Business (deposits plus gross Advances) per employee (Rs in Mn)[3]	11.34	7.94	5.87
Profit per employee (in Mn)	0.15	0.01	0.00

Notes:

1) Working funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the period/year.

2) Return on Assets are computed with reference to average Working Funds.

3) Business is defined as total of average of gross Advances and deposits (net of inter-bank deposits and Certificate of Deposits).

4) Operating Profit is Net Profit for the year before Provisions and Contingencies and Profit / (Loss) on sale of building and other assets (net).

6 CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES & NPAs

6.1 Concentration of Deposits:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Total Deposits to twenty largest Depositors	28,371.46	18,639.16	30,872.33	27,761.56	2,029.48
Percentage of Deposits of twenty largest Depositors to Total Deposits of the Bank	35.66%	49.01%	41.84%	73.59%	98.32%

6.2 *Concentration of Advances:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Total Advances to twenty largest Borrowers	3,799.11	249.66	2,513.00	110.79	23.98
Percentage of Advances of twenty largest Borrowers to Total Advances of the Bank	3.33%	0.32%	2.37%	0.15%	0.04%

*Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

6.3 *Concentration of Exposures:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Total Exposure to twenty largest Borrowers/ Customers	6,965.66	2,997.80	8,679.31	2,042.40	4,171.82
Percentage of Exposures of twenty largest Borrowers/ Customers to Total Exposure of the Bank on Borrowers/ Customers	5.83%	3.68%	7.61%	2.59%	6.62%

*Exposures are computed based on Credit and Investment Exposure as prescribed in the Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

6.4 Concentration of NPAs:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Total Exposure to top four NPA accounts	9.77	2.42	10.01	2.51	0.70

7 SECTOR - WISE ADVANCES AND NPA

As at June 30, 2019

(Rs. in Millions)

Sector	Outstanding total Advances	Gross NPAs	% of Gross NPAs to Total Advances in
Priority Sector:			
Agriculture and allied activities	13,133.50	123.52	0.94%
Advances to industries eligible as priority sector lending	2,699.25	11.95	0.44%
Services	3,978.01	47.84	1.20%
Personal loans	35,144.65	379.50	1.08%
-of which Housing loans	*14,641.19*	*119.82*	0.82%
Sub-Total (A)	**54,955.41**	**562.81**	**1.02%**
Non-Priority Sector:			
Agriculture and Allied activities	18,505.41	3.80	0.02%
Industry	1,891.88	8.20	0.43%
Services	4,600.00	-	0.00%
Personal loans	33,988.89	382.95	1.13%
-of which NBFC loans	3,583.50	-	0.00%
-of which Housing loans	*3,772.29*	*37.47*	0.99%
Sub-Total (B)	**58,986.18**	**394.95**	**0.67%**
Total (A) + (B)	**113,941.59**	**957.76**	**0.84%**

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Annexure 23 - Notes forming part of the restated summary statements

As at June 30, 2018

(Rs. in Millions)

Sector	Outstanding total Advances	Gross NPAs	% of Gross NPAs to Total Advances in
Priority Sector:			
Agriculture and allied activities	6,212.75	348.09	5.60%
Advances to industries eligible as priority sector lending	2,946.07	63.47	2.15%
Services	4,893.44	1,093.73	22.35%
Personal loans	26,569.69	70.88	0.27%
-of which Housing loans	*8,940.08*	*21.04*	0.24%
Sub-Total (A)	**40,621.95**	**1,576.17**	**3.88%**
Non-Priority Sector:			
Agriculture and Allied activities	11,428.43	3.02	0.03%
Industry	484.18	1.05	0.22%
Services	13,020.46	22.63	0.17%
Personal loans	12,324.42	472.72	3.84%
-of which Housing loans	*2,654.64*	*248.84*	9.37%
Sub-Total (B)	**37,257.49**	**499.42**	**1.34%**
Total (A) + (B)	**77,879.44**	**2,075.59**	**2.67%**

As at March 31, 2019

(Rs. in Millions)

Sector	Outstanding total Advances	Gross NPAs	% of Gross NPAs to Total Advances in
Priority Sector:			
Agriculture and allied activities	14,118.82	67.71	0.48%
Advances to industries eligible as priority sector lending	2,148.03	6.10	0.28%
Services	5,851.47	42.93	0.73%
Personal loans	39,710.49	300.84	0.76%
-of which Housing loans	*12,876.86*	*64.63*	0.50%
Sub-Total (A)	**61,828.81**	**417.58**	**0.68%**
Non-Priority Sector:			
Agriculture and Allied activities	15,529.38	59.26	0.38%
Industry	2,383.20	28.69	1.20%
Services	9,645.02	342.07	3.55%
-of which NBFC	*2,249.70*	-	0.00%
Personal loans	16,841.18	130.91	0.78%
-of which Housing loans	*3,973.14*	81.58	2.05%
Sub-Total (B)	**44,398.78**	**560.93**	**1.26%**
Total (A) + (B)	**106,227.59**	**978.51**	**0.92%**

As at March 31, 2018

(Rs. in Millions)

Sector	Outstanding total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority Sector:			
Agriculture and Allied activities	2,189.50	11.60	0.53%
Advances to industries eligible as priority sector lending	316.05	2.77	0.88%
Services	3,278.54	51.16	1.56%
Personal loans	5,657.63	40.87	0.72%
-of which Housing loans	*1,107.32*	*13.68*	1.23%
Sub-Total (A)	**11,441.72**	**106.40**	**0.93%**
Non-Priority Sector:	-	-	
Agriculture and Allied activities	13,652.74	480.11	3.52%
Industry	612.03	71.15	11.62%
Services	11,804.27	1,445.95	12.25%
Personal loans	38,101.23	655.59	1.72%
-of which Housing loans	*9,088.01*	*319.91*	3.52%
Sub-Total (B)	**64,170.27**	**2,652.80**	**4.13%**
Total (A) + (B)	**75,611.99**	**2,759.20**	**3.65%**

As at March 31, 2017

(Rs. in Millions)

Sector	Outstanding total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
Priority Sector:			
Agriculture and Allied activities	7,822.87	14.38	0.18%
Advances to industries eligible as priority sector lending	31.34	-	0.00%
Services	350.85	-	0.00%
Personal loans	50,206.81	149.20	0.30%
Sub-Total (A)	**58,411.87**	**163.58**	**0.28%**
Non-Priority Sector:			
Agriculture and Allied activities	-	-	0.00%
Industry	41.86	-	0.00%
Services	139.46	0.41	0.29%
Personal loans	163.27	-	0.00%
-of which Housing loans	*118.40*	-	0.00%
Sub-Total (B)	**344.59**	**0.41**	**0.12%**
Total (A) + (B)	**58,756.46**	**163.99**	**0.28%**

* The above priority sector advances includes Rs. 49,278.75 (in Mn), the assets financed out of grandfathered borrowings as per clause no .6.5 of the Operating guidelines for Small Finance Banks issued by Reserve Bank of India dated October 6, 2016. The Bank has received an approval from RBI on 29, March, 2017 vide letter ref no. DBR.PSBD No.11487/ 16.02.006/ 2016-17, permitting the Bank to retain charge on the above amount with an additional risk weight of 25% on these assets.

8 PRIORITY SECTOR LENDING CERTIFICATES (PSLCs):

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019		Period from April 1, 2018 to Jun 30, 2018	
	PSLC Sold	PSLC Purchased	PSLC Sold	PSLC Purchased
1) PSLC Agriculture	-	-	-	-
2) PSLC Small Farmers / Marginal Farmers	18,500.00	-	10,390.00	-
3) PSLC Micro Enterprises	4,600.00	-	-	-
4) PSLC General	14,000.00	-	6,000.00	-
Total	**37,100.00**	-	**16,390.00**	-

(Rs. in Millions)

Particulars	Year ended March 31, 2019		Year ended March 31, 2018	
	PSLC Sold	PSLC Purchased	PSLC Sold	PSLC Purchased
1) PSLC Agriculture	-	-	2,600.00	-
2) PSLC Small Farmers / Marginal Farmers	15,440.00	-	8,580.00	-
3) PSLC Micro Enterprises	2,500.00	-	2,000.00	-
4) PSLC General	6,000.00	-	32,940.00	-
Total	**23,940.00**	-	**46,120.00**	-

Particulars	Period from July 4, 2016 to March 31, 2017	
	PSLC Sold	PSLC Purchased
1) PSLC Agriculture	107.50	-
2) PSLC Small Farmers / Marginal Farmers	-	-
3) PSLC Micro Enterprises	-	-
4) PSLC General	-	-
Total	**107.50**	-

9 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 June 30, 2019 and March 31, 2019 is Rs.3,350.00 (Rs in Mn) and as at June 30, 2018 March 31, 2018 and March 31,2017 is Nil.

10 ASSET LIABILITY MANAGEMENT (ALM)

Maturity Pattern of certain items of Assets and Liabilities

Specified assets and liabilities as at June 30, 2019:

(Rs. in Millions)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	0.30	-	123.38	399.88
2 days to 7 days	1,187.28	600.54	1,412.68	-
8 days to 14 days	2,380.34	1,497.46	699.12	666.70
15 days to 30 days	2,841.13	846.51	1,604.20	400.00
31 days to 2 months	6,623.50	717.21	2,007.50	4,115.70
Over 2 months upto 3 months	6,038.40	780.68	8,255.06	292.70
Over 3 months upto 6 months	21,251.77	2,382.89	9,944.85	3,862.37
Over 6 months upto 1 year	32,760.08	1,820.63	23,839.21	8,913.03
Over 1 year upto 3 years	28,196.77	1,808.88	31,520.21	15,445.30
Over 3 years upto 5 years	2,862.08	300.96	142.08	5,365.00
Over 5 years	9,133.41	5,841.03	19.35	-
Total	**113,275.06**	**16,596.79**	**79,567.64**	**39,460.68**

Note:
1) The bucketing structure has been revised based on the RBI guidelines dated March 23, 2016.
2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
3) There are no Foreign Currency Assets or Liabilities with the Bank as at June 30, 2019.

Specified assets and liabilities as at June 30, 2018:

(Rs. in Millions)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	0.10	-	22.09	-
2 days to 7 days	1,130.72	915.21	1,355.01	-
8 days to 14 days	1,949.57	-	172.13	384.20
15 days to 30 days	2,439.02	697.94	3,703.52	1,211.37
31 days to 2 months	5,482.44	-	3,120.22	4,478.31
Over 2 months upto 3 months	5,317.85	-	9,939.70	1,103.97
Over 3 months upto 6 months	14,030.00	1,696.39	4,316.04	8,608.59
Over 6 months upto 1 year	21,566.41	2,252.15	9,224.17	7,349.18
Over 1 year upto 3 years	19,282.33	301.91	6,149.48	15,578.90
Over 3 years upto 5 years	1,373.32	301.28	26.94	731.90
Over 5 years	3,486.18	5,873.26	5.18	-
Total	**76,057.94**	**12,038.14**	**38,034.48**	**39,446.42**

Note:
1) The bucketing structure has been revised based on the RBI guidelines dated March 23, 2016.
2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
3) There are no Foreign Currency Assets or Liabilities with the Bank as at June 30, 2018.

Specified assets and liabilities as at March 31, 2019:

(Rs. in Millions)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	0.24	0.00	75.72	-
2 days to 7 days	1,032.96	708.86	893.48	-
8 days to 14 days	2,110.55	976.49	897.90	916.70
15 days to 30 days	3,272.71	1,108.25	3,275.31	-
31 days to 2 months	6,782.92	1,364.93	4,292.27	766.70
Over 2 months upto 3 months	7,042.48	1,037.24	11,374.74	916.70
Over 3 months upto 6 months	16,436.27	150.14	8,381.89	5,475.10
Over 6 months upto 1 year	31,725.30	1,317.46	20,361.06	8,762.07
Over 1 year upto 3 years	27,433.14	2,443.57	24,090.48	18,558.63
Over 3 years upto 5 years	2,416.59	301.04	98.45	5,765.00
Over 5 years	7,271.39	5,858.24	53.10	500.00
Total	**105,524.55**	**15,266.22**	**73,794.40**	**41,660.90**

Note:
1) The bucketing structure has been revised based on the RBI guidelines dated March 23, 2016.
2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
3) There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2019.

Specified assets and liabilities as at March 31, 2018:

(Rs. in Millions)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	0.13	-	12.74	-
2 days to 7 days	1,106.32	749.50	138.50	-
8 days to 14 days	1,931.34	798.54	357.96	384.20
15 days to 30 days	2,460.90	-	6,363.12	1,345.99
31 days to 2 months	5,513.86	554.99	6,527.87	919.54
Over 2 months upto 3 months	5,366.59	-	9,369.75	1,244.19
Over 3 months upto 6 months	14,470.38	1,108.77	3,714.60	7,195.95
Over 6 months upto 1 year	20,175.45	3,653.15	7,554.17	12,777.67
Over 1 year upto 3 years	18,845.63	-	3,661.37	14,429.00
Over 3 years upto 5 years	1,327.15	-	22.07	231.91
Over 5 years	2,164.36	5,459.84	3.03	-
Total	**73,362.11**	**12,324.79**	**37,725.18**	**38,528.45**

Note:
1) The bucketing structure has been revised based on the RBI guidelines dated March 23, 2016.
2) The Bank is following 30 day month convention for calculation of bucket sizes for ALM.
3) There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2018.

Specified assets and liabilities as at March 31, 2017:

(Rs. in Millions)

Maturity Buckets	Loans & Advances	Investments	Deposits	Borrowings
1 day	1,318.01	-	-	-
2 days to 7 days	1,185.49	-	0.07	95.43
8 days to 14 days	1,725.91	-	1,000.00	305.40
15 days to 30 days	1,781.94	-	503.34	1,267.67
31 days to 2 months	4,712.74	-	0.14	2,974.56
Over 2 months upto 3 months	4,548.62	541.94	-	4,019.95
Over 3 months upto 6 months	12,438.36	2,369.68	0.15	9,398.14
Over 6 months upto 1 year	16,988.51	6,447.81	500.58	16,462.13
Over 1 year upto 3 years	13,155.90	-	59.77	27,726.65
Over 3 years upto 5 years	305.79	-	0.00	574.11
Over 5 years	449.18	5,107.34	-	90.00
Total	**58,610.45**	**14,466.77**	**2,064.05**	**62,914.04**

Note:
1) The bucketing structure has been revised based on the RBI guidelines dated March 23, 2016.
2) There are no Foreign Currency Assets or Liabilities with the Bank as at March 31, 2017.

11 EXPOSURE

11.1 Exposure to Real Estate Sector:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
A) Direct exposure					
i) Residential Mortgages	15,868.94	5,523.12	12,864.80	4,190.84	978.36
(of which housing loans eligible for inclusion in priority sector Advances)	*8,835.17*	*1,987.57*	*6,152.20*	*1,847.46*	-
ii) Commercial Real Estate	-	-	-	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	-	-	-	-	-
- Residential	-	-	-	-	-
- Commercial Real Estate	-	-	-	-	-
Total (A)	**15,868.94**	**5,523.12**	**12,864.80**	**4,190.84**	**978.36**
B) Indirect exposure					
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-	-	-	-
Total (B)	-	-	-	-	-
Total Real Estate Exposure (A+B)	**15,868.94**	**5,523.12**	**12,864.80**	**4,190.84**	**978.36**

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Annexure 23 - Notes forming part of the restated summary statements

11.2 Exposure to Capital Market:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
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;	1.00	1.00	1.00	1.00	1.00
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;			-	-	-
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;			-	-	-
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;			-	-	-
Secured and Unsecured Advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;			-	-	-
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;			-	-	-
Bridge loans to companies against expected equity flows / issues;			-	-	-
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;			-	-	-
Financing to stockbrokers for margin trading;			-	-	-
All exposures to Venture Capital Funds (both registered and unregistered);			-	-	-
Total Exposure to Capital Market	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

Note: During the periods, Bank has not converted any debt to equity as a part of strategic debt restructuring which is exempt from Capital Market Exposure limit.

11.3 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Bank:

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding whichever is higher.

12 DISCLOSURE OF PENALTIES IMPOSED BY RBI

During the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017, RBI has not imposed any penalty on the Bank.

13 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.

14 DISCLOSURE OF CUSTOMER COMPLAINTS

14.1 Customer complaints

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
No. of complaints pending at the beginning of the period	455.00	145.00	145.00	113.00	-
No. of complaints received during the period	7,807.00	3,004.00	27,738.00	10,147.00	342.00
No. of complaints redressed during the period	(7,470.00)	(2,914.00)	(27,428.00)	(10,115.00)	(229.00)
No. of complaints pending at the end of the period	**792.00**	**235.00**	**455.00**	**145.00**	**113.00**

15 AWARDS PASSED BY THE BANKING OMBUDSMAN

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
No. of unimplemented Awards at the beginning of the period	-	-	-	-	-
No. of Awards passed by the Banking Ombudsman during the period	-	-	-	-	-
No. of Awards implemented during the period	-	-	-	-	-
No. of unimplemented Awards at the end of the period	**-**	**-**	**-**	**-**	**-**

16 MOVEMENT IN PROVISION FOR FRAUDS INCLUDED UNDER OTHER LIABILITIES

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Opening provision	3.82	10.81	10.81	7.72	-
Provision during the period/year	2.00	14.86	23.38	13.06	7.72
Utilisation / Write back of provision during the period/year	(1.59)	(13.89)	(30.37)	(9.97)	-
Closing provision	**4.23**	**11.78**	**3.82**	**10.81**	**7.72**

17 PROVISIONS AND CONTINGENCIES

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
Provision for NPA (including bad debts written off)	124.20	131.95	231.72	3,868.95	21.01
Provision for Standard Assets	63.70	17.44	174.17	(761.20)	23.34
Provision for Income tax (Net of deferred tax liability/(asset) of Rs.(14.54)(in Mn) June 30, 2019, Rs. (151.55)(in Mn) June 30, 2018,Rs.3,42.94(in Mn) March 31, 2019, Rs.293.36 (Mn) March 31, 2018 and Rs.5.65 (Mn) March 31, 2017) Refer Annexure 23 (26.1)	479.62	230.08	692.06	19.84	8.56
Provisions for Depreciation on Investments	-	-	-	-	-
Provision for claims against the Bank not acknowledged as	-	-	0.09	-	-
Total	**667.52**	**379.47**	**1,098.04**	**3,127.59**	**52.91**

18 BANCASSURANCE BUSINESS

Commission income from insurance business for the period from April 1, 2019 to Jun 30, 2019 includes fees of Rs. 37.38 (Mn), from April 1, 2018 to Jun 30, 2018 Rs. 20.99 (Mn),financial year ended March 31, 2019 includes fees of Rs. 1,39.43 (Mn), March 31, 2018 Rs. 54.16 (Mn) and March 31, 2017 Rs Nil in respect of insurance business.

19 LIQUIDITY COVERAGE RATIO (LCR)

Qualitative disclosure around LCR:

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio given in "Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and the LCR Disclosure Standards" and "Operating Guidelines for Small Finance Banks".

LCR is the ratio of unencumbered High Quality Liquid Assets (HQLA) to Estimated Net Cash Outflows over the next 30 calendar days. LCR measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc. These stress conditions are captured as a part of the Net Cash Outflows. HQLA of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines and cash balance with RBI in excess of statutory cash reserve requirements.

LCR aims to ensure that the Bank has an adequate stock of unencumbered HQLA to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

As mentioned in the "Operating Guidelines for Small Finance Banks", the Bank has to maintain the prescribed level of LCR.

Particulars	**Till December 31, 2017**	**By January 1, 2018**	**By January 1, 2019**	**By January 1, 2020**	**By January 1, 2021**
Minimum LCR	60%	70%	80%	90%	100%

Quantitative disclosure around LCR

The table sets out Quantitative Information for June 2019 quarter are as follows: ***(Rs. in Millions)***

Particulars	**Quarter ended June 30, 2019**	
	Total Unweighted Value (average)*	**Total Weighted Value (average)***
High Quality Liquid Assets		
1. Total High Quality Liquid Assets (HQLA)	-	13,971.14
	-	-
Cash Outflows	-	-
2. Retail deposits and deposits from small business customers, of which:	34,414.17	3,009.08
(i) Stable deposits	8,646.76	432.34
(ii) Less stable deposits	25,767.41	2,576.74
	-	-
3. Unsecured wholesale funding, of which:	5,234.40	5,234.40
(i) Operational deposits (all counterparties)	-	-
(ii) Non-operational deposits (all counterparties)	-	-
(iii) Unsecured debt	5,234.40	5,234.40

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Annexure 23 - Notes forming part of the restated summary statements

(Rs. in Millions)

Particulars	Quarter ended June 30, 2019	
	Total Unweighted Value (average)*	Total Weighted Value (average)*
4. Secured wholesale funding	397.04	377.22
	-	-
5. Additional requirements, of which	1,061.73	414.26
(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	1,061.73	414.26
	-	-
6. Other contractual funding obligations	380.23	380.23
	-	-
7. Other contingent funding obligations	80.10	2.40
	-	-
8. Total Cash Outflows	41,567.67	9,417.59
	-	-
Cash Inflows	-	-
9. Secured lending (e.g. reverse repos)	98.60	-
	-	-
10. Inflows from fully performing exposures	-	-
	-	-
11. Other cash inflows	16,022.90	11,928.65
	-	-
12. Total Cash Inflows	16,121.50	11,928.65
	-	-
13. TOTAL HQLA	-	13,971.14
	-	-
14. Total Net Cash Outflows	-	(2,511.06)
15. Liquidity Coverage Ratio (%)		**593.41%**

** Average weighted and unweighted amounts are calculated taking simple daily average for all quarters.*

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Annexure 23 - Notes forming part of the restated summary statements

Quantitative disclosure around LCR

The table sets out Quantitative Information for all four quarters of the financial year ended March 31, 2019 as follows: ***(Rs. in Millions)***

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 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)		11,507.51		8,988.09		8,864.90		8,394.79
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:	27,836.98	2,414.39	17,584.12	1,494.31	10,189.45	838.30	5,504.35	446.91
(i) Stable deposits	7,386.16	369.31	5,281.97	264.10	3,612.96	180.65	2,070.43	103.52
(ii) Less stable deposits	20,450.82	2,045.08	12,302.15	1,230.22	6,576.49	657.65	3,433.92	343.39
	-	-	-	-	-	-	-	-
3. Unsecured wholesale funding, of which:	10,113.73	10,113.73	6,427.49	6,427.49	8,032.49	8,032.49	8,166.64	8,166.64
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	3,287.77	3,287.77	1,602.97	1,602.97	1,114.06	1,114.06	1,314.64	1,314.64
(iii) Unsecured debt	6,825.96	6,825.96	4,824.52	4,824.52	6,918.44	6,918.44	6,852.00	6,852.00

* Average weighted and unweighted amounts are calculated taking simple daily average for all quarters.

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Annexure 23 - Notes forming part of the restated summary statements

(Rs. in Millions)

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 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)*
4. Secured wholesale funding	549.90	549.90	937.10	937.10	1,725.43	1,725.43	1,109.70	1,109.70
5. Additional requirements, of which	643.24	244.24	1,157.53	446.30	266.61	72.57	165.87	8.29
(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	643.24	244.24	1,157.53	446.30	266.61	72.57	165.87	8.29
6. Other contractual funding obligations	925.57	925.57	953.00	953.00	983.39	983.39	800.52	800.52
7. Other contingent funding obligations	227.89	6.84	-	-	-	-	-	-
8. Total Cash Outflows	**40,297.31**	**14,254.67**	**27,059.24**	**10,258.20**	**21,197.37**	**11,652.18**	**15,747.08**	**10,532.06**
Cash Inflows								
9. Secured lending (e.g. reverse repos)	49.76	-	35.04	-	63.05	-	80.03	-
	-	-	-	-	-	-	-	-
10. Inflows from fully performing exposures	11,695.25	8,090.21	8,830.59	5,698.56	8,666.09	5,417.52	9,086.47	6,048.14
	-	-	-	-	-	-	-	-
11. Other cash inflows	-	-	-	-	-	-	-	-
12. Total Cash Inflows	**11,745.01**	**8,090.21**	**8,865.63**	**5,698.56**	**8,729.14**	**5,417.52**	**9,166.50**	**6,048.14**
13. TOTAL HQLA		**11,507.51**	**-**	**8,988.09**	**-**	**8,864.90**	**-**	**8,394.79**
14. Total Net Cash Outflows	-	6,164.46	-	4,559.64	-	6,234.66	-	4,483.92
15. Liquidity Coverage Ratio (%)		**186.68%**		**197.12%**		**142.19%**		**187.22%**

** Average weighted and unweighted amounts are calculated taking simple daily average for all quarters for the year ended March 31, 2019 except for quarter ended June 30, 2017 where in simple average for the month-ends in the quarter are taken.*

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Annexure 23 - Notes forming part of the restated summary statements

(Rs. in Millions)

Particulars	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September, 2017		Quarter ended June, 2017	
	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)		**8,064.12**		**7,159.68**		**8,074.89**		**9,748.33**
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:	2,981.39	236.86	1,705.56	133.03	777.45	59.01	214.87	15.97
(i) Stable deposits	1,225.62	61.28	750.51	37.53	374.72	18.74	110.32	5.52
(ii) Less stable deposits	1,755.77	175.58	955.05	95.51	402.73	40.27	104.55	10.46
3. Unsecured wholesale funding, of which:	8,988.23	8,988.23	3,621.64	3,621.64	3,848.99	3,848.99	3,541.20	3,541.20
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	6,960.14	6,960.14	2,269.71	2,269.71	1,716.67	1,716.67	2,007.12	2,007.12
(iii) Unsecured debt	2,028.09	2,028.09	1,351.93	1,351.93	2,132.31	2,132.31	1,534.08	1,534.08
4. Secured wholesale funding	1,636.75	1,636.75	2,031.91	2,031.91	2,766.07	2,766.07	3,413.85	3,413.85
5. Additional requirements, of which	165.99	8.30	124.69	6.23	273.62	167.32	876.98	143.28
(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	165.99	8.30	124.69	6.23	273.62	167.32	876.98	143.28
6. Other contractual funding obligations	772.94	772.94	925.99	925.99	952.36	952.36	1,044.42	1,044.42
7. Other contingent funding obligations	-	-	-	-	-	-	-	-
8. Total Cash Outflows	**14,545.30**	**11,643.08**	**8,409.79**	**6,718.80**	**8,618.49**	**7,793.75**	**9,091.32**	**8,158.72**
Cash Inflows								
9. Secured lending (e.g. reverse repos)	73.40	-	55.74	-	-	-	-	-
10. Inflows from fully performing exposures	10,179.03	6,873.16	8,321.78	5,189.91	9,634.92	6,370.00	8,629.04	5,397.85
11. Other cash inflows	-	-	-	-	-	-	-	-
12. Total Cash Inflows	**10,252.43**	**6,873.16**	**8,377.52**	**5,189.91**	**9,634.92**	**6,370.00**	**8,629.04**	**5,397.85**
13. TOTAL HQLA		**8,064.12**	**-**	**7,159.68**	**-**	**8,074.89**	**-**	**9,748.33**
14. Total Net Cash Outflows		4,769.92	-	1,679.69	-	1,948.45	-	2,760.87
15. Liquidity Coverage Ratio (%)		**169.06%**		**426.25%**		**414.43%**		**353.09%**

** Average weighted and unweighted amounts are calculated taking simple daily average for all quarters for the year ended March 31, 2018 except for quarter ended June 30, 2017 where in simple average for the month-ends in the quarter are taken.*

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(Rs. in Millions)

Particulars	Quarter ended March 31, 2017	
	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets		
1. Total High Quality Liquid Assets (HQLA)		**9,547**
Cash Outflows		
2. Retail deposits and deposits from small business customers, of which:	32.03	2.01
(i) Stable deposits	23.87	1.19
(ii) Less stable deposits	8.16	0.82
3. Unsecured wholesale funding, of which:	1,579.18	1,578.77
(i) Operational deposits (all counterparties)	-	-
(ii) Non-operational deposits (all counterparties)	150.44	150.03
(iii) Unsecured debt	1,428.74	1,428.74
	-	-
4. Secured wholesale funding	1,917.47	1,917.47
5. Additional requirements, of which	465.04	23.25
(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	465.04	23.25
6. Other contractual funding obligations	1,250.50	1,250.50
	-	-
7. Other contingent funding obligations	-	-
	-	-
8. Total Cash Outflows	**5,244.22**	**4,772.00**
Cash Inflows		
9. Secured lending (e.g. reverse repos)	-	-
10. Inflows from fully performing exposures	9,874.70	7,012.35
11. Other cash inflows	-	-
12. Total Cash Inflows	**9,874.70**	**7,012.35**
13. TOTAL HQLA		9,546.66
14. Total Net Cash Inflows		1,193.00
15. Liquidity Coverage Ratio (%)		**800.22%**

** LCR for the year ended March 31, 2017 has been given as at March 31, 2017 since the Bank started operations on February 01, 2017.*

20. DISCLOURE ON RESTRUCTURING

Disclosure on accounts subjected to Restructuring for the period ended June 30, 2019

(Rs. in Millions)

Sr No .	Type of Restructuring		Under CDR Mechanism					Under SME debt restructuring mechanism				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details											
1	Restructured Accounts as on April 1, 2019 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the period	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 and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on June 30, 2019 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-

Sr No .	Type of Restructuring		Others					Total				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details							-	-	-	-	-
1	Restructured Accounts as on April 1, 2019 of the FY (opening figures)	No. of Borrowers	15.62	0.98	0.09	0.00	16.69	15.62	0.98	0.09	0.00	16.69
		Amount Outstanding	235.85	14.73	3.79	0.26	254.63	235.85	14.73	3.79	0.26	254.63
		Provision thereon	11.79	4.65	3.39	0.26	20.09	11.79	4.65	3.39	0.26	20.09
2	Fresh restructuring during the period	No. of Borrowers	27.90	0.00	-	-	27.90	27.90	0.00	-	-	27.90
		Amount Outstanding	599.42	1.20	-	-	600.62	599.42	1.20	-	-	600.62
		Provision thereon	29.97	0.30	-	-	30.27	29.97	0.30	-	-	30.27
3	Up gradation to restructured standard category during the period	No. of Borrowers	0.01	(0.01)	-	-	-	0.01	(0.01)	-	-	-
		Amount Outstanding	0.05	(0.11)	-	-	(0.05)	0.05	(0.11)	-	-	(0.05)
		Provision thereon	0.00	(0.05)	-	-	(0.05)	0.00	(0.05)	-	-	(0.05)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	(0.03)	0.03	-	-	-	(0.03)	0.03	-	-	-
		Amount Outstanding	(0.38)	0.35	-	-	(0.03)	(0.38)	0.35	-	-	(0.03)
		Provision thereon	(0.02)	0.12	-	-	0.10	(0.02)	0.12	-	-	0.10
6	Increase/Decrease in existing restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	(54.43)	(3.14)	(0.60)	-	(58.17)	(54.43)	(3.14)	(0.60)	-	(58.17)
		Provision thereon	(2.72)	(0.70)	(0.59)	-	(4.01)	(2.72)	(0.70)	(0.59)	-	(4.01)
7	Write-offs/fully repaid of restructured accounts during the period	No. of Borrowers	(2.26)	(0.28)	(0.04)	-	(2.58)	(2.26)	(0.28)	(0.04)	-	(2.58)
		Amount Outstanding	(11.86)	(1.57)	(0.51)	-	(13.94)	(11.86)	(1.57)	(0.51)	-	(13.94)
		Provision thereon	(0.59)	(0.48)	(0.51)	-	(1.58)	(0.59)	(0.48)	(0.51)	-	(1.58)
8	Restructured Accounts as on June 30, 2019 (closing figures)	No. of Borrowers	**41.24**	**0.72**	**0.05**	**0.00**	**42.01**	**41.24**	**0.72**	**0.05**	**0.00**	**42.01**
		Amount Outstanding	**768.65**	**11.46**	**2.68**	**0.26**	**783.05**	**768.65**	**11.46**	**2.68**	**0.26**	**783.05**
		Provision thereon	**38.43**	**3.84**	**2.29**	**0.26**	**44.82**	**38.43**	**3.84**	**2.29**	**0.26**	**44.82**

As on June 30, 2018 ***(Rs. in Millions)***

Sr No .	Type of Restructuring		Under CDR Mechanism					Under SME debt restructuring mechanism				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details											
1	Restructured Accounts as on April 1, 2018 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the period	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 and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
8	Restructured Accounts as on June 30, 2018 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-

Sr No .	Type of Restructuring		Others					Total				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details											
1	Restructured Accounts as on April 1, 2018 of the FY (opening figures)	No. of Borrowers	-	0.23	-	0.00	0.23	-	0.23	-	0.00	0.23
		Amount Outstanding	-	6.74	-	0.04	6.78	-	6.74	-	0.04	6.78
		Provision thereon	-	2.63	-	0.04	2.67	-	2.63	-	0.04	2.67
2	Fresh restructuring during the period	No. of Borrowers	-	0.01	-	-	0.01	-	0.01	-	-	0.01
		Amount Outstanding	-	0.11	-	-	0.11	-	0.11	-	-	0.11
		Provision thereon	-	0.03	-	-	0.03	-	0.03	-	-	0.03
3	Up gradation to restructured standard category during the period	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 and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	-	(0.15)	0.15	0.00	-	-	(0.15)	0.15	0.00	-
		Amount Outstanding	-	(3.17)	2.84	0.04	(0.29)	-	(3.17)	2.84	0.04	(0.29)
		Provision thereon	-	(1.47)	2.84	0.04	1.42	-	(1.47)	2.84	0.04	1.42
6	Increase/Decrease in existing restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	(0.20)	-	-	(0.20)	-	(0.20)	-	-	(0.20)
		Provision thereon	-	(0.03)	-	-	(0.03)	-	(0.03)	-	-	(0.03)
7	Write-offs/fully repaid of restructured accounts during the period	No. of Borrowers	-	(0.03)	-	-	(0.03)	-	(0.03)	-	-	(0.03)
		Amount Outstanding	-	(0.59)	-	-	(0.59)	-	(0.59)	-	-	(0.59)
		Provision thereon	-	(0.17)	-	-	(0.17)	-	(0.17)	-	-	(0.17)
8	Restructured Accounts as on June 30, 2018 (closing figures)	No. of Borrowers	**-**	**0.06**	**0.15**	**0.00**	**0.21**	**-**	**0.06**	**0.15**	**0.00**	**0.21**
		Amount Outstanding	**-**	**2.89**	**2.84**	**0.08**	**5.81**	**-**	**2.89**	**2.84**	**0.08**	**5.81**
		Provision thereon	**-**	**0.99**	**2.84**	**0.08**	**3.91**	**-**	**0.99**	**2.84**	**0.08**	**3.91**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure 23 - Notes forming part of the restated summary statements

20. DISCLOURE ON RESTRUCTURING

Disclosure on accounts subjected to Restructuring for the financial year ended March 31, 2019 *(Rs. in Millions)*

Sr No .	Type of Restructuring		Under CDR Mechanism					Under SME debt restructuring mechanism				
	Asset Classification		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2018 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Upgradation to restructured standard category during the year	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 and hence need not be shown as restructured standard Advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
8	**Restructured Accounts as on March 31, 2019 (closing figures)**	**No. of Borrowers**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		Provision thereon	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Sr No .	Type of Restructuring		Others					Total				
	Asset Classification		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2018 of the FY (opening figures)	No. of Borrowers	-	232.00	-	1.00	233.00	**-**	**232.00**	**-**	**1.00**	**233.00**
		Amount Outstanding	-	6.74	-	0.04	6.78	**-**	**6.74**	**-**	**0.04**	**6.78**
		Provision thereon	-	2.63	-	0.04	2.67	**-**	**2.63**	**-**	**0.04**	**2.67**
2	Fresh restructuring during the year	No. of Borrowers	22,103.00	1,724.00	3.00	1.00	23,831.00	**22,103.00**	**1,724.00**	**3.00**	**1.00**	**23,831.00**
		Amount Outstanding	407.53	28.83	0.15	0.26	436.77	**407.53**	**28.83**	**0.15**	**0.26**	**436.77**
		Provision thereon	20.38	8.63	0.12	0.26	29.39	**20.38**	**8.63**	**0.12**	**0.26**	**29.39**
3	Upgradation to restructured standard category during the year	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 and hence need not be shown as restructured standard Advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
5	Down gradations of restructured accounts during the year	No. of Borrowers	(117.00)	29.00	88.00	-	-	**(117.00)**	**29.00**	**88.00**	**-**	**-**
		Amount Outstanding	(1.63)	(2.76)	3.64	-	(0.75)	**(1.63)**	**(2.76)**	**3.64**	**-**	**(0.75)**
		Provision thereon	(0.08)	(0.56)	3.27	-	2.63	**(0.08)**	**(0.56)**	**3.27**	**-**	**2.63**
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding	(128.45)	(8.10)	-	-	(136.55)	**(128.45)**	**(8.10)**	**-**	**-**	**(136.55)**
		Provision thereon	(6.42)	(2.47)	-	-	(8.89)	**(6.42)**	**(2.47)**	**-**	**-**	**(8.89)**
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	(6,367.00)	(1,006.00)	-	(1.00)	(7,374.00)	**(6,367.00)**	**(1,006.00)**	**-**	**(1.00)**	**(7,374.00)**
		Amount Outstanding	(41.60)	(9.97)	-	(0.04)	(51.61)	**(41.60)**	**(9.97)**	**-**	**(0.04)**	**(51.61)**
		Provision thereon	(2.08)	(3.58)	-	(0.04)	(5.70)	**(2.08)**	**(3.58)**	**-**	**(0.04)**	**(5.70)**
8	**Restructured Accounts as on March 31, 2019 (closing figures)**	**No. of Borrowers**	**15,619.00**	**979.00**	**91.00**	**1.00**	**16,690.00**	**15,619.00**	**979.00**	**91.00**	**1.00**	**16,690.00**
		Amount Outstanding	**235.85**	**14.74**	**3.79**	**0.26**	**254.64**	**235.85**	**14.74**	**3.79**	**0.26**	**254.64**
		Provision thereon	**11.80**	**4.65**	**3.39**	**0.26**	**20.10**	**11.80**	**4.65**	**3.39**	**0.26**	**20.10**

Disclosure on accounts subjected to Restructuring for the financial year ended March 31, 2018 *(Rs. in Millions)*

Sr No .	Type of Restructuring		Under CDR Mechanism					Under SME debt restructuring mechanism				
	Asset Classification		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2017 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the year	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 and hence need not be shown as restructured standard Advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
8	**Restructured Accounts as on March 31, 2018 (closing figures)**	**No. of Borrowers**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		Provision thereon	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Sr No .	Type of Restructuring		Others					Total				
	Asset Classification		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1, 2017 of the FY (opening figures)	No. of Borrowers	-	57.00	-	-	57.00	**-**	**57.00**	**-**	**-**	**57.00**
		Amount Outstanding	-	1.38	-	-	1.38	**-**	**1.38**	**-**	**-**	**1.38**
		Provision thereon	-	0.49	-	-	0.49	**-**	**0.49**	**-**	**-**	**0.49**
2	Fresh restructuring during the year	No. of Borrowers	-	196.00	-	-	196.00	**-**	**196.00**	**-**	**-**	**196.00**
		Amount Outstanding	-	6.10	-	-	6.10	**-**	**6.10**	**-**	**-**	**6.10**
		Provision thereon	-	2.33	-	-	2.33	**-**	**2.33**	**-**	**-**	**2.33**
3	Up gradation to restructured standard category during the year	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 and hence need not be shown as restructured standard Advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
		Provision thereon	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
5	Down gradations of restructured accounts during the year	No. of Borrowers	-	(1.00)	-	1.00	-	**-**	**(1.00)**	**-**	**1.00**	**-**
		Amount Outstanding	-	(0.04)	-	0.04	(0.00)	**-**	**(0.04)**	**-**	**0.04**	**(0.00)**
		Provision thereon	-	(0.04)	-	0.04	-	**-**	**(0.04)**	**-**	**0.04**	**-**
6	Increase/Decrease in existing restructured accounts during the year	No. of Borrowers	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
		Amount Outstanding		(0.38)	-	-	(0.38)	**-**	**(0.38)**	**-**	**-**	**(0.38)**
		Provision thereon	-	(0.00)	-	-	(0.00)	**-**	**(0.00)**	**-**	**-**	**(0.00)**
7	Write-offs/fully repaid of restructured accounts during the year	No. of Borrowers	-	(20.00)	-	-	(20.00)	**-**	**(20.00)**	**-**	**-**	**(20.00)**
		Amount Outstanding	-	(0.33)	-	-	(0.33)	**-**	**(0.33)**	**-**	**-**	**(0.33)**
		Provision thereon	-	(0.15)	-	-	(0.15)	**-**	**(0.15)**	**-**	**-**	**(0.15)**
8	**Restructured Accounts as on March 31, 2018 (closing figures)**	**No. of Borrowers**	**-**	**232.00**	**-**	**1.00**	**233.00**	**-**	**232.00**	**-**	**1.00**	**233.00**
		Amount Outstanding	**-**	**6.73**	**-**	**0.04**	**6.77**	**-**	**6.73**	**-**	**0.04**	**6.77**
		Provision thereon	**-**	**2.63**	**-**	**0.04**	**2.67**	**-**	**2.63**	**-**	**0.04**	**2.67**

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure 23 - Notes forming part of the restated summary statements

As at March 31, 2017 ***(Rs. in Millions)***

Sr No .	Type of Restructuring		Under CDR Mechanism					Under SME debt restructuring mechanism				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details		-	-	-	-	-	-	-	-	-	-
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the period	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 and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2017 (closing figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-

Sr No .	Type of Restructuring		Others					Total				
	Asset Classification		**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Substandard**	**Doubtful**	**Loss**	**Total**
	Details											
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	No. of Borrowers	-	57.00	-	-	57.00	-	57.00	-	-	57.00
		Amount Outstanding	-	1.38	-	-	1.38	-	1.38	-	-	1.38
		Provision thereon	-	0.49	-	-	0.49	-	0.49	-	-	0.49
3	Up gradation to restructured standard category during the period	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 and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Down gradations of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the period	No. of Borrowers	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31, 2017 (closing figures)	No. of Borrowers	-	57.00	-	-	57.00	-	57.00	-	-	57.00
		Amount Outstanding	-	1.38	-	-	1.38	-	1.38	-	-	1.38
		Provision thereon	-	0.49	-	-	0.49	-	0.49	-	-	0.49

21 EMOPLOYEE BENEFITS [(AS-15) revised]

21.1 Gratuity:

Gratuity is a defined benefit plan. The Bank has obtained qualifying insurance policies from Insurance Company. The following table summarises the components of net expenses recognised in the Profit and Loss Account and funded status and amounts recognised in the Balance Sheet on the basis of actuarial Valuation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise.

Details of defined benefit plan of gratuity are given below:

(Rs. in Millions)

Changes in the present value of the obligation	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Opening balance of Present Value of Obligation	310.44	227.76	227.76	178.83	-
Interest Cost	5.42	4.16	16.57	11.92	2.08
Current Service Cost	21.18	31.51	66.63	44.22	3.33
Benefits Paid	-	-	(14.81)	(8.52)	-
Actuarial loss on Obligation	12.64	(5.98)	14.29	1.31	4.06
Acquisitions/Divestures/Transfers	-	-	-	-	169.36
Closing balance of Present Value of Obligation	349.68	257.45	310.44	227.76	178.83
Reconciliation of opening and closing balance of the					
Opening balance of Fair value of Plan Assets	232.30	171.56	171.57	145.26	-
Adjustment to Opening Balance	-	-	3.13	-	-
Expected Return on Plan assets	4.06	3.40	14.46	16.17	1.76
Contributions	-	-	56.22	34.17	143.55
Other charges (Service tax, FMC, Mortality charges, etc)	-	-	-	(4.29)	-
Benefits Paid	-	-	(14.81)	(8.52)	-
Actuarial Gain / (loss) Return on Plan Assets	(3.49)	-	1.74	(11.22)	(0.05)
Closing balance of Fair Value of Plan Assets	232.88	174.96	232.31	171.57	145.26
Actual Return on Plan Assets	0.57	3.40	19.33	4.95	1.71

(Rs. in Millions)

Profit and Loss – Expenses	As at June 30, 2019	As at June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
Current Service Cost	21.18	31.51	66.63	44.22	3.33
Interest Cost	5.42	4.16	16.57	11.92	2.08
Expected Return on Plan assets	(4.06)	(3.40)	(14.46)	(16.17)	(1.76)
Net Actuarial loss (gain)recognized in the period/year	16.12	(5.98)	9.42	12.53	4.12
Expenses recognized in the Profit and Loss Account	38.66	26.29	78.16	52.50	7.77

Funded status *(100% insurance managed funds)*	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Actuarial Assumptions					
Discount Rate	6.99%	7.92%	7.52%	7.31%	6.83%
Expected Rate of Return on Plan Assets	6.99%	7.92%	7.52%	7.31%	6.83%
Expected Rate of Salary Increase	9.00%	9.00%	9.00%	9.00%	9.00%
Employee Attrition Rate	26.51%	21.70%	20.26%	18.08%	16.40%

Experience Adjustments *(Rs. in Millions)*

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Plan Assets	232.88	174.96	232.31	171.57	145.26
Defined benefit obligation	349.68	257.45	310.44	227.76	178.83
Surplus/ (Deficit)	(116.80)	(82.49)	(78.13)	(56.19)	(33.57)
Actuarial (Gain)/ Losses due to Experience on Defined Benefit Obligation	(1.01)	11.81	3.79	13.67	22.78

The expected rate of return on assets is determined based on the assessment made at the beginning of the period/year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the period/year.

Category of Plan Assets	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Assets Under Insurance Schemes	100%	100%	100%	100%	100%

a) The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

b) During the period ended June 30,2019 and June 30, 2018 and financial year ended March 31, 2019 and March 31, 2018, the Bank does not have unamortised gratuity and pension liability.
c) Discount rate is based on the prevailing market yields of Indian Government Bonds as on the Balance Sheet date for the estimated term of the obligation.

Note: For the Period July 04, 2017 to March 31, 2017, Bank has acquired the Gratuity liability as part of the Business Transfer Agreement dated January 12, 2017 effective from February 1, 2017 (Refer Annexure 23 Note 1). The amount charged to Profit and Loss Account for the current period is Rs 7.76 (Mn).

21.2 Compensated Absences:

The Actuarial liability of compensated absences of accumulated privileged leaves of the employees is given below:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Privileged Leave Actuarial Liability	232.47	204.90	259.98	186.20	128.55
Assumptions					
Discount Rate	6.99%	7.92%	7.52%	7.31%	6.83%
Salary Escalation rate	9.00%	9.00%	9.00%	9.00%	9.00%

21.3 Defined Contribution Plans:

(Rs. in Millions)

Amount recognised in the Statement of Profit and Loss	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
(i) Provident fund Contributed to the Authorities	117.42	83.65	353.43	88.61	8.17
(ii) Pension fund Contributed to the Authorities	42.92	32.94	147.33	112.37	15.37

22 SEGMENT REPORTING

In accordance with the guidelines issued by RBI & AS-17, the Bank has adopted Segment Reporting as under:

A) Treasury :

The Treasury Segment primarily consists of net interest earnings from the Bank's Investment portfolio, money market borrowing and lending, gains or losses on Investment operations and income from sale of PSLC.

B) Retail Banking:

The Retail Banking Segment serves retail customers through a branch network and other delivery channels. Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment. This segment raises deposits from customers and provides loans and other services to customers. Revenues of the retail banking segment are derived from interest earned on retail loans, processing fees earned and other related incomes. Expenses of this segment primarily comprise interest expense on deposits & Borrowings, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses.

C) Corporate/ Whole Sale Banking:

The Wholesale Banking Segment provides loans to Corporates and Financial Institutions. Revenues of the wholesale banking segment consist of interest earned on loans made to customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other internal segments, premises expenses, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(Rs. in Millions)

SR.NO	Part A: Business segments				
	Business Segments →	**Treasury**	**Retail Banking**	**Corporate/ Wholesale Banking**	**Total**
	Particulars ↓	**June 30, 2019**	**June 30, 2019**	**June 30, 2019**	**June 30, 2019**
1	**Revenue**	**799.16**	**6,164.95**	**90.90**	**7,055.01**
2	Unallocated Revenue	-	-	-	-
3	***(less)*** Inter segment revenue	-	-	-	-
4	**Total Income (1+2-3)**	799.16	6,164.95	90.90	7,055.01
5	**Segment Result**	**411.70**	**1,159.32**	**12.69**	**1,583.71**
6	Unallocated expenses	-	-	-	159.24
7	Operating profit	-	-	-	1,424.47
8	Tax expenses (including deferred tax)	-	-	-	479.63
9	Extraordinary profit/ loss	-	-	-	-
10	**Net profit (5-6-8-9)**	-	-	-	**944.84**
	Other information:	-	-	-	-
11	Segment assets	22,683.31	116,204.20	3,587.21	142,474.72
12	Unallocated assets	-	-	-	451.39
13	**Total assets**	-	-	-	**142,926.11**
14	Segment liabilities	22,683.31	97,321.82	3,587.21	123,592.34
15	Unallocated liabilities	-	-	-	192.63
16	**Total liabilities**	-	-	-	**142,926.11**

Tax paid in advance / tax deducted at source (net of provisions) , Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Part B: Geographic Segment:

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(Rs. in Millions)

SR.NO	Part A: Business segments				
	Business Segments →	**Treasury**	**Retail Banking**	**Corporate/ Wholesale Banking**	**Total**
	Particulars ↓	**June 30, 2018**	**June 30, 2018**	**June 30, 2018**	**June 30, 2018**
1	**Revenue**	**490.66**	**4,105.62**	-	**4,596.28**
2	Unallocated Revenue	-	-	-	-
3	***(less)*** Inter segment revenue	-	-	-	-
4	**Total Income (1+2-3)**	490.66	4,105.62	-	4,596.28
5	**Segment Result**	**233.51**	**603.65**	-	**837.16**
6	Unallocated expenses	-	-	-	141.53
7	Operating profit	-	-	-	695.63
8	Tax expenses (including deferred tax)	-	-	-	230.09
9	Extraordinary profit/ loss	-	-	-	-
10	**Net profit (5-6-8-9)**	-	-	-	**465.54**
	Other information:	-	-	-	-
11	Segment assets	15,969.03	80,580.35	-	96,549.38
12	Unallocated assets	-	-	-	633.04
13	**Total assets**	-	-	-	**97,182.42**
14	Segment liabilities	15,969.03	64,278.49	-	80,247.52
15	Unallocated liabilities	-	-	-	-
16	**Total liabilities**	-	-	-	**97,182.42**

Tax paid in advance / tax deducted at source (net of provisions) , Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Part B: Geographic Segment:

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(Rs. in Millions)

SR.NO	Part A: Business segments				
	Business Segments →	**Treasury**	**Retail Banking**	**Corporate/ Wholesale Banking**	**Total**
	Particulars ↓	**March 31, 2019**	**March 31, 2019**	**March 31, 2019**	**March 31, 2019**
1	**Revenue**	**1,311.31**	**19,000.59**	**63.85**	**20,375.75**
2	Unallocated Revenue	-	-	-	-
3	***(less)*** Inter segment revenue	-	-	-	-
4	**Total Income (1+2-3)**	1,311.31	19,000.59	63.85	20,375.75
5	**Segment Result**	**261.24**	**3,008.07**	**1.21**	**3,270.52**
6	Unallocated expenses	-	-	-	586.29
7	Operating profit	-	-	-	2,684.24
8	Tax expenses (including deferred tax)	-	-	-	692.06
9	Extraordinary profit/ loss	-	-	-	-
10	**Net profit (5-6-8-9)**	-	-	-	**1,992.18**
	Other information:				
11	Segment assets	25,235.39	109,459.62	2,250.55	136,945.56
12	Unallocated assets	-	-	-	476.59
13	**Total assets**	-	-	-	**137,422.15**
14	Segment liabilities	25,235.39	91,739.90	2,250.55	119,225.84
15	Unallocated liabilities	-	-	-	-
16	**Total liabilities**	-	-	-	**137,422.15**

Tax paid in advance / tax deducted at source (net of provisions) , Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Part B: Geographic Segment:

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(Rs. in Millions)

SR.NO	Part A: Business segments				
	Business Segments →	**Treasury**	**Retail Banking**	**Corporate/ Wholesale Banking**	**Total**
	Particulars ↓	**March 31, 2018**	**March 31, 2018**	**March 31, 2018**	**March 31, 2018**
1	**Revenue**	1,205.94	14,587.61	-	15,793.55
2	Un allocated Revenue	-	-	-	-
3	***(less)*** Inter segment revenue	-	-	-	-
4	**Total Income (1+2-3)**	1,205.94	14,587.61	-	15,793.55
5	**Segment Result**	212.65	556.15	-	768.80
6	Unallocated expenses	-	-	-	680.33
7	Operating profit	-	-	-	88.47
8	Tax expenses (including deferred tax)	-	-	-	19.84
9	Extraordinary profit/ loss	-	-	-	-
10	**Net profit (5-6-8-9)**	-	-	-	**68.63**
	Other information:	-	-	-	-
11	Segment assets	16,548.39	77,400.26	-	93,948.65
12	Unallocated assets	-	-	-	780.08
13	**Total assets**	-	-	-	**94,728.73**
14	Segment liabilities	16,548.39	61,710.99	-	78,259.38
15	Unallocated liabilities	-	-	-	-
16	**Total liabilities**	-	-	-	**94,728.73**

Tax paid in advance / tax deducted at source (net of provisions) , Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

Part B: Geographic Segment:

The Bank operations are predominantly confirmed within one geographical segment (India) and accordingly, this is considered as the only secondary segment.

(Rs. in Millions)

SR.NO	Part A: Business segments				
	Business Segments →	**Treasury**	**Retail Banking**	**Corporate/ Wholesale Banking**	**Total**
	Particulars ↓	**March 31, 2017**	**March 31, 2017**	**March 31, 2017**	**March 31, 2017**
1	Revenue	195.36	2,043.38	-	2,238.74
2	Unallocated Revenue	-	-	-	-
3	***(less)*** Inter segment revenue	-	-	-	-
4	Total Income (1+2-3)	195.36	2,043.38	-	2,238.74
5	Segment Result	195.36	(135.41)	-	59.95
6	Unallocated expenses	-	-	-	51.04
7	Operating profit	-	-	-	8.91
9	Tax expenses (including deferred tax)	-	-	-	8.56
10	Extraordinary profit/ loss	-	-	-	-
11	Net profit (5-6-8-9)	-	-	-	**0.35**
	Other information:	-	-	-	-
12	Segment assets	21,684.08	62,197.53	-	83,881.61
13	Unallocated assets	-	-	-	477.44
14	**Total assets**	-	-	-	**84,359.05**
15	Segment liabilities	21,684.08	46,274.26	-	67,958.34
16	Unallocated liabilities	-	-	-	-
18	**Total liabilities**	-	-	-	**84,359.05**

Tax paid in advance / tax deducted at source (net of provisions) , Deferred Tax Assets and others which cannot be allocated to any segments, have been classified as unallocated assets.

23 RELATED PARTY DISCLOSURES (AS-18)

As per AS 18 Related Party Disclosures notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rule 2014 and Companies (Accounting Standards) Amendment Rules 2016, the Banks' related parties during the period July 04, 2016 to March 31, 2019 are disclosed below:

Holding Company :
Ujjivan Financial Services Limited (UFSL)
Key Management Personnel (KMP) :
Mr. Samit Ghosh (Managing Director and CEO)
Ms Upma Goel (Chief Financial Officer)
Mr. Chanchal Kumar (Company Secretary) (From March 24, 2018)
Mr. Sanjeev Barnwal (Company Secretary) (Up to March 23, 2018)
Enterprise in which relatives of KMPs are members :
Parinaam Foundation
Enterprises in which KMPs are members :
Ujjivan Welfare and Relief Trust
USFBL Employee's Gratuity Fund Trust
UFSL Employee's Gratuity Trust
Ujjivan Social Services Foundation (until May 09, 2018)
In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of Key Management Personnel as they are in the nature of banker-customer relationship.

Transactions with Related Parties for the period ended June 30, 2019

(Rs. in Millions)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Enterprises in which KMP are members	Total
Deposit*	(1,232.96)	(33.34)	(65.44)	(3.43)	(1,335.17)
	1,232.96	29.58	65.44	3.43	1,331.41
Reimbursement of expenses - Amount Paid	-	-	-	-	-
Reimbursement of expenses - Amount Received	0.20	-	0.06	-	0.26
Inter Company Transfer- Amount Received	-	-	-	-	-
Inter Company Transfer- Amount paid	-	-	-	-	-
Bank Contribution to Ujjivan Welfare and Relief Trust	-	-	-	2.73	2.73
Interest Expense on Deposits	25.29	3.58	1.44	0.04	30.35
Payment of Remuneration **	-	5.38	-	-	5.38
Rendering of services	-	-	-	-	-

* Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the period based on comparison of the total outstanding deposit balances at each quarter-end.

**The above Remuneration excludes Bonus and Gratuity.

Note:An amount of Rs 13.52 (Mns) received by UFSL towards employees perquisite tax and securitisation closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.

Transactions with Related Parties for the period ended June 30, 2018

(Rs. in Millions)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Enterprises in which KMP are members	Total
Deposit*	-	(58.08)	(30.63)	-	(88.71)
	-	28.62	30.63	-	59.25
Reimbursement of expenses - Amount Paid	-	-	-	-	-
Reimbursement of expenses - Amount Received	0.19	-	0.17	-	0.36
Inter Company Transfer- Amount Received**	0.06	-	-	-	0.06
Inter Company Transfer- Amount paid	-	-	-	-	-
Interest Expense on Deposits	-	1.82	0.61	-	2.43
Payment of Remuneration ***	-	5.06	-	-	5.06
Rendering of services	-	-	-	-	-

* Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the period based on comparison of the total outstanding deposit balances at each quarter-end.

**An amount of Rs. 5.50/- (Mns) received by UFSL towards employees perquisite tax and securitisation closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.

***The above Remuneration excludes Bonus and Gratuity.

Transactions with Related Parties for the year ended March 31, 2019

(Rs. in Millions)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Enterprises in which KMP are members	Total
Deposit*	(1,215.44)	(34.22)	(80.07)	(4.24)	(1,333.97)
	1,215.44	30.84	80.07	4.24	1,330.59
Reimbursement of expenses - Amount Paid	0.94	-	-	-	0.94
Reimbursement of expenses - Amount Received	0.94	-	0.75	-	1.69
Inter Company Transfer- Amount Received**	0.84	-	-	-	0.84
Inter Company Transfer- Amount paid***	1.09	-	-	3.42	4.51
Bank Contribution to Ujjivan Welfare and Relief Trust***	-	-	-	0.69	0.69
Interim Preference Dividend (excluding DDT)	220.00	-	-	-	220.00
Interest Expense on Deposits	48.03	2.74	3.08	0.13	53.98
Payment of Remuneration ****	-	20.31	-	-	20.31
Rendering of services	-	-	2.99	-	2.99

* Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the year based on comparison of the total outstanding deposit balances at each quarter-end.

** Excludes amount of Rs 14.71 (Mn) received by UFSL towards employees perquisite tax.

*** Employee Contribution to Ujjivan Welfare and Relief Trust through Payroll recovery of Rs.3.42 (Mn) & Quantum of Donation by Bank is restricted to 1% of PY Net Profit as per RBI Regulation - Rs.0.69 (Mn)

**** The above Remuneration excludes Bonus 2017-18 of MD & CEO and Gratuity.

Transactions with Related Parties for the year ended March 31, 2018

(Rs. in Millions)

Items/Related Party	Holding Company	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Enterprises in which KMP are members	Total
Deposit*	(1,031.48)	(142.91)	(20.00)	-	(1,194.39)
	-	65.84	20.00	-	85.84
Reimbursement of expenses - Amount Paid	16.24	-	-	-	16.24
Reimbursement of expenses - Amount Received	0.68	-	0.61	-	1.29
Inter Company Transfer- Amount Received**	127.61	-	-	-	127.61
Inter Company Transfer- Amount paid	0.53	-	-	-	0.53
Interest Expense on Deposits	60.91	1.55	0.02	-	62.48
Payment of Remuneration ***	-	19.73	-	-	19.73
Rendering of services	-	-	1.90	-	1.90

* Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the year based on comparison of the total outstanding deposit balances at each quarter-end.

** Excludes amount of Rs 328.87 (Mn) received by UFSL towards employees perquisite tax and securitisation closure related Fixed deposits & Income amounts on behalf of USFB and the same has been transferred to USFB.

*** The above Remuneration excludes Bonus and Gratuity.

As at March 31, 2017 *(Rs. in Millions)*

Items/Related Party	*Parent*	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members	Total
Deposit	(1,000.00)	(1.20)	-	(1,001.20)
	1,000.00	1.19	-	1,001.19
Reimbursement of expenses - Amount Paid	14.41	-	-	14.41
Reimbursement of expenses - Amount Received	3.63	-	0.11	3.74
Inter Company Transfer- Amount Received*	119.96	-	-	119.96
Capital	16,400.37	-	-	16,400.37
Interest on Deposits	0.18	0.00	-	0.18
Payment of Remuneration **	-	2.70	-	2.70
Rendering of services	-	-	0.50	0.50

*Notes: Refer clause 11.3.2 of Business Transfer Agreement dated January 16, 2017 between UFSL and Bank.
** The above Remuneration excludes Bonus and Gratuity.
Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each quarter-end.

Ujjivan Small Finance Bank Limited (USFB) is a wholly owned subsidiary of Ujjivan Financial Services Limited. (UFSL). During the period ended March 31, 2017 assets amounting to Rs 86,102.25 (Mn) and liabilities Rs 70,962.23(Mn) amounting to were transferred by UFSL to USFB via slump sale and the amount of purchase consideration was discharged by issue of Equity shares amounting to Rs.13,300.00 (Mn) and Preference shares amounting to Rs 2,000.00 (Mn).

Balances outstanding at the end of the period/year *(Rs. in Millions)*

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Enterprise in which KMP are members					
Ujjivan Welfare and Relief Trust	(3.43)	-	(4.24)	-	-
	3.43	-	4.24	-	-
Outstanding Balance with enterprise in which					
Parinaam Foundation	(65.44)	(30.63)	(80.07)	(20.02)	(0.11)
	65.44	30.63	80.07	20.02	0.11
Holding Company	-	-		-	-
Ujjivan Financial Services Limited	(1,232.96)	-	(1,215.44)	(1,031.48)	(1,000.00)
	1,232.96	-	1,215.44	1.73	995.69

Figures in bracket indicates maximum balance of outstanding deposits including interest accrued but not due during the period based on comparison of the total outstanding deposit balances at each quarter-end.

24 OPERATING LEASES (AS-19)

The future minimum lease payments under non-cancellable operating leases are as follows: ***(Rs. in Millions)***

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
i) Not later than one year	482.17	332.02	515.66	278.26	136.89
ii) Later than one year but not later than five years	930.89	817.02	1,145.72	489.30	265.35
iii) Later than five years	61.40	129.00	144.36	15.86	-

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	For the period July 04, 2016 to March 31, 2017
The total of minimum lease payments recognized in the Profit and Loss Account for the period/year	159.07	106.35	532.42	336.73	38.22

The Bank has not sub- leased any of the properties taken on lease. There are no provisions relating to contingent rent.

25 EARNINGS PER SHARE

The Bank reports basic and diluted earnings per Equity share in accordance with Accounting Standard-20 Earnings Per Share.

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	For the period July 04, 2016 to March 31, 2017
Profit available to equity share holders (in Mn) - (A)	944.85	465.55	1,726.96	68.63	0.35
Weighted average shares outstanding – Basic (Nos. in Mn) - (B)	1,440.04	1,440.04	1,440.04	1,440.04	344.87
Weighted average shares outstanding – Diluted (Nos. in Mn) - (C)	1,440.04	1,440.04	1,440.04	1,440.04	344.87
Nominal Value of Equity Shares (Rs.)	10.00	10.00	10.00	10.00	10.00
Earnings per share – Basic (Rs.) - (A/B)	0.66	0.32	1.20	0.05	0.00
Earnings per share – Diluted (Rs.) - (A/C)	0.66	0.32	1.20	0.05	0.00

26 MISCELLANEOUS

26.1 Provisions for taxation during the period/year:

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	For the period July 04, 2016 to March 31, 2017
Income Tax	511.25	78.53	349.12	313.20	14.21
Deferred tax Liability/ (Asset) - (Refer Annexure 23 (27))	(31.63)	151.55	342.94	(293.36)	(5.65)
Total	**479.62**	**230.08**	**692.06**	**19.84**	**8.56**

26.2 Disclosure relating to Depositor Education and Awareness Fund (DEAF):

The details of amount transferred to Depositor Education and Awareness Fund during the financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

(Rs. in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	For the period July 04, 2016 to March 31, 2017
Opening balance of amounts transferred to DEAF	0.00	-	-	-	-
Add: Amounts transferred to DEAF during the period/year*	-	-	0.00	-	-
Less: Amounts reimbursed by DEAF towards claims	-	-	-	-	-
Closing balance of amounts transferred to DEAF	**0.00**	**-**	**0.00**	**-**	**-**

* Amount transferred to DEAF during the year 2018-19 pertains to Additional Security Deposits transferred to the Bank from the Holding Company, Ujjivan Financial Services Limited (UFSL) , as part of the Business Transfer Agreement. As per RBI circular DBR. No. DEA Fund Cell. BC. 67/3-.01.002/2014-15 dated February 02, 2015, the details of unclaimed Additional Security Deposits has been displayed in our website with respect to amount transferred to DEAF. There has been no delays in transferring the amount to DEAF.

26.3 Drawdown from Reserves:

The Bank has not undertaken any drawdown from reserves during the period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

26.4 Fixed Assets: ***(Rs. in Millions)***

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Fixed Assets excluding Computer Software					
Opening balance (cost)	2,915.56	1,681.71	1,681.71	1,002.39	-
Additions during the period/year*	104.05	214.78	1,346.62	731.40	1,002.39
Deduction during the period/year	(14.35)	(16.26)	(112.78)	(52.07)	-
Depreciation to date	(957.54)	(566.11)	(844.59)	(497.44)	280.52
Balance at the end of the Period/Year	**2,047.72**	**1,314.12**	**2,070.96**	**1,184.28**	**721.87**

*Additions during period ended March 31, 2017 include assets acquired as a part of the Business Transfer Agreement.

26.5 Computer Software:

The movement in fixed assets capitalized as computer software is given below: ***(Rs. in Millions)***

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Opening balance (cost)	1,151.98	987.57	987.57	719.52	-
Additions during the period/year*	84.99	9.65	164.42	268.05	719.52
Deduction during the period/year	-	-	-	0.00	-
Depreciation to date	(448.33)	(270.22)	(399.48)	(230.42)	75.35
Balance at the end of the year	**788.64**	**727.00**	**752.51**	**757.15**	**644.17**

*Additions during period ended March 31, 2017 include assets acquired as a part of the Business Transfer Agreement.

26.6 Description of Contingent Liabilities:

(Rs. in Millions)

Particulars	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
i) Claims against the Bank not acknowledged as debt					
- Taxation (Service Tax)	4.23	4.23	4.22	4.41	4.23
- Other Legal cases	2.30	1.96	1.88	1.77	0.32
ii) Guarantees given on behalf of Constituents	2.50	2.50	2.50	2.50	-
iii) Other items for which the Bank is contingently liable	-	-		-	-
- Capital commitments not provided	295.14	467.23	231.81	186.41	278.81
- Others - Cash Collateral - Securitization	68.12	-	68.12	-	-
- Amount transferred to Depositor Education and Awareness	0.42	-	0.00	-	-
Total	**372.71**	**475.92**	**308.53**	**195.09**	**283.36**

Contingent liability	Brief description
Claims against the Bank not acknowledged as debts - Taxation	The Bank is a party to various taxation matters in respect of which appeals are pending. The Bank expects the outcome of the appeals to be favourable based on decisions on similar issues in the previous years by the appellate authorities, based on the facts of the case and the provisions of the Income Tax Act, 1961 and Indirect taxes.
Claims against the Bank not acknowledged as debts - Other legal cases	The Bank is a party to various legal proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities, the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the Bank's customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfil its financial or performance obligations.
Other items for which the Bank is contingently liable	These include: a) Credit enhancements in respect of securitised-outstanding loans; b) Bills rediscounted by the Bank; c) Capital commitments; d) Underwriting commitments; e) Investment purchases pending settlement; f) Amount transferred to the RBI under the Depositor Education and Awareness Fund (DEAF).

26.7 Disclosure of Letters of Comfort (LoC) issued by the Bank:

The Bank has not issued any Letter of Comfort during the period ended period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

26.8 Investor Education and Protection Fund:

There is no amount required to be transferred to Investor Education and Protection Fund by the bank during the period ended period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

26.9 Other Expenditure:

Other expenditure includes Local Conveyance for the period ended June 30, 2019 amounting to Rs 74.44 (Mn), for period ended June 30,2018 amounting to Rs 56.72 (Mn), for the financial year ended March 31, 2019 amounting to Rs.251.31 (Mn), for financial year ended March 31, 2018 amounting to Rs.206.34 (Mn) and for financial year ended March 31, 2017 amounting to Rs 24.43 (Mn) exceeding 1% of the total income of the Bank. Other expenditure for financial year ended March 31, 2017 includes professional charges amounting to Rs 49.40 (Mn) and goodwill written off amounting to Rs 160.00 (Mn) exceeding 1% of the total income of the Bank.

26.10 The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that no provision is required under any law / accounting standards on such long term contracts as on June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017.

26.11 Credit Default Swaps:

Bank has not entered into any credit default swap transactions during the period ended period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017 .

26.12 Credit Card and Debit Card Reward Points:

Bank does not have credit card products hence reward points are not applicable and the Bank is not providing any reward points on debit cards during the period ended period ended June 30, 2019 and June 30, 2018 and financial year ended March 31, 2019, March 31, 2018 and March 31, 2017.

26.13 Off Balance Sheet SPVs Sponsored:

There are no Off-Balance sheet SPVs sponsored by the bank as on June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017.

26.14 Details of Factoring Exposure:

Bank does not have any factoring exposure as on June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017.

26.15 Category Wise Country Exposure

Bank does not have any country wise Risk Exposure as on June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017.

26.16 Unhedged Foreign Currency Exposure:

Bank does not have any unhedged foreign currency exposure as on June 30, 2019, June 30, 2018, March 31, 2019, March 31, 2018 and March 31, 2017.

27 DEFERRED TAX

In accordance with AS -22 on Accounting for Taxes on Income, the Bank has recognized deferred tax (asset)/Liability as detailed below:

As at June 30, 2019 *(Rs. in Millions)*

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2019	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on June 30, 2019
Difference between book and tax depreciation	161.49	(11.65)	149.85
Provision for Employee benefits	(52.51)	9.61	(42.90)
Provision for doubtful assets/standard assets	(403.00)	(9.50)	(412.50)
Others	(125.74)	(20.09)	(145.83)
Net Deferred Tax (Asset) / Liability	**(419.76)**	**(31.63)**	**(451.38)**

As at June 30, 2018 *(Rs. in Millions)*

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2018	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on June 30, 2018
Difference between book and tax depreciation	144.38	(2.43)	141.95
Provision for Employee benefits	(26.70)	-	(26.70)
Provision for doubtful assets/standard assets	(882.66)	143.59	(739.07)
Others	2.27	10.39	12.67
Net Deferred Tax (Asset) / Liability	**(762.70)**	**151.55**	**(611.15)**

As at March 31, 2019 *(Rs. in Millions)*

Particulars	Deferred Tax (Assets) / Liabilities as at April 1, 2018	Current year (credit) / charge	Deferred Tax (Assets) / Liabilities as at March 31, 2019
Difference between book and tax depreciation	144.38	17.11	161.49
Provision for Employee benefits	(26.70)	(25.81)	(52.51)
Provision for doubtful assets/standard assets	(882.66)	479.66	(403.00)
Others	2.28	(128.02)	(125.74)
Net Deferred Tax (Asset) / Liability	**(762.70)**	**342.94**	**(419.76)**

As at March 31, 2018 *(Rs. in Millions)*

Particulars	Deferred Tax (Assets) / Liabilities as at April 1, 2017	Current year (credit) / charge	Deferred Tax (Assets) / Liabilities as at March 31, 2018
Difference between book and tax depreciation	38.02	106.36	144.38
Provision for Employee benefits	(80.99)	54.29	(26.70)
Provision for doubtful assets/standard assets	(416.93)	(465.72)	(882.66)
Others	(9.43)	11.71	2.28
Net Deferred Tax (Asset) / Liability	**(469.34)**	**(293.36)**	**(762.70)**

As at March 31, 2017 *(Rs. in Millions)*

Particulars	Deferred Tax (Assets) / Liabilities as at July 4, 2016	Deferred Tax (Assets) / Liabilities as part of the Business Transfer Agreement *	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as at March 31,2017
Difference between book and tax depreciation	-	8.44	29.57	38.02
Provision for Employee benefits	-	(64.15)	(16.84)	(80.99)
Provision for doubtful assets/standard assets	-	(406.46)	(10.47)	(416.93)
Others	-	(1.51)	(7.92)	(9.43)
Net Deferred Tax (Asset) / Liability	**-**	**(463.69)**	**(5.65)**	**(469.34)**

* Pursuant to the Business Transfer Agreement dated January 12, 2017 the Bank has acquired Deferred Tax Asset (Net of Deferred Tax Liability) amounting to Rs.463.69 (Mn).

28 DISCLOSURES ON REMUNERATION:

28.1 Qualitative Disclosures:

A Information relating to the composition and mandate of the Remuneration Committee:

Bank has constituted a Nomination and Remuneration Committee (NRC). The NRC comprises of four members where three are Independent Directors and one is a Non Executive & Non Independent Director. Mandate of the Nomination and Remuneration Committee is to oversee the framing, review and implementation of the Banks's Compensation Policy and Nomination & Remuneration Policy for Whole Time Director/ Chief Executive Officers/ Risk Takers and control function staff for ensuring effective alignment between remuneration and risks. The Committee also ensures that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks. The Nomination and Remuneration Committee reviews Compensation policy and Nomination & Remuneration Policy of the Bank with a view to attract, retain and motivate employees.

B Information relating to the design and structure of remuneration processes and the key features and objectives of Compensation Policy and Nomination & Remuneration Policy:

The Compensation Policy and Nomination & Remuneration Policy has been laid out keeping the following perspectives into considerations:

(a) Our Compensation principles should support us in achieving our mission of providing a full range of financial services to the economically active poor of India who are not adequately served (unserved and underserved) by financial institutions. Therein, this policy should support us to attract and retain talent and skills required to further the organizations purpose and ideology.

(b) The pay structure and amounts shall always conform to applicable Income Tax and other similar statutes.

(c) All practices of Ujjivan SFB shall comply with applicable labour laws.

(d) The pay structure should be standardized for a level of employees.

(e) Elements eligible for tax exemption may be introduced at appropriate levels to enable employees take applicable tax breaks. Amounts related to benefits may undergo change with change in grade in the organization.

(f) The compensation structure shall be easy to understand for all levels of employees.

(g) The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.

(h) The directors are paid sitting fees as approved by the Board for attending the Board and Board Committee Meetings.

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:

(a) Structurally, the Control functions such as Credit, Risk and Vigilance are independent of the business functions and each other, thereby ensuring independent oversight from various aspects on the business functions.

(b) The Bank is in the process of comprehensively measuring and reviewing material risks to which Bank is exposed to under ICAAP. The Bank also complies with Basel II requirements.

(c) We have ensured that significant financial benefits may accrue to employees displaying high levels of individual performance over a 3 year period allowing adequate time for risks to completely manifest

D Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

(a) The compensation policy is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.

(b) Ujjivan shall, from time to time benchmark its compensation against identified market participants to define its pay structure and pay levels.

(c) The merit increments will be finalized and approved by the NHRC year on year, basis organization's budgets and accomplishments as well as market reality.

(d) Ujjivan believes in paying its employees in an equitable and fair manner basis the incumbent's Role, Personal Profile (Education/Experience etc.) as well as Performance on the Job.

(e) Employees rated "Below Expectations" shall not be provided any increments, unless statutorily required.

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 performance bonus payout shall be Annual. Discretion is typically applied related to staggered payout in case large payouts, particularly for functions like Credit and Risk. Bonus is to be prorated for employees who have worked for part of the year at Ujjivan.

Ujjivan believes in the philosophy of collective ownership by its employees. Thus, Employee Stock Options of the Holding Company Ujjivan Financial Services Ltd are distributed amongst employees basis their criticality and performance.

Typically, all Stock option schemes at Ujjivan vest in a staggered manner. Besides the statutory requirement of grant and 1 year vesting, the total set of options vest in various tranches for up to a period of 3 years.

Malus/ Clawback: In the event of negative contributions of the individual towards the achievements of the Banks objectives in any year, the deferred compensation should be subjected to Malus/Clawback arrangements. Similar provisions shall apply in case the individual is found guilty of any major non-compliance or misconduct issues.

F Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

Variable Compensation at Ujjivan has the following distinct forms:

1. Statutory Bonus
2. Performance Pay:
   a. Performance Bonus
   b. Sales Awards
3. Rewards & Recognition

The policy has been laid out keeping the following perspectives into considerations:
The Variable pay structure and amounts shall always conform to applicable Income Tax statutes, Labour Laws, Regulatory Requirements, any other applicable statutes and prevalent market practice.
It is designed to promote meritocracy in the organization i.e. other things being equal, performers in a given role are expected to earn more than his/her peer group.

Statutory Bonus: Statutory Bonus in India is paid as per Payment of Bonus Act, 1965.

Performance Bonus: All employees who are not a part of an Incentive/ Sales Award Scheme but part of the year end performance review will be covered under the Performance Bonus Plan of Ujjivan Small Finance Bank. However, the actual payout of performance bonus shall paid only to, employees who have met our performance criteria.

Sales Awards: Employees in the Sales function, directly responsible for revenue generation shall be covered under the Sales Award Scheme if meeting the criteria of the respetive scheme. Typically some of the entry level roles and upto two levels of supervision thereof shall be covered by sales awards.

Rewards & Recognition: Ujjivan shall design schemes and practices from time to time to celebrate employees / departmental / organizational success. These celebrations may include offering tokens of appreciation to employees as defined in specific schemes. Fairness of application and transparency of communication shall be the hallmark of all such schemes. These will be subject to income tax laws, as applicable. Examples of such schemes may include: Long Service Awards (currently at one, three, five , seven and ten yrs. of completion of service with Ujjivan), Portfolio Improvement Reward Scheme; Functional R&R Schemes; Organizational Rewards Schemes such as: Service Champion; Process Excellence; Customer Connect Awards; Above and Beyond; Recognition program for Liabilities Branches for Retail Deposits; Recognition program for Asset growth in Branches

Employee Stock Options (ESOPs): Employee Stock Options (ESOPs): ESOPs are given across the Bank to employees based on tenure and performance. The Bank has approved its ESOP Plan, 2019 in the Shareholders meeting held on March 29, 2019, however no grant has been made to any employees of the Bank or of the Holding Company (Ujjivan Financial Services Limited) under the Banks ESOP Plan -2019.

Eligible Bank employees are holding ESOPs of the Holding Company and were also granted fresh ESOPS of the Holding Company during the financial year 2018-19 based on the recommendation of Nomination & Remuneration Committee of the Bank.

28.2 Quantitative Disclosures:

The quantitative disclosures cover the Bank's Whole Time Director and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include MD & CEO, Chief Business Officer (CBO), Head- Treasury, Chief Risk Officer (CRO), Chief Financial Officer (CFO) and Company Secretary (CS).

Particulars	**For the period April 1, 2019 to June 30, 2019**	**For the period April 1, 2018 to June 30, 2018**
Number of meetings held by Nomination & Remuneration Committee (NRC) and remuneration paid to its members	Three meetings were held on following Date: May 09, 2019 May 27, 2019 Total fee paid: Rs 0.32 (Mn)	One meeting was held on May 07, 2018. Total Fee was paid: Rs 0.16 (Mn)
Number of employees having received a variable remuneration award.	Nil	Nil
Number and total amount of 'sign on' awards.	Nil	Nil
Details of guaranteed bonus if any paid as sign on bonus.	Nil	Nil
Details of severance pay in addition to the accrued benefits.	Nil	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms.	*Rs. 0.83 (Mn) (MD&CEO, CBO CFO, CRO, Head Treasury, CS)	*Rs. 0.50 (Mn) (MD&CEO, CBO, CFO, CRO, Head Treasury, CS)
Total amount of deferred remuneration paid.	Nil	Nil
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	**Rs. 11.19 (Mn) (MD&CEO/CBO/Head of Treasury/ CFO/CRO/ CS)	**Rs. 10.20 (Mn) (MD&CEO/CBO/Head of Treasury/ CFO/CRO/ CS)
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	Nil	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil	Nil

Note

*This includes the provision amount for MD & CEO which will be paid subject to RBI approval.Performance bonus provision amount quoted for 3 months (April 19 to June 19).This is the provision amount for 3 months (April'18 to June'18 & April'19 to June'19). However the actual payout will differ depending upon company performance and the guidance from the NRC.

- Bonus paid only to CFO/CRO/Head Treasury/ CS.
- No Bonus paid to MD and CBO

**Only Fixed Gross for Q1 (April'18 to June'18 & April'19 to June'19)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018	July 04, 2016 to March 31, 2017
Number of meetings held by Nomination & Remuneration Committee (NRC) and remuneration paid to its members	5 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2018 to March 31, 2019. Further, 3 meetings of Human Resource and Compensation Committee (HRC) was held during April 01, 2018 to March 31, 2019. The members of the NRC were paid total sitting fees of Rs.0.76 (Mn) for five meetings while members of HRC were paid total sitting fees of Rs 0.24 (Mn) for 3 meetings.	5 meetings of Nomination & Remuneration Committee (NRC) were held during April 01, 2017 to March 31, 2018. Further, 1 meeting of Human Resource and Compensation Committee (HRC) was held during April 01, 2017 to March 31, 2018. The members of the NRC were paid total sitting fees of Rs.0.80 (Mn) for five meetings while members of HRC were paid total sitting fees of Rs 0.08 (Mn) for one meeting.	During the period July 04, 2016 to March 31, 2017, three Nomination & Remuneration Committee meetings were held. The members of the Nomination & Remuneration Committee were paid aggregate sitting fees of Rs.0.28 (Mn) for three meetings.
Number of employees having received a variable remuneration award.	* 5 employees (MD& CEO/ CFO/CRO/Head Treasury/ CS)	3 employees (CFO/CRO/Head Treasury)	Nil
Number and total amount of 'sign on' awards.	Nil	Nil	Nil
Details of guaranteed bonus if any paid as joining/ sign on bonus.	Nil	Nil	Nil
Details of severance pay in addition to the accrued benefits, if any	Nil	Nil	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms.	** Rs. 1.5 (Mn) - (MD&CEO/CFO/CRO/Head Treasury/ CS)	Rs. 0.79 (Mn)	Rs. 0.58 (Mn)
Total amount of deferred remuneration paid out	*** Rs. 0.72 (Mn) - (MD&CEO/CFO/CRO/Head Treasury/ CS)	Rs. 0.58 (Mn)	Nil
Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed Gross - Rs. 39.06 (Mn) (MD&CEO/CBO/Head of Treasury/ CFO/CRO/ CS) **** Variable/deferred - Rs. 0.72 (Mn) - (MD&CEO/CFO/CRO/Head Treasury/ CS)	Rs. 31.90 (Mn) (Fixed) Rs. 0.58 (Mn) (variable/deferred)	Rs.5.00 (Mn) (Fixed)
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/ or implicit adjustments.	Nil	Nil	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil	Nil	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil	Nil	Nil

Note:

* Variable Remuneration was paid in FY 18-19 only to these risk takers. The variable remuneration paid to to the MD & CEO is the amount for the period February 1, 2017 to March 31, 2018. Date of joining of CBO is February 12, 2018. Hence not eligible for variable remuneration.

** This is the provision amount. Outstanding Deferred Remuneration Cash (Bonus) Rs. 1.5 (Mn).
However the actual payout will differ depending upon Banks' performance and the guidance from the NRC. ESOPs are from UFSL therefore they are not disclosed. This includes the provision amount for MD & CEO which will be paid out subject to RBI approval

*** Since Performance Bonus is paid out deferred in the following financial year, it is being shown as deferred. This includes the bonus paid out to MD & CEO for the period February 1, 2017 to March 31, 2018.

**** The Variable deffered includes the bonus paid out to MD & CEO for the period February, 2017 - March, 2017 and April, 2017 - March, 2018.

29 DISCLOSURE ON REMUNERATION TO NON- EXECUTIVE DIRECTORS

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees till May 31, 2019 were at the rate of Rs. 0.05 (Mn) per Board meeting and at the rate of Rs. 0.04 (Mn) per Board Committee meeting. W.e.f June 01, 2019 Sitting fees has been revised at the rate of Rs. 0.075 (Mn) per Board meeting and at the rate of Rs. 0.05 (Mn) per Board Committee meeting. Amount paid as sitting fees to the Non-Executive Directors as follows.

(Rs. in Millions)

Name of Director	For the period April 1, 2019 to June 30, 2019	For the period April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	July 04, 2016 to March 31, 2017
Mr.Sunil Vinayak Patel	0.34	0.34	1.46	1.01	0.39
Ms. Vandana Viswanathan	0.25	0.26	1.02	0.73	0.27
Prof. Nandlal Sarada	0.21	0.30	0.94	0.77	0.31
Mr. Biswamohan Mahapatra	0.26	0.26	0.85	0.77	0.27
Mr. Luis Miranda	0.13	0.26	0.77	0.39	0.18
Mr. Prabal K Sen	0.21	0.22	0.74	0.65	0.19
Mr Anadi Charan Sahu *	-	0.05	0.05	0.25	0.1
Mr. Sachin Bansal**	-	-	-	-	-
Mr. Sanjay Jain *	-	-	0.15	-	-
Ms Mona Kachhwaha	0.09	0.18	0.49	0.10	0
Ms. Chitra K Alai (SIDBI)***	0.05	-	-	-	-
Mr Jayanta Kumar Basu****	0.05	-	0.10	-	-
Total	**1.59**	**1.87**	**6.57**	**4.67**	**1.71**

* Mr Anadi Charan Sahu has resigned as Director on May 06, 2018 and Mr Sanjay Jain has been appointed in his place w.e.f May 07, 2018.

* * Appointed w.e.f June 01, 2019

***Appointed as a Director w.e.f May 09, 2019

**** Appointed as a Director w.e.f November 14, 2018.

30 DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSMED)

The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. On the basis of information and records available with the Management and confirmation sought by the Management from the suppliers on their registration with the specified authority under MSMED, there have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments for the year ended March 31, 2019, March 31, 2018 and March 31, 2017. An amount of Rs. 3.82 (In Mn) was outstanding for payment for more than 45 days to MSME creditors as of June 30, 2019.

31 CORPORATE SOCIAL RESPONSIBILITY

As per Sec 135 (1) of the Companies Act "Every Company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director". Pursuant to this, Bank has duly constituted a Corporate Social Responsibility Committee with three directors of which two are Independent Directors and one is a Non-Executive & Non Independent Director as its member. The Bank has formulated CSR policy which is available on the website of the Bank at https://www.ujjivansfb.in/regulatory-policies.html.

Further, the section stipulates that the company should spend, in every financial year, at least two per cent of the average net profits made during the three immediately preceding financial years. The Bank completed two financial years since Incorporation and financial year ended March 31, 2019, being the third financial year since Incorporation, the average net profits for three immediately preceding financial years were not available for calculating the CSR amount to be spent. Therefore the Bank does not have a mandatory CSR obligation during the financial year ended March 31, 2019. However, the Bank would have a mandatory CSR obligation from financial year ending March 31, 2020 and the Bank is committed to fulfil the guidelines prescribed for the Corporate Social Responsibility under the Companies Act, 2013.

32 PAYMENTS TO AUDITORS' (Annexure -21 Auditors' fees and Expenses*) ***(Rs. in Millions)***

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018
Audit Fees	1.83	1.18
Tax audit Fees	0.03	0.08
Other services	0.27	0.29
Out-of pocket expenses	0.09	0.04
Total	**2.22**	**1.59**

(Rs. in Millions)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018	For the period July 04, 2016 to March 31, 2017
Audit Fees	4.02	3.20	1.20
Tax audit Fees	0.11	0.30	-
Other services	2.78	1.00	-
Out-of pocket expenses	0.16	0.65	-
Total	**7.07**	**5.15**	**1.20**

* Includes Previous Auditors' fee of Rs.0.32 (Mn) in March 31, 2019, Nil for March 31, 2018 and March 31, 2017.

33 SECURITIZATION TRANSACTION

The details of Securitization deals outstanding as on June 30, 2019 and as on June 30, 2018 as below.

(Rs. in Millions)

Particulars			As at June 30, 2019	As at June 30, 2018
No. of SPVs sponsored by the bank for securitisation transactions			1.00	-
Total amount of securitised assets as per books of the SPVs sponsored by the bank(Includes MRR portion of Rs.2,08.38 (Mn)			537.80	-
Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			-	-
a)	Off balance sheet exposures		-	-
	First loss		276.51	-
	Others		-	-
b)	On-balance sheet exposures		-	-
	First loss		-	-
	Others		-	-
Amount of exposures to securitisation transactions other than MRR			-	-
a)	Off balance sheet exposures		-	-
	i)	Exposure to own securitizations	-	-
		First loss	-	-
		Loss	-	-
	ii)	Exposure to third party securitisations	-	-
		First loss	-	-
		Others	-	-
b)	On balance sheet exposures		-	-
	i)	Exposure to own securitisations	-	-
		First loss	-	-
		Others	-	-
	ii)	Exposure to third party securitisations	-	-
		First loss	-	-
		Others	-	-

No securitisation deals were outstanding as at June 30, 2018.

The details of Securitization deals outstanding as on March 31, 2019, March 31, 2018 and March 31, 2017 as below.

(Rs. in Millions)

Particulars			As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
No. of SPVs sponsored by the bank for securitization transactions			1.00	-	11.00
Total amount of securitized assets as per books of the SPVs sponsored by the Bank (Includes MRR portion of Rs.2,08.38 (Mn)			908.32	-	5,083.30
Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet			-	-	-
a)	Off balance sheet exposures		-	-	-
	First loss		-	-	463,908.63
	Others		-	-	-
b)	On-balance sheet exposures		-	-	-
	First loss		276.51	-	704.88
	Others		-	-	-
Amount of exposures to securitization transactions other than MRR			-	-	-
a)	Off balance sheet exposures		-	-	-
	i)	Exposure to own securitizations	-	-	-
		First loss	-	-	-
		Loss	-	-	-
	ii)	Exposure to third party securitizations	-	-	-
		First loss	-	-	-
		Others	-	-	-
b)	On balance sheet exposures		-	-	-
	i)	Exposure to own securitizations	-	-	-
		First loss	-	-	-
		Others	-	-	-
	ii)	Exposure to third party securitizations	-	-	-
		First loss	-	-	-
		Others	-	-	-

34 DIVIDEND

Preference Shares: Business Transfer Agreement (BTA) dated January 12, 2017 was executed pursuant to which the business of 'Ujjivan Financial Services Limited' (UFSL) was acquired by the Bank effective from February 01, 2017 and part of the purchase price was discharged by the Bank to UFSL by issue of 20,00,00,000 11% Perpetual Non-Cumulative Non- Convertible Preference Shares of face value of Rs. 10 each.

Declaration of Dividend: As per Section 123(3) of the Companies Act, 2013, the Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the Profit and Loss Account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend. Interim Preference Dividend is calculated and paid in compliance with the provisions of Companies Act, 2013 and the rules framed thereunder and the RBI Regulations in this regard and the provisions of the Banking Regulation Act, 1949. Dividend distribution tax is calculated and paid in compliance with the provisions of the Income tax Act, 1961 and the rules framed thereunder.

The Bank with the approval of Directors through resolution passed on July 30, 2019 declared an Interim Preference Dividend of 5.5% i.e. ₹ 0.55 per preference Share of ₹ 10 each (within the maximum permissible coupon rate of 11%) amounting to ₹ 110 (Mns) (excluding Dividend Distribution Tax) on 200,000,000 11% Perpetual Non-Cumulative Preference Shareholders.

During the financial year ended March 31, 2019, the Board of Directors declared the First Interim Preference Dividend on December 06, 2018 and Second Interim Preference Dividend on March 18, 2019 out of current year profits as mentioned below.

(Rs. in Millions)

Particulars	**Year ended March 31, 2019**	**Year ended March 31, 2018**	**Year ended March 31, 2017**
First Interim Preference Dividend of Rs. 0.55 (Previous year-NIL) per preference share (exclusive of dividend distribution tax of Rs. 22.61)	110	NIL	NIL
Second Interim Preference Dividend of Rs. 0.55 (Previous year-NIL) per preference share (exclusive of dividend distribution tax of Rs. 22.61)	110	NIL	NIL

35 As the Company is a Banking Company, the disclosure of details relating to Specified Bank Notes (SBNs) as per Notification No. G.S.R. 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs (MCA) is not applicable.

36 The Honourable Supreme Court has recently provided a judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. With regard to above Supreme Court (SC) judgement, there are various interpretative issues including applicability and the impact thereof cannot be quantified.

UJJIVAN SMALL FINANCE BANK LIMITED
Annexure 23 - Notes forming part of the restated summary statements

37 Additional Disclosure

A Reconciliation (No of Shares outstanding) *(Rs. in Millions)*

Particulars	As at June 30, 2019		As at June 30, 2018		As at March 31, 2019		As at March 31, 2018		As at March 31, 2017	
	No of Shares (In Mn)	Amount	No of Shares (In Mn)	Amount	No of Shares (In Mn)	Amount	No of Shares (In Mn)	Amount	No of Shares (In Mn)	Amount
No of shares outstanding as at the beginning	1,440.04	14,400.37	1,440.04	14,400.37	1,440.04	14,400.37	1,440.04	14,400.37	0.05	0.50
Less: Share Forfeited During the Period/Year	-		-		-		-		-	-
Add: No of Shares issued during the Period/Year	-		-		-		-		1,439.99	14,399.87
No of shares outstanding as at the end	**1,440.04**	**14,400.37**	**1,440.04**	**14,400.37**	**1,440.04**	**14,400.37**	**1,440.04**	**14,400.37**	**1,440.04**	**14,400.37**

B Details of shares held by each shareholder holding more than 5% equity Shares *(Rs. in Millions)*

Name of shareholder	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
	% of holding	% of holding	% of holding	% of holding	% of holding
Ujjivan Financial Services Limited	100%	100%	100%	100%	100%

C Accounting Ratios

Particulars		As at June 30, 2019	As at June 30, 2018	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Basic earnings per share (₹) [Refer Note (a)(i) below]	A/C	0.66	0.32	1.20	0.05	0.00
Diluted earnings per share (₹) [Refer Note (a)(ii) below]	A/C	0.66	0.32	1.20	0.05	0.00
Return on net worth [Refer Note (a)(iii) below]	A/B	0.05	0.03	0.09	0.00	0.00
Earnings before interest,tax,depreciation and amortisation (EBITDA) (Rs in Mn) [Refer Note (b) below]		1,596.98	816.75	3,290.22	502.20	59.95
Net asset value per equity share [Refer Note (a)(iv) below]	B/E	13.29	11.76	12.64	11.44	11.39
Net profit after tax, as restated, attributable to equity shareholders (Rs in Mn)	A	944.84	465.56	1,726.96	68.63	0.35
Net worth at the end of the period/years (Rs in Mn)	B	19,141.15	16,934.91	18,196.31	16,469.35	16,400.71
Weighted average number of equity shares outstanding during the period/years, used for Basic/Diluted earnings per share (Nos in Mn)	C	1,440.04	1,440.04	1,440.04	1,440.04	1,440.04
Face value per share [Refer Note (c) below] ((₹))		10.00	10.00	10.00	10.00	10.00
Total number of shares outstanding at the end of the period/years (Nos in Mn)	E	1,440.04	1,440.04	1,440.04	1,440.04	1,440.04

Notes:

(a) Ratios have been computed as per the following formulas :

(i) Basic earnings per share (₹) = $\frac{\text{Net Profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period/years}}$

(ii) Diluted earnings per share (₹) = $\frac{\text{Net Profit after tax, as restated, attributable to equity shareholders}}{\text{Weighted average number of diluted equity shares outstanding during the period/years}}$

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

(iv) Net asset value per equity share (₹) = $\frac{\text{Net worth at the end of the period/years}}{\text{Total number of equity shares outstanding at the end of period/years}}$

(b) Earnings before interest, tax, depreciation and amortisation (EBITDA) has been arrived at by adding back depreciation and tax expense to the Net Profit appearing in Annexure II - restated summary statement of Profit and Loss.

The following table sets forth a reconciliation of Bank's EBITDA to profit for the period/years:

(Rs in Millions)

Particulars	Period from April 1, 2019 to June 30, 2019	Period from April 1, 2018 to June 30, 2018	Year ended March 31, 2019	Year ended March 31, 2018	Period from July 4, 2016 to March 31, 2017
Net Profit	**944.84**	**465.55**	**1,992.18**	**68.63**	**0.35**
Add:					
Depreciation on Bank's Property	172.52	121.12	605.98	413.73	51.04
Current Tax (included in Provisions and Contingencies)	511.25	78.53	349.12	313.20	14.21
Deferred Tax (included in Provisions and Contingencies)	(31.63)	151.55	342.94	(293.36)	(5.65)
EBITDA	**1,596.98**	**816.75**	**3,290.22**	**502.20**	**59.95**

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

(d) "Net worth" means the aggregate of the paid up share capital, share premium account, and reserves and surplus (excluding revaluation reserve, cash flow hedge reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and accumulated losses (if any)

D Restated Statement of Tax Shelter

(Rs in Millions)

Particulars	As at 30th June 2019	As at 30th June 2018	As at 31st March 2019	As at 31st March 2018	As at 31st March 2017
Profit Before Tax	1,424.47	695.63	2,684.23	88.47	8.91
Tax Rate %	34.94%	34.94%	29.12%	34.61%	34.61%
Tax Amount (A)	**497.77**	**243.08**	**781.65**	**30.61**	**3.08**
Adjustments					
Permannent difference					
80JJAA	(20.30)	(13.00)	(52.50)	(10.77)	-
Tax rate change	-	-	(38.19)	-	-
Others	2.15	-	1.10		5.48
Sub Total (B)	**(18.15)**	**(13.00)**	**(89.59)**	**(10.77)**	**5.48**
Temporary Difference					
Difference between book and tax depreciation	11.65	2.43	(17.11)	(106.36)	(29.57)
Provision for Employee benefits	(9.61)	-	25.81	(54.29)	16.83
Provision for doubtful assets/standard assets	9.50	(143.59)	(479.66)	465.72	10.47
Others	20.09	(10.39)	128.02	(11.71)	7.92
Sub Total (C')	**31.63**	**(151.55)**	**(342.94)**	**293.36**	**5.65**
MAT Credit (D)	-	-	-	(3.04)	3.04
Net (E=B+C+D)	**13.48**	**(164.55)**	**(432.53)**	**279.55**	**14.17**
Current Tax (A+E)	**511.25**	**78.53**	**349.12**	**310.16**	**17.25**

Notes :-

1.The aforesaid Statement of Tax Shelter has been prepared as per the restated summary statement of profits and losses of the Bank.

2.Income tax rate includes applicable surcharge, education cess and higher education cess of the year concerned.

UJJIVAN SMALL FINANCE BANK LIMITED

Annexure 23 - Notes forming part of the restated summary statements

E Restated Summary Statement of Capitalisation

(Rs. in Millions)

Particulars	Pre-issue as at June 30, 2019	Post-Issue
Debt		
Short term debt (A)	399.88	[•]
Long term debt* (B)	39,060.80	[•]
Total debt (C = A+B)	**39,460.68**	[•]
Shareholders' Funds		
Share Capital		
1,440,036,800 Equity Shares of Rs. 10 each	14,400.37	[•]
200,000,000 11% Preference Shares (Perpetual Non-Cumulative Non-Convertible) of Rs. 10 each	2,000.00	[•]
Total Share Capital (D)	**16,400.37**	[•]
Reserves and Surplus		
i) Statutory Reserves	751.51	[•]
ii) Investment Fluctuation Reserve	128.79	[•]
iii) Balance of Profit and Loss Account	1,860.48	[•]
Total Reserves & Surplus (E)	**2,740.78**	[•]
Total Shareholder's Funds (F = D+E)	**19,141.15**	[•]
Long Term Debt/ Total Shareholder's Fund (G = B/F)	2.04	[•]
Total Debt/ Shareholder's Fund (H = C/F)	2.06	[•]

Note: The corresponding post IPO capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.

*Borrowings with original contractutal maturity of more than 1 year are classified as Long Term, per RBI Regulations. All other borrowings have been classified as Short Term.

As per our report of even date

For MSKA & Associates
Chartered Accountants
Firm Registration Number: 105047W

For and on behalf of the Board of Directors of
Ujjivan Small Finance Bank Limited

Swapnil Kale
Partner
Membership Number: 117812

Sunil Patel
DIN: 00050837
Chairman

Samit Kumar Ghosh
DIN: 00185369
Managing Director &
Chief Excecutive Officer

Vandana Viswanathan
DIN: 05192578
Non-Executive Director

Nandlal Sarda
DIN: 00147782
Independent Director

Place: Bengaluru
Date: August 14, 2019

Upma Goel
Chief Financial Officer

Chanchal Kumar
Company Secretary
Membership Number:A50952

Ujjivan Small Finance Bank Limited
Reconciliation of Total Comprehensive Income

The below tables summarise the reconciling items representing the adjustments in Income and Equity relating to the differences in the Generally Accepted Accounting Policies applicable to the Bank (Indian GAAP) and IND AS for the quarter ended June 30, 2019.

Particulars	**Note**	**June 30, 2019 (In Million)**
Net profit / (loss) as per Indian GAAP		**944.85**
Ind AS Adjustments		
Through P&L		
Incremental ECL provision on advances	1	(0.29)
Reversal of processing fees income for the year	2	(146.60)
Deferred Tax impact on Ind AS adjustments	3	42.90
Fair Valuation of ESOP expense	4	(37.11)
Accrual of interest on NPA	5	3.05
Write-off of Interest recognised as NPA	5	(4.55)
Recognition of actuarial gain / loss in Other Comprehensive Income	6	16.12
Reversal of lease equalization expense	7	63.56
Fair valuation of Lease deposits	8	(0.85)
Fair Valuation of employees deposits at preferential rate	9	(0.42)
Fair Valuation of employees loan at concessional rate	10	(0.17)
Amortisation of Term Loan Processing fee - Borrowings	12	(0.47)
Impact of securitisation entries		(4.55)
Impact of Lease Accounting as per Ind AS 116		(50.16)
Impairment on Investments - Measured at Amortized Cost	13	(0.25)
Other comprehensive income		
Recognition of actuarial gain / loss in Other Comprehensive Income	6	(16.12)
Deferred Tax on above		5.51
Total Ind AS Adjustments		**(130.40)**
Total comprehensive income as per Ind AS		**814.45**

1. Provision on advances has been computed based on expected credit loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and in consequent periods.

2. Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the statement of profit and loss over the tenure of the loan, as interest income by applying effective interest rate (**"EIR"**) method. The processing fee received by our Bank for the loans outstanding as on the transition date and for the loans originated in Fiscal 2018 and Fiscal 2019 have been recognised as income over the average period of the loan.
Hence, the excess processing fee which was recognised earlier on receipt have been reversed.

3. Deferred tax has been created on the Ind AS adjustments.

4. Under Indian GAAP, our Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 – 'Share based payment', stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. Our Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised in consequent periods as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.

5. Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less expected credit loss provision). Accordingly, our Bank has recognised interest on advances classified as stage III assets on the transition date and in Fiscal 2018. In Fiscal 2018, some of the NPAs existing as on the transition date were written off, hence incremental interest recognised on these advances as on the transition date have been written off in Fiscal 2018.

6. Under Indian GAAP, actuarial gains and losses were recognised in statement of profit and loss. Under Ind AS, the actuarial gains and losses is recognised in other comprehensive income. In Fiscal 2018, our Bank had an actuarial gain of ₹ 11.69 million, hence on recognition of actuarial gain in other comprehensive income there is an decrease in profit to that extent.

7. Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly, the lease equalization reserve has been reversed and actual rent expense has been recognized.

8. Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value. Accordingly, our Bank has determined the fair value of the lease deposits by discounting these deposits for the respective lease period. Difference between the discounted value (fair value) and the transaction value of security deposit has been recognised as prepaid rent. The prepaid rent has been amortised over the lease term and interest income has been recognised on the fair value of the security deposit. The difference in rent expense and interest income have been adjusted with retained earnings as of April 1, 2017 and with profit for the consequent year periods.

9. Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), our Bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.

10. Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value.
Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), our Bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.

11. Under Indian GAAP, investments were reclassified from as per RBI categories and a loss was recognised on
such reclassification in Fiscal 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.

12. Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the profit and loss account over the tenure of the borrowing, as interest expense by applying EIR method.

13. Our Bank recognised impairment on investments based on the RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Our Bank has recorded the impairment for investments in government securities measured at amortized cost on the transition date and in consequent periods.

Ujjivan Small Finance Bank Limited
Reconciliation of Total Equity

Particulars	Note	June 30, 2019 (In Million)
Total equity / shareholders' funds as per Indian GAAP		**19,141.14**
Ind AS Adjustments		
Reversal of processing fees	1	(918.76)
Incremental provision on advances (ECL)	2	(300.32)
Deferred tax impact on Ind AS adjustments	3	387.31
Fair Valuation of ESOP expense	4	(298.59)
Impact on ESOP Reserve	4	298.59
Interest accrual on NPA	5	26.70
Reversal of lease equalization reserve	6	106.11
Lease Deposit	7	(6.15)
Fair valuation of staff loan	8	0.94
Impairment on Investments - Measured at Amortized Cost	9	(3.27)
Fair valuation of Staff Deposits	10	(3.47)
Amortisation of Term Loan Processing fee - Borrowings	11	3.38
Impact of securitisation entries		13.53
Impactof Lease Accounting as per Ind AS 116		(335.75)
Reversal of loss on reclassification of Investments	12	15.56
Total Ind AS Adjustments		**(1,014.19)**
Total equity as per Ind AS		**18,126.95**

1. Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the statement of profit and loss over the tenure of the loan, as interest income by applying EIR method. The processing fee received by our Bank for the loans outstanding as on the transition date and for the loans originated in consequent periods have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.

2. Provision on advances has been computed based on expected credit loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and in consequent periods.

3. Deferred tax has been created on the Ind AS adjustments.

4. Under Indian GAAP, our Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 – 'Share based payment', stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. Our Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised in consequent periods as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.

5. Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less expected credit loss provision). Accordingly, our Bank has recognised interest on advances classified as stage III assets on the transition date and in consequent periods.

6. Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly, the lease equalization reserve has been reversed and actual rent expense has been recognized.

7. Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value.

8. Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), our Bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.

9. Our Bank recognised impairment on investments based on the RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Our Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and in consequent periods.

10. Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), our Bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.

11. Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the profit and loss account over the tenure of the borrowing, as interest expense by applying EIR method.

12. Under Indian GAAP, investments were reclassified from as per the RBI categories and a loss was recognised on such reclassification in Fiscal 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.

Ujjivan Small Finance Bank
Reconciliation of Total Comprehensive Income

The below table summarises the reconciling items representing the adjustments in Income and Equity relating to the differences in the Generally Accepted Accounting Policies applicable to the Bank (Indian GAAP) and IND AS for the year ended March 31, 2019.

Particulars	Note	31st March 2019 (₹ In Millions)
Net profit / (loss) as per Indian GAAP		**1,992.17**
Ind AS Adjustments		
Through P&L		
Incremental ECL provision on advances	1	(251.15)
Reversal of processing fees income for the year	2	(278.08)
Deferred Tax impact on Ind AS adjustments	3	178.62
Fair Valuation of ESOP expense	4	(151.02)
Accrual of interest on NPA	5	5.90
Write-off of Interest recognised as NPA	5	(40.83)
Recognition of actuarial gain / loss in Other Comprehensive Income	6	9.42
Reversal of lease equalization expense	7	29.37
Fair valuation of Lease deposits	8	(2.83)
Fair Valuation of employees deposits at preferential rate	9	(2.34)
Fair Valuation of employees loan at concessional rate	10	0.61
Reversal of loss on reclassification of Investments	11	-
Amortisation of Term Loan Processing fee - Borrowings	12	1.28
Impact of securitisation entries		18.08
Impact of Lease Accounting as per Ind AS 116		-
Impairment on Investments - Measured at Amortized Cost	13	(0.59)
Other comprehensive income		
Recognition of actuarial gain / loss in Other Comprehensive Income	6	(9.42)
Deferred Tax on above		3.29
Total Ind AS Adjustments		**(489.69)**
Total comprehensive income as per Ind AS		**1,502.48**

Notes :

1. Provision on advances has been computed based on Expected Credit Loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and for year ended March 31, 2018.

2. Under previous GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Statement of Profit and loss over the tenure of the loan, as interest income by applying Effective Interest Rate method (EIR).The processing fee received by the bank for the loans outstanding as on the transition date and for the loans originated during the year ended March 31, 2018 have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.

3. Deferred tax has been created on the Ind AS adjustments.

4. Under previous GAAP, the Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 Share-based Payment, stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. The Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised for the year ended March 31, 2018 as per the previous GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.

5. Under previous GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less ECL provision). Hence Bank has recognised interest on advances classified as Stage 3 assets on the transition date and for the year ended March 31, 2018.
During the year ended March 31, 2018, some of the NPAs existing as on the transition date were written off, hence incremental interest recognised on these advances as on the transition date have been written off during the year ended March 31, 2018.

6. Under previous GAAP, actuarial gains and losses were recognised in Statement of profit and loss. Under Ind AS, the actuarial gains and losses is recognised in other comprehensive income. For the year ended march 31, 2018, the bank had an actuarial gain of Rs. 116.9 lakhs, hence on recognition of actuarial gain in other comprehensive income there is an decrease in profit to that extent.

7. Under previous GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly the lease equalization reserve has been reversed and actual rent expense has been recognized.

8. Under previous GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value.
Accordingly, the bank has determined the fair value of the lease deposits by discounting these deposits for the respective lease period. Difference between the discounted value (fair value) and the transaction value of security deposit has been recognised as prepaid rent.
The prepaid rent has been amortised over the lease term and interest income has been recognised on the fair value of the security deposit. The difference in rent expense and interest income have been adjusted with retained earnings as at April 1, 2017 and with profit for the year ended March 31, 2018.

9. Under previous GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), the bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.

10. Under previous GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), the bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.

11. Under previous GAAP, investments were reclassified from as per RBI categories and a loss was recognised on such reclassification in year ended March 31, 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.

12. Under previous GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Profit and loss account over the tenure of the borrowing, as interest expense by applying Effective Interest Rate method (EIR).

13. Bank recognised impairment on investments based on RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and for the year ended march 31, 2018

Ujjivan Small Finance Bank
Reconciliation of Total Equity

Particulars	Note	31st March 2019 (₹ In Millions)
Total equity / shareholders' funds as per Indian GAAP		18,196.30
Ind AS Adjustments		
Reversal of processing fees	1	(772.16)
Incremental provision on advances (ECL)	2	(300.03)
Deferred tax impact on Ind AS adjustments	3	338.90
Fair Valuation of ESOP expense	4	(261.48)
Impact on ESOP Reserve	4	261.48
Interest accrual on NPA	5	28.20
Reversal of lease equalization reserve	6	42.56
Lease Deposit	7	(5.30)
Fair valuation of staff loan	8	1.11
Impairment on Investments - Measured at Amortized Cost	9	(3.02)
Fair valuation of Staff Deposits	10	(3.06)
Amortisation of Term Loan Processing fee - Borrowings	11	3.85
Impact of securitisation entries		18.08
Impactof Lease Accounting as per Ind AS 116		-
Reversal of loss on reclassification of Investments	12	15.56
Total Ind AS Adjustments		**(635.31)**
Total equity as per Ind AS		**17,560.99**

Notes :

1. Under previous GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Profit and loss account over the tenure of the loan, as interest income by applying Effective Interest Rate method (EIR).The processing fee received by the bank for the loans outstanding as on the transition date and for the loans originated during the year ended March 31, 2018 have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.

2. Provision on advances has been computed based on Expected Credit Loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and for the year ended March 31, 2018.

3. Deferred tax has been created on the Ind AS adjustments.

4. Under previous GAAP, the Group has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 Share-based Payment, stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. The Group has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised for the year ended March 31, 2018 as per the previous GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.

5. Under previous GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less ECL provision). Hence Bank has recognised interest on advances classified as Stage 3 assets on the transition date and for the year ended March 31, 2018.

6. Under previous GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly the lease equalization reserve has been reversed and actual rent expense has been recognized.

7. Under previous GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value.

8. Under previous GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), the bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.

9. Bank recognised impairment on investments based on RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and for the year ended March 31, 2018.

10. Under previous GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), the bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.
11. Under previous GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Profit and loss account over the tenure of the borrowing, as interest expense by applying Effective Interest Rate method (EIR).
12. Under previous GAAP, investments were reclassified from as per RBI categories and a loss was recognised on such reclassification in year ended March 31, 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Restated Financial Statements on page 187. These Restated Financial Statements are prepared in accordance the provisions of the Banking Regulation Act, 1949, as amended, Indian GAAP, guidelines issued by the Reserve Bank of India, from time to time, and the Companies Act, as amended, and restated as per the SEBI ICDR Regulations.

Indian GAAP differs in certain material respects from Ind AS, U.S. GAAP and IFRS. See "Risk Factors - Banking companies in India, including us, will be required to report financial statements under the Ind AS in the future. However, our Promoter, UFSL, reports its financial statements under Ind AS and as a result, we are required to prepare select Ind AS financial information for the limited purposes of consolidation by UFSL. Differences exist between Ind AS and Indian GAAP, which may be material to investors' assessment of our financial condition." and "Reconciliation of Total Comprehensive Income" on pages 23 and 252, respectively.

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 19 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 "– Significant Factors Affecting our Results of Operations" on pages 21 and 261, 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, the financial information included herein is based on our Restated Financial Statements included in this Draft Red Herring Prospectus. Our Bank was incorporated on July 4, 2016, however, we began our operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities pursuant to receipt of the license to operate as a small finance bank. As a result, our financial statements for Fiscal 2017 reflect only two months of operations from February 1, 2017 to March 31, 2017. Accordingly, the financial and statistical data for Fiscal 2017 will not be comparable with information for Fiscal 2018 and 2019 and for the three months ended June 30, 2018 and 2019. For further information, see "Financial Information" on page 187.

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

*Unless otherwise indicated, industry and market data used in this section has been derived from the report "Ujjivan SFB – Industry Report" dated July 2019 (the "**CRISIL Report**") prepared and released by CRISIL Limited and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, nor any other person connected with the Issue has independently verified this information. Unless otherwise indicated, all financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant fiscal year.*

OVERVIEW

We are a mass market focused SFB in India, catering to unserved and underserved segments and committed to building financial inclusion in the country. Our Promoter, UFSL commenced operations as an NBFC in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. UFSL's erstwhile business was primarily based on the joint liability group-lending model for providing collateral-free, small ticket-size loans to economically active poor women. UFSL also offered individual loans to Micro and Small Enterprises ("**MSEs**") and adopted an integrated approach to lending, which combined a customer touchpoint similar to microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank. On October 7, 2015, UFSL received RBI In-Principle Approval to establish an SFB, following which it incorporated Ujjivan Small Finance Bank Limited as a wholly-owned subsidiary. UFSL, subsequent to obtaining RBI Final Approval on November 11, 2016 to establish and carry on business as an SFB, transferred its business undertaking comprising of its lending and financing business to our Bank, which commenced its operations from February 1, 2017. We were included in the second schedule to the Reserve Bank of India Act, 1934 as a scheduled bank on July 3, 2017. In the short span of time that we have been operational as an SFB, we are among the leading SFBs in India in terms of deposits, advances, branch count and geographical spread, as of March 31, 2019 (*Source: CRISIL Report*).

Among the leading SFBs in India, our Bank had the most diversified portfolio, spread across 24 states and union territories as of March 31, 2019 (*Source: CRISIL Report*). As of June 30, 2019, we served 4.72 million customers and operated from 474 Banking Outlets that included 120 Banking Outlets in Unbanked Rural Centres ("**URCs**") (of which seven were business correspondent centres) and additionally operated 50 Asset Centres. In Fiscal 2019 alone, we operationalized 287 Banking Outlets. As of June 30, 2019, we had a network of 387 ATMs (including nine ACRs), two 24/7 phone banking units based in Bengaluru and Pune that service customers in 11 languages, and a mobile banking application that is accessible in five languages as well as internet banking facility for individual and corporate customers.

Our portfolio of products and services includes various asset and liability products and services. Our asset products comprise: (i) loans to our micro banking customers that include group loans and individual loans, (ii) agriculture and allied loans, (iii) MSE loans, (iv) affordable housing loans, (v) financial institutions group loans, (vi) personal loans, and (vii) vehicle loans. On the liability side, we offer savings accounts, current accounts and a variety of deposit accounts. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, Aadhaar enrolment services, distribute third party insurance products and point of sales ("**POS**") terminals.

Our operations have traditionally been and continue to remain focused on using technology and we have made significant investment in automation of our operations. Our focus is to use technology as an enabler for our customers that allows us to customize and deliver products and services to suit their needs. We offer our customers with various digital platforms including internet banking, mobile banking, SMS banking, bill payments, biometric ATMs and RuPay Platinum debit cards. We have a tablet-based loan origination system for both group and individual loans to bring down loan origination turn-around time for our customers. The credit processing for these loans is also digitised and an automated collection receipt system has also been launched to enable seamless collection from customers. Our customers are also able to register savings bank accounts on UPI based mobile applications. We also provide customers the ability to repay loans in a cashless manner through digital wallets and payment gateways. We also have a robust back-end operating system supported by our core banking system, customer relationship management system and document management system.

We believe we are a customer centric organization. We allocate relationship officers for our customers and have a dedicated service quality department that addresses customer grievances and takes cognizance of their feedback. We have partnered with Parinaam Foundation, our Group Company, for the formulation and implementation of financial literacy programs such as Diksha+, and continue to support them in their initiatives, which aides in raising the level of financial awareness of our customers.

We have grown in a sustainable manner. Our Gross Advances (including securitization/ IBPC) have grown from ₹ 63,839.77 million as of March 31, 2017 to ₹ 110,485.91 million as of March 31, 2019 and were ₹ 117,829.38 million as of June 30, 2019. Our deposits have increased from ₹ 2,064.05 million as of March 31, 2017 to ₹ 73,794.40 million as of March 31, 2019 and were ₹ 79,567.64 million as of June 30, 2019. As of June 30, 2019, our percentage of gross NPAs to gross advances was 0.84% while our percentage of net NPAs to Net Advances was 0.26%. Our profit after tax as restated for Fiscal 2018 and 2019 was ₹ 68.63 million and ₹ 1,992.18 million, respectively while for the three months ended June 30, 2019, our profit after tax as restated was ₹ 944.84 million. Further, our long term bank facilities and non-convertible debentures have been rated CARE A+; Stable by CARE Ratings Limited, our certificate of deposits have been rated CRISIL A1+ by CRISIL Limited and our non-convertible debentures programme is rated CARE A+; Stable by CARE Ratings Limited.

We intend to develop and offer a comprehensive suite of asset and liability products and services that will help us attract new customers and deepen our relationship with our existing customer base. Our focus customers are primarily young middle class customers across India. To achieve this, we intend to strategically invest to increase the use of technology in our operations. We intend to reduce our costs, increase operating efficiencies and move our customers from an assisted mode to a self-service mode of digital and phone banking. We will selectively operationalize additional Banking Outlets, convert our existing Asset Centres to Banking Outlets, expand our ATM and ACR network and engage more business correspondent agents to grow our customer base and increase our advances and deposits. Our focus will continue to remain on serving the unserved and underserved segments to build responsible banking behaviour by educating potential customers and increasing financial literacy.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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 and SEBI, which contributes to its relative stability during uncertain economic periods. These regulations cover various aspects such as 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, which are intended 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 (as a percentage of total risk weighted assets) was 21.07%, 23.04%, 18.95% and 19.00%, as of March 31, 2017, March 31, 2018, March 31, 2019 and June 30, 2019, respectively. Further, currently, we are required to maintain a cash reserve ratio (**"CRR"**) of 4% 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 19.00% of our NDTL, to be invested in state or central Government or other RBI-approved securities. We are also required to extend 75% of our ANBC to the sectors eligible for classification as priority sector lending by the RBI. In addition, under the SFB Operating Guidelines, at least 25% of our total Banking Outlets have to be located in unbanked rural centres ("**URCs**") and at least 50% of our loan portfolio is required to constitute loans and advances of up to ₹ 2.5 million.

Further, certain requirements that are applicable to SFBs in terms of the SFB 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 revenue 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

While we are focused on customer segments that are underserved by formal financing channels, we believe that diversification of our business and revenue base with respect to the markets which we serve and our product offerings is a key component of our success. We have diversified operations across India and operated 96, 152, 157 and 69 Banking Outlets (including Banking Outlets in URCs) in the North, South, East and West regions, respectively, as per RBI's classification of regions, as of June 30, 2019. Our diversified operations also allow us to de-risk our business by mitigating political and state-specific risks. Further, we currently provide products and services to different customer segments with differentiated propositions for their personal and business banking needs. Our product portfolio (i) asset products, such as (a) micro banking, including group loans and individual loans; (b) agriculture and allied loans; (c) MSE loans; (d) affordable housing loans; (e) financial institutions group loans; (f) personal loans; and (g) vehicle loans; and (ii) liability products, such as (a) retail products, including current accounts, savings accounts, term deposits; and (b) institutional products. We also offer customers with ATM-cum-Debit cards and Aadhaar enrolment services as well as distribute third party insurance products and point of sales (POS) terminals. For further information, see "*Business – Our Product Portfolio*" on page 105. As part of our strategy, we propose to increase the penetration of our individual loan products, and diversify the product mix by innovating and designing need-specific products and services. As of March 31, 2017, 2018 and 2019 and June 30, 2019, micro banking advances constituted 97.50%, 92.55%, 84.67% and 81.97%, respectively, of our total Gross Advances (including securitization/ IBPC). In addition, we intend to increase the proportion of secured to unsecured products in our portfolio by scaling up in the MSE and affordable housing loan segments, thereby further enhancing the quality of our credit portfolio. Our secured advances have grown from ₹ 1,169.77 million as of March 31, 2017 (which constituted 1.83% of our Gross Advances (including securitization/ IBPC)) to ₹ 15,014.62 million as of March 31, 2019 (which constituted 13.59% of our Gross Advances (including securitization/ IBPC)) and were ₹ 19,371.97 million as of June 30, 2019 (which constituted 16.44% of our Gross Advances (including securitization/ IBPC)). Further, our deposits have also increased from ₹ 2,064.05 million as of March 31, 2017 to ₹ 73,794.40 million as of March 31, 2019 and was ₹ 79,567.64 million as of June 30, 2019. For further information, see "*Business – Strategies - Diversify product offerings*" on page 102.

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. However, we will have limited experience in the new lines of business and asset segments that are targeted at a different customer segment and in the new markets we intend to expand into, and may encounter additional risks including management, and market and geographical related risks. We cannot assure 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 92.94%, 89.89% and 85.81% of our total income in Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, respectively. Our Net Interest Income is affected by our interest expense, which is dependent on our deposits, subordinated debts and associated interest rates. Interest expended on deposits represents a significant majority of our total expenses and in Fiscal 2018, Fiscal 2019 and the three months ended June 30, 2019, the total interest expended represented 38.59%, 39.45% and 41.39%, respectively, of our total expended.

Accordingly, the magnitude and timing of interest rate changes in the asset and liability markets as well as the relative steepness 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 expense

Historically, as an NBFC-MFI, we raised majority of our funding requirements through a combination of term loans from banks and financial institutions and issuance of non-convertible debentures. However, post transitioning into an SFB, our primary source of funding has been deposits. As of March 31, 2019 and June 30, 2019, majority of our funding consists of retail deposits accounting for 37.07% and 43.09%, respectively, of our total deposits, with a CASA to total deposits ratio of 10.63% and 10.39%, respectively, in the same period. Considering the growth of our business, we will have a continuous requirement of funds for expanding our outreach, enhance our loan portfolio and to enable forward lending. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to raise funds through deposits and refinance from institutions such as NABARD and SIDBI 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 largely 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. Credit ratings are typically dependent on our CASA and retail deposits. While we believe we have consistently been granted strong credit ratings from various agencies in the past, there can be no assurance that we will continue to be granted such credit ratings and any downgrade in our credit ratings may increase interest rates for refinancing our outstanding debt, which would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

We may also be affected by changes in RBI repo rates, which impact the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Adverse conditions in the global and Indian economy resulting from economic dislocations or liquidity disruptions may adversely affect availability of credit, and decreased liquidity may lead to an increase in interest rates. Interest rates have a substantial effect on our cost of funding, our business volume and our profit margin. In addition, as there are varying maturity periods applicable to our interest-bearing assets and interest-bearing liabilities, a change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our Net Interest Income.

Operating Expenses and Productivity Levels

Our ability to continue controlling our operating expenses will directly impact our profitability. In Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, our total expenses were ₹ 15,724.92 million, ₹ 18,383.57 million and ₹ 6,110.16 million, respectively, of which operating expenses comprised 41.34%, 49.24% and 47.68% of our total income, respectively, in the same periods. We have incurred significant expenditure and will continue to incur further expenditure on our branch network, human resources and information technology platforms for our operations. Our network of Banking Outlets (including Asset Centres) has grown from 457 Banking Outlets (including Asset Centres) as of March 31, 2017 to 524 Banking Outlets (including Asset Centres) as of March 31, 2019 and was 524 Banking Outlets (including Asset Centres) as of June 30, 2019. In Fiscal 2019, we operationalized 287 Banking Outlets, and we further intend to gradually open additional Banking Outlets in the future. Our focus is on serving the unserved and underserved segments in India and accordingly, as of June 30, 2019, we operated 120 Banking Outlets located in 70 districts classified by the RBI as under-banked districts as per the Census 2011, making us complaint with the RBI's requirements locating at least 25% of our Banking Outlets in URCs. Our ability to maintain and expand our network of Banking Outlets in a cost effective manner, while improving their productivity levels, has a direct result on our financial performance. Our future results of operations will also depend on how rapidly a new Banking Outlet is able to generate and increase revenues.

Our results of operations are dependent upon the productivity levels of our Banking Outlets and employees and improving our operational efficiencies through processes such as monitoring our turn-around time. Our use of technology, over the years, has improved work place engagement and governance, increased the accessibility of our products to the customers and enabled us to rapidly scale up our operations in a secure and efficient manner as well as helped in reducing our costs. As of June 30, 2019, we had invested ₹ 2,357.45 million in setting up our IT platform. Further, our use of handheld devices has reduced our turn-around time to service our customers. Turn-around time in group loans has reduced from 8.00 days in Fiscal 2017 to 4.06 days in Fiscal 2019. The productivity levels of our Banking Outlets network may vary according to the stage of operation of a Banking Outlet and the number of customers that the Banking Outlet is able to serve. The revenue growth in a particular Banking Outlet is dependent on various factors, including the level of customer traffic, the quality of employees and their marketing efforts and the growth rate of the local economy. We monitor the productivity levels of our Banking Outlets and employees and seek to improve Gross Advances (including securitization/ IBPC) and disbursements per Banking Outlet as well as the Gross Advances (including securitization/ IBPC) and disbursement amount per employee. Our Gross Advances (including securitization/ IBPC) per Banking Outlet and Asset Centres increased from ₹ 139.69 million as of March 31, 2017 to ₹ 210.85 million as of March 31, 2019 and were ₹ 224.87 million as of June 30, 2019. Further, our disbursements per Banking Outlet and Asset Centres increased from ₹ 173.97 million as of March 31, 2018 to ₹ 212.04 million as of March 31, 2019 and were ₹ 56.46 million as of June 30, 2019. In addition, our Gross Advances (including securitization/ IBPC) per employee has also increased from ₹ 6.28 million as of March 31, 2017 to ₹ 7.49 million as of March 31, 2019 and was ₹ 7.54 million as of June 30, 2019. For further information, see "*Selected Statistical Information*" on page 162.

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 increases, the credit quality of our loan portfolio decreases. Our credit quality is dependent upon our recovery mechanisms and credit appraisal processes. With the growth of our business, our ability to manage the credit quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

In accordance with RBI norms, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

	As of March 31,			As of June 30, 2019
	2017	2018	2019	
NPAs				
Gross NPA / gross advances (%)	0.28%	3.65%	0.92%	0.84%
Net NPAs / Net Advances (%)	0.03%	0.69%	0.26%	0.26%

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 cover ratio (including prudential write-offs) was 71.90% and 69.64% in Fiscal 2019 and in the three months ended June 30, 2019, 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, recently, the RBI has stated that it will issue draft guidelines for on-tap licensing of SFBs, which will allow applicants to apply for the SFB license at any time, and in turn, increase competition for us. Our inability to compete effectively may adversely affect our business, results of operations financial condition and cash flows.

Further, consolidation in the industry driven by the merger of other banks is likely to further increase competition by creating larger, more homogeneous and potentially stronger competitors in the market. Increase in operations of existing competitors or entry of additional banks offering similar or a wider range of products and services could also increase competition. Further, with the advent of technology based initiatives and alternative modes of banking, we may face increased competition in this sector, which may in turn impact our revenues and profitability. We also face threat to our loan market from newer business models, including partnering with fintech companies, that leverage technology to bring together savers and borrowers. We also face competition from specialized fintech companies who could disrupt our origination, sales and distribution process. 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 25.

Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurance companies and NBFCs, which are also applicable to our Bank. Such roadmap provided that these institutions were required to prepare Ind AS financial statements for accounting periods commencing April 1, 2018 (including comparative financial statements for the corresponding periods in the previous year). The RBI, by its circular dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements commencing April 1, 2018 and also required such entities to prepare and submit proforma Ind AS financial statements to the RBI since the six months ended September 30, 2016. In compliance of such regulatory requirements, we have submitted proforma Ind AS financial statements for the quarter ended June 30, 2017 and subsequently, since June 2018 we have continued to submit such proforma Ind AS financial statements every quarter to the RBI. On April 5, 2018, however, the RBI through its press release deferred the implementation of Ind AS for scheduled commercial banks (except regional rural banks) for a period of one year; subsequently, the RBI through its notification dated March 22, 2019, further deferred 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 early adopt Ind AS financial statements. Accordingly, we continue to prepare and present our financial statements only under Indian GAAP.

However, as a subsidiary of UFSL, our Promoter, which was required to prepare its financial statements in accordance with Ind AS with effect from April 1, 2018, we were also required to prepare financial statements in accordance with Ind AS for the limited purpose of inclusion in UFSL's consolidated financial statements. Our Ind AS financial statements have not been made been publicly available, as these were only prepared for the limited purpose of inclusion in UFSL's consolidated financial statements. However, as a publicly listed entity, every fiscal quarter UFSL is required to prepare and publicly report its Ind AS consolidated financial information in accordance with applicable laws, regulations and stock exchange requirements. Since there is not a significant difference in our Bank's business operations and that of UFSL, there is not a significant difference between our Bank's financial condition and results of operations from that of UFSL. Consequently, our Bank's Ind AS financial information is to an extent indirectly publicly available, as may be derived from or reflected in the publicly available consolidated Ind AS financial information of UFSL.

Ind AS differs in many respects from Indian GAAP, and our financial statements prepared under Ind AS (for the limited purpose of inclusion in UFSL'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 include accounting of financial instruments, consolidation accounting, accounting of fee income, fair value of ESOP calculation, leasing and calculation of credit cost. 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 statements prepared historically by our Bank for purposes of inclusion of such financial information in the consolidated Ind AS financial statements of UFSL includes certain reconciliation information between the audited financial statements of the Bank under Indian GAAP with such Ind AS financial statements. We have therefore included in this DRHP reconciliation information between (i) our Bank's audited Indian GAAP financial statements for Fiscal 2019 with our Bank's audited Ind AS financial statements for Fiscal 2019 and (ii) our Bank's audited Indian GAAP financial statements for the three months ended June 30, 2019, with our Bank's Ind AS financial results for the three months ended June 30, 2019 subject to a limited review. Such reconciliation information has been presented as adjustments to total comprehensive income and total equity of our Bank under Indian GAAP.

The Restated Financial Statements included in this DRHP are based on our Indian GAAP audited financial statements for Fiscal 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019 which have been restated in accordance with the SEBI ICDR Regulations. Since Ind AS differs in many respects from Indian GAAP, our Ind AS financial statements prepared for the limited purpose of inclusion in UFSL's consolidated financial statements are therefore also not comparable to our Restated Financial Statements included herein.

To the extent that the Ind AS financial information relating to our Bank can be indirectly derived from the consolidated Ind AS financial statements of UFSL as well as related investor presentations and investor interaction information made available publicly in the ordinary course by UFSL as a publicly listed entity, investors are cautioned against placing reliance on such Ind AS financial information relating to our Bank. Investors should rely solely on our Restated Financial Statements included in this DRHP and to be included in the RHP for an assessment of our financial position and any investment decision.

SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of our financial statements is set out below.

Revenue Recognition

Interest income on Loans, Advances and Investments (including deposits with Banks and other institutions) are recognized in the Profit and Loss Account on accrual basis, except in the case of Non- Performing Assets and minimum retention requirement (MRR) portion of Securitized loans. Interest Income on Non- Performing Assets is recognized upon realization as per the prudential norms of the RBI.

Revenues from loan documentation charges are recognized upfront when it become due, except in cases where our Bank is uncertain of its ultimate collection.

Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

Profit/ premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the Profit and Loss Account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

Dividend on equity shares, preference shares and on mutual fund units is recognised as income when the right to receive the dividend is established.

Recoveries from bad debts written off are recognized in the Profit & Loss account and included under Other Income.

Fees received on sale of priority lending certificates is recognised upfront in the Profit and Loss Account.

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.

Investments

Classification and valuation of our Bank's investments are carried out in accordance with RBI guidelines on Investment Classification and Valuation, which are as follows:

Categorisation of Investments. Our Bank classifies its Investment at the time of the purchase into one of the following 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

(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 RBI guidelines.

Classification of Investments. For the purpose of disclosure in the balance sheet, investments in India are classified under six groups, which are:

(i) Government Securities,
(ii) Other Approved Securities,
(iii) Shares,
(iv) Debentures and Bonds,
(v) Investments in Subsidiaries and Joint Ventures and

(vi) Other Investments.

Investments outside India are classified under three groups, which are:

(i) Government Securities (Including local authorities),
(ii) Subsidiaries and/or Joint Ventures abroad; and
(iii) Other Investments.

Purchase and sale transaction's in securities are recorded under 'Settlement Date' accounting, except in the case of equity share 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 our Bank intends to hold till maturity are classified as HTM securities. Investments, which are not classified in the above categories, are classified under AFS category.

Acquisition Cost.

(i) Broken period interest on debt instruments is treated as a receivable at the time of acquisition and post-acquisition broken period interest treated as a revenue item.
(ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss Account.
(iii) Cost of Investments is computed based on the weighted average cost method.

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 of Investments.

(i) Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on Investments (Item II of Annexure 16). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each Investment individually.

(ii) Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

(iii) Market value of government securities (excluding treasury bills) is determined on the basis of the prices/ YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA).

(iv) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(v) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.

(vi) Provision for non-performing Investments is made in conformity with RBI guidelines.

(vii) 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.

(viii) 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). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

(ix) Unquoted equity shares are valued at their break-up value, If latest Balance sheet is not available then unquoted equity share is valued at ₹ 1 per share.

(x) Units of the scheme of Mutual Funds are valued at the lower of cost and Net asset value (NAV) provided by the respective schemes of Mutual Funds.

(xi) In accordance with the RBI guidelines, repurchase and reverse repurchase transactions in government securities and corporate debt securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo transactions is accounted for as interest income.

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.

Advances

Advances are classified as Performing Advances (Standard) and Non- Performing Advances ("**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. Advances are stated net of specific loan loss provision and Inter Bank Participating Certificates (IBPC) with risk sharing issued.

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 our Bank is reduced from Advances; and participations transferred in to our Bank are classified under Advances. In the case of participation without risk, the aggregate amount of participation issued by our Bank is classified under borrowings; and where our Bank is participating in, the aggregate amount of participation is shown as due from banks under Advances.

Provisioning. Specific provisions for Non- Performing Advances and floating provisions are made in conformity with the RBI guidelines. In addition, our Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

A general provision on standard assets is made in accordance with RBI guidelines or as per provisioning policy of our Bank whichever is higher. Provision made against standard assets is included in 'Other Liabilities and Provisions'. Provisions made in excess of our Bank's policy for specific loan loss provisions for NPAs and regulatory general provisions are categorised as Floating Provision. Creation of Floating Provision is considered by our 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'.

Advances exclude derecognised securitised advances.

Amounts recovered during the year against bad debts written off in earlier years are credited to the Profit and Loss Account and included in Other Income.

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss Account to the extent such provisions were charged to the Profit and Loss Account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

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 the RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Securitisation Transactions and Direct Assignments. Our Bank transfers its loan receivables through Direct Assignment and IBPC route as well as transfer to Special Purpose Vehicle ("**SPV**").

The Securitisation transactions are without recourse to our Bank. The transferred loans and such securitised receivables are de-recognised as and when these are sold (true sale criteria being fully met) and the consideration has been received by our Bank. Gains/ losses are recognised only if our Bank surrenders the rights to the benefits specified in the loan contracts.

Profit / premium arising at the time of securitisation/ assignment of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognised in the statement of profit and loss net of any losses when redeemed in cash.

Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.

Priority Sector Lending Certificates ("PSLCs"). Our Bank enters into transactions for the sale of PSLCs. In the case of a sale transaction, our Bank sells 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 'Miscellaneous Income'.

Property, Plant and Equipment ("PPE")

PPE, capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment if any. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on PPE after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Any trade discounts and rebates are deducted in arriving at the purchase price. Such costs includes the cost of replacing the part of the plant and equipment. When significant parts of the plant and equipment are required to be replaced at intervals, our Bank depreciates them separately based on its specific useful lives. Assets under development as on the balance sheet date are shown as capital work in progress. Advance paid towards such development are shown as capital advance.

Depreciable amount for PPE is the cost of an asset, or other amount substituted for cost, less its estimated residual value. 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. Leasehold improvements are amortised over the duration of the lease. 'Point of Sale' terminals are fully depreciated in the year of purchase.

The useful life being followed by our Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Estimated Useful Life as specified under Schedule II of the Companies Act 2013 (years)
Computer	3
Furniture and Fittings	10
Office Equipment	5
Motor Vehicle	8
Sever	6
Software	6

PPE purchased/sold during the year are depreciated on a pro-rata basis.

PPE costing less than ₹ 5,000 each are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (*i.e* 5% of cost) except for software and lease hold assets.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition is recognised in the profit and loss account.

Gains or losses arising from disposal or retirement of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised net, within "Other Income" as profit/(loss) on sale of PPE, as the case maybe, in the profit and loss account in the year of disposal or retirement.

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.

Employee Benefits

Provident Fund. Contribution towards provident fund for certain employees is made to the regulatory authorities, where our Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as our Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

Gratuity. Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from our Bank or retirement, whichever is earlier. The benefits vest after five years of continuous service.
The Gratuity scheme of our Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based

on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

Compensated Absences. Provision for compensated absences is made on the basis of actuarial valuation as on the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method.

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. Our Bank accrues the liability for compensated absences based on the actuarial valuation as on the Balance Sheet date conducted by an independent actuary, which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of our Banks' obligation is determined using the Projected Unit Credit Method as on the balance sheet date. Actuarial gains/ losses are recognised in the Profit and Loss Account in the year in which they arise.

Intangible Assets

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. Our Bank uses a rebuttable resumption 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 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.

Leases

Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term in accordance with AS-19, Leases.

CHANGES IN ACCOUNTING POLICIES

There have been no changes to our significant accounting policies in Fiscal 2017, 2018 and 2019 and in the three months ended June 30, 2019.

COMPONENTS OF INCOME AND EXPENDITURE

Income

Interest Earned

Interest earned consists of interest/ discount on advances/bills, income on investments, interest on balances with Reserve Bank of India and other inter-bank funds, and other (interest income on securitisation).

Other Income

Other income consists principally of (i) commission, exchange and brokerage, (ii) profit on the sale of investments (net), (iii) profit on revaluation of investments, (iv) loss on the sale of land, buildings and other assets (net) (v) profit on exchange transactions (net), (vi) income earned by way of amongst others, dividends, from subsidiaries/ companies and/or joint ventures abroad/in India, and (vii) miscellaneous income, which includes, amongst others, recoveries in assets written off and income from priority sector lending certificates.

Expenditure

Interest Expended

Interest expended include interest on deposits, interest on Reserve Bank of India and inter-bank borrowings and other (including interest on subordinated debts).

Operating Expenses

Our operating expenses include, among others, (i) payments to and provision for employees, (ii) rent, taxes and lighting (including operating lease rentals), (iii) depreciation on our Bank's property, (iv) insurance, (v) repairs and maintenance, (vi) postage, telegrams, telephones, etc., (vii) advertisement and publicity, (viii) printing and stationery, (ix) directors' fees, allowances and expenses, (x) auditors' fee and expenses, (xi) legal charges and (xii) other expenses.

Provisions and Contingencies

Our provisions and contingencies consist of (i) provision for income tax (net of deferred tax liability/asset), (ii) provision for non-performing assets (includes bad debts written off), (iii) provision for standard assets, (iv) provision for depreciation and investments, and (v) provision for claims against our Bank not acknowledged as debts.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2019 COMPARED TO THREE MONTHS ENDED JUNE 30, 2018

The following table sets forth certain information with respect to our results of operations for the periods indicated:

Particulars	Three months ended June 30, 2018		Three months ended June 30, 2019	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	4,063.18	88.40%	6,053.71	85.81%
Other income	533.10	11.60%	1,001.29	14.19%
Total income	**4,596.28**	100.00%	**7,055.00**	100.00%
Expenditure				
Interest expended	1,608.02	34.99%	2,529.20	35.85%
Operating expenses	2,143.24	46.63%	2,913.44	41.30%
Provisions and contingencies	379.47	8.26%	667.52	9.46%
Total expenditure	**4,130.73**	89.87%	**6,110.16**	86.61%
Profit				
Net profit for the year	465.55	10.13%	944.84	13.39%
Profit brought forward	51.73	1.13%	1,183.63	16.78%
Total profit	**517.28**	11.25%	**2,128.47**	30.17%

Income

Total income increased by 53.49% from ₹ 4,596.28 million in the three months ended June 30, 2018 to ₹ 7,055.00 million in three months ended June 30, 2019 primarily due to the reasons discussed below.

Interest Earned

Interest earned increased by 48.99% from ₹ 4,063.18 million in three months ended June 30, 2018 to ₹ 6,053.71 million in three months ended June 30, 2019, primarily due to an increase in interest/discount on advance/bills by 47.98% from ₹ 3,832.92 million in three months ended June 30, 2018 to ₹ 5,671.98 million in three months ended June 30, 2019 on account of an increase in deposits and advances. Income on investments also increased by 56.38% from ₹ 223.97 million in three months ended June 30, 2018 to ₹ 350.25 million in three months ended June 30, 2019.

Other Income

Other income significantly increased from ₹ 533.10 million in three months ended June 30, 2018 to ₹ 1,001.29 million in three months ended June 30, 2019, primarily due to increase in miscellaneous income and commission, exchange and brokerage. Miscellaneous income, comprising bad debt recovery and income from priority sector lending certificates, increased from by 94.01% from ₹ 266.44 million in three months ended June 30, 2018 to ₹ 516.92 million in three months ended June 30, 2019.

Further, commission, exchange and brokerage increased by 88.64% from ₹ 240.38 million in three months ended June 30, 2018 to ₹ 453.44 million in three months ended June 30, 2019 on account of increase in processing fee due to increase in loan disbursements and commissions received from third party insurance products.

Expenditure

Total expenditure increased by 47.92% from ₹ 4,130.72 million in three months ended June 30, 2018 to ₹ 6,110.16 million in three months ended June 30, 2019 primarily due to the reasons discussed below.

Interest Expended

Interest expended increased by 57.29% from ₹ 1,608.02 million in three months ended June 30, 2018 to ₹ 2,529.20 million in three months ended June 30, 2019, primarily due to a significant increase in interest on deposits from ₹ 702.48 million in three months ended June 30, 2018 to ₹ 1,518.50 million in three months ended June 30, 2019 on account of increase in deposits and borrowings due to increase in disbursements and advances. Others (including interest on subordinated debts) marginally increased by 17.89% from ₹ 739.77 million in three months ended June 30, 2018 to ₹ 886.15 million in three months ended June 30, 2019.

Operating Expenses

Operating expenses significantly increased by 35.94% from ₹ 2,143.24 million in three months ended June 30, 2018 to ₹ 2,913.44 million in three months ended June 30, 2019 primarily due to an increase in payments to and provision for employees by 41.46% from ₹ 1,126.75 million in three months ended June 30, 2018 to ₹ 1,593.86 million in three months ended June 30, 2019 on account of on account of increase in number of employees from 12,290 employees as of June 30, 2018 to 15,626 employees as of June 30, 2019. Other expenditure, such as conveyance, travel and national financial switch expense, by 44.77% from ₹ 310.69 million in three months ended June 30, 2018 to ₹ 449.78 million in three months ended June 30, 2019. Rent, taxes and lighting (including operating lease rentals) increased by 98.37% from ₹ 173.95 million in three months ended June 30, 2018 to ₹ 345.06 million in three months ended June 30, 2019 primarily due to primarily due to expansion of our Banking Outlet network.

Provisions and Contingencies

Provisions and contingencies significantly increased by 75.91% from ₹ 379.47 million in three months ended June 30, 2018 to ₹ 667.52 million in three months ended June 30, 2019, primarily due to a significant increase in provision for income tax from ₹ 230.08 million in three months ended June 30, 2018 to ₹ 479.62 million in three months ended June 30, 2019 on account of increase in profit before tax during the same period. This decrease was offset by an increase in the provision for income tax (deferred tax) with a provision for deferred tax charge amounting to ₹ 151.55 million in three months ended June 30, 2018 compared to a provision for deferred tax credit of ₹ 31.63 million in three months ended June 30, 2019.

Profit

For the reasons discussed above, net profit for the year was ₹ 465.55 million in three months ended June 30, 2018 compared to ₹ 944.84 million in three months ended June 30, 2019. Profit brought forward was ₹ 51.73 million in three months ended June 30, 2018 compared to ₹ 1,183.63 million in three months ended June 30, 2019.

FISCAL 2019 COMPARED TO FISCAL 2018

The following table sets forth certain information with respect to our results of operations for Fiscal 2018 and 2019:

Particulars	Fiscal 2018		Fiscal 2019	
	(₹ million)	Percentage of total income	(₹ million)	Percentage of total income
Income				
Interest earned	14,678.75	92.94%	18,316.11	89.89%
Other income	1,114.80	7.06%	2,059.64	10.11%
Total income	**15,793.55**	**100.00%**	**20,375.75**	**100.00%**
Expenditure				
Interest expended	6,068.64	38.42%	7,251.99	35.59%
Operating expenses	6,528.70	41.34%	10,033.54	49.24%
Provisions and contingencies	3,127.58	19.80%	1,098.04	5.39%
Total expenditure	**15,724.92**	**99.57%**	**18,383.57**	**90.22%**
Profit				
Net profit for the year	68.63	0.43%	1,992.18	9.78%
Profit brought forward	0.26	0.01%	51.73	0.25%
Total profit	**68.89**	**0.44%**	**2,043.91**	**10.03%**

Income

Total income increased by 29.01% from ₹ 15,793.55 million in Fiscal 2018 to ₹ 20,375.75 million in Fiscal 2019 primarily due to the reasons discussed below.

Interest Earned

Interest earned increased by 24.78% from ₹ 14,678.75 million in Fiscal 2018 to ₹ 18,316.11 million in Fiscal 2019, primarily due to an increase in interest/discount on advance/bills. Interest/discount on advance/bills increased by 31.67% from ₹13,127.75 million in Fiscal 2018 to ₹ 17,284.89 million in Fiscal 2019 primarily on account of an increase in deposits and advances. Our deposits increased by 95.16% from ₹ 37,725.18 million as of March 31, 2018 to ₹ 73,794.40 million as of March 31, 2019 and our Gross Advances (including securitization/ IBPC) increased by 46.12% from ₹ 75,611.98 million as of March 31, 2018 to ₹ 110,485.91 million as of March 31, 2019 primarily due to reopening of markets and increase in focus on customer acquisition and retention. In addition, interest earned also increased due to an increase in our lending rates of group loans from 21.25% to 22.00% with effect from September 2018. Income on investments marginally increased by 0.87% from ₹ 922.93 million in Fiscal 2018 to ₹ 930.98 million in Fiscal 2019.

The increase in interest earned was significantly offset by a decrease in others (interest income on securitisation) by 86.98% from ₹ 582.92 million in Fiscal 2018 to ₹ 75.88 million in Fiscal 2019 and interest on balances with Reserve Bank of India and other inter-bank funds also decreased by 46.05% from ₹ 45.15 million in Fiscal 2018 to ₹ 24.36 million in Fiscal 2019.

Other Income

Other income significantly increased by 84.75% from ₹ 1,114.80 million in Fiscal 2018 to ₹ 2,059.64 million in Fiscal 2019, primarily due to commission, exchange and brokerage and miscellaneous income. Commission, exchange and brokerage increased by 76.07% from ₹ 792.05 million in Fiscal 2018 to ₹ 1,394.57 million in Fiscal 2019 on primarily on account of increase in processing fee due to increase in loan disbursements and commissions received from third party insurance products. Further, miscellaneous income, comprising bad debt recovery and income from priority sector lending certificates, increased from ₹ 276.87 million in Fiscal 2018 to ₹ 579.49 million in Fiscal 2019.

Expenditure

Total expenditure increased by 16.91% from ₹ 15,724.92 million in Fiscal 2018 to ₹ 18,383.57 million in Fiscal 2019 primarily due to the reasons discussed below.

Interest Expended

Interest expended increased by 19.50% from ₹ 6,086.64 million in Fiscal 2018 to ₹ 7,251.99 million in Fiscal 2019, primarily due to an increase in interest on deposits from ₹ 1,109.06 million in Fiscal 2018 to ₹ 3,570.81 million in Fiscal 2019 on account of increase in deposits and borrowings due to increase in disbursements and advances. Our total deposits (including demand, saving and time deposits) significantly increased by 95.61% from ₹ 37,725.18 million as of March 31, 2018 to ₹ 73,794.40 million as of March 31, 2019. Others (including interest on subordinated debts) marginally increased by 18.26% from ₹ 2,731.66 million in Fiscal 2018 to ₹ 3,230.40 million in Fiscal 2019. This increase was significantly offset by a decrease in interest on Reserve Bank of India/ inter-bank borrowings by 79.77% from ₹ 2,227.92 million in Fiscal 2018 to ₹ 450.78 million in Fiscal 2019.

Operating Expenses

Operating expenses significantly increased by 53.68% from ₹ 6,528.70 million in Fiscal 2018 to ₹ 10,033.54 million in Fiscal 2019 primarily due to an increase in payments to and provision for employees. Payments to and provisions for employees increased by 43.93% from ₹ 3,604.39 million in Fiscal 2018 to ₹ 5,187.98 million in Fiscal 2019 on account of increase in number of employees from 11,242 employees as of March 31, 2018 to 14,752 employees as of March 31, 2019. Other expenditure also increased, such as conveyance, travel and national financial switch expense, by 60.03% from ₹ 1,027.45 million in Fiscal 2018 to ₹ 1,644.19 million in Fiscal 2019. Rent, taxes and lighting (including operating lease rentals) increased by 91.96% from ₹ 476.43 million in Fiscal 2018 to ₹ 914.56 million in Fiscal 2019 primarily due to expansion of our Banking Outlet network. There was also an increase in advertisement and publicity from ₹ 106.11 million in Fiscal 2018 to ₹ 343.89 million in Fiscal 2019 and repairs and maintenance by 41.70% from ₹ 503.65 million in Fiscal 2018 to ₹ 713.67 million in Fiscal 2019.

Provisions and Contingencies

Provisions and contingencies significantly decreased by 64.89% from ₹ 3,127.58 million in Fiscal 2018 to ₹ 1,098.04 million in Fiscal 2019, primarily due to a significant decrease in provision for non-performing assets (includes bad debt written off) by 94.01% from ₹ 3,868.95 million in Fiscal 2018 to ₹ 231.72 million in Fiscal 2019 on account of improved credit quality. We had also provided for/ wrote off majority of demonization-affected portfolio in Fiscal 2018 which as a result required minimal incremental credit provisioning in Fiscal 2019. Our gross NPAs reduced from 3.65% as of March 31, 2018 to 0.92% as of March 31, 2019, of our gross advances, while our Net NPAs reduced from 0.69% as of March 31, 2018 to 0.26% as of March 31, 2019, of our Net Advances. This decrease was offset by an increase in the provision for standard assets from ₹ (761.20) million in Fiscal 2018 to ₹ 174.17 million in Fiscal 2019 and provision for income tax from ₹ 19.84 million in Fiscal 2018 to ₹ 692.06 million in Fiscal 2019.

Profit

For the reasons discussed above, net profit for the year was ₹ 68.63 million in Fiscal 2018 compared to ₹ 1,992.18 million in Fiscal 2019. Profit brought forward was ₹ 0.26 million in Fiscal 2018 compared to ₹ 51.73 million in Fiscal 2019.

FISCAL 2017

Our Bank was incorporated on July 4, 2016, however, we began our operations on February 1, 2017 when UFSL, our Promoter, transferred its business to us pursuant to the Business Transfer Agreement and we simultaneously commenced general banking activities pursuant to receipt of the license to operate as a small finance bank. As a result, our financial statements for Fiscal 2017 reflect only two months of operations from February 1, 2017 to March 31, 2017.

The following table sets forth certain information with respect to our results of operations for Fiscal 2017:

Particulars	Fiscal 2017	
	(₹ million)	Percentage of total income
Income		
Interest earned	2,170.10	96.935
Other income	68.64	3.07%
Total income	**2,238.74**	**100.00%**
Expenditure		
Interest expended	1,093.58	48.85%
Operating expenses	1,091.90	48.77%
Provisions and contingencies	52.91	2.36%
Total expenditure	**2,238.39**	**99.98%**
Profit		
Net profit for the year	0.35	0.02%
Profit brought forward	-	-
Total profit	**0.35**	**0.02%**

Income

Total income was ₹ 2,238.74 million in Fiscal 2017 consisting of interest earned and other income.

Interest Earned

Interest earned was ₹ 2,170.10 million in Fiscal 2017, primarily consisting of interest/discount on advance/bills of ₹ 1,853.47 million, income on investments of ₹ 192.50 million and others (interest income on securitisation) of ₹ 79.63 million.

Other Income

Other income was ₹ 68.64 million in Fiscal 2017, primarily consisting of commission, exchange and brokerage of ₹ 105.86 million and miscellaneous income of ₹ 2.70 million. We also incurred a loss on revaluation of investments of ₹ 41.97 million in Fiscal 2017.

Expenditure

Total expenditure was ₹ 2,238.39 million in Fiscal 2017 consisting of interest expended, operating expenses and provisions and contingencies.

Interest Expended

Interest expended was ₹ 1,093.58 million in Fiscal 2017. This primarily consisted of interest on Reserve Bank of India/ inter-bank borrowings of ₹ 941.71 million and others (including interest on subordinated debts) of ₹ 150.45 million.

Operating Expenses

Operating expenses was ₹ 1,091.90 million in Fiscal 2017, primarily consisting of payments to and provision for employees of ₹ 464.42 million, other expenditure, such as goodwill write off, travel and conveyance of ₹ 368.62 million and rent, taxes and lighting (including operating lease rentals) of ₹ 86.33 million.

Provisions and Contingencies

Provisions and contingencies was ₹ 52.91 million in Fiscal 2017 and consisted of provision for standard assets amounting to ₹ 23.25 million, provision for non-performing assets (including bad debts written off) amounting to ₹ 21.01 million and provision for income tax amounting to ₹ 8.56 million.

Profit

For the reasons discussed above, net profit for the period was ₹ 0.35 million in Fiscal 2017.

FINANCIAL CONDITION

Assets

The table below sets out the principal components of our assets as of the dates indicated:

	As of March 31,			As of June 30, 2018	As of June 30, 2019
	2017	2018	2019		
	(₹ million)				
Cash and balances with the Reserve Bank of India	2,609.29	2,496.34	4,464.64	2,175.89	2,996.92
Balance with banks and money at call and short notice	5,018.92	2,452.01	6,479.96	2,640.87	4,217.56
Investments	14,466.77	12,324.79	15,266.22	12,038.14	16,596.81
Advances	58,610.45	73,362.11	105,524.55	76,057.92	113,275.05
Fixed assets	1,397.69	1,983.45	2,844.50	2,166.11	2,947.28
Other assets	2,255.93	2,110.03	2,842.28	2,103.48	2,892.49
Total assets	**84,359.05**	**94,728.73**	**137,422.15**	**97,182.41**	**142,926.11**

Total assets increased by 4.01% from ₹ 137,422.15 million as of March 31, 2019 to ₹ 142,926.11 million as of June 30, 2019. This increase was primarily due to an increase in advances by 7.34% from ₹ 105,524.55 million as of March 31, 2019 to ₹ 113,275.05 million as June 30, 2019.

Total assets increased by 45.07% from ₹ 94,728.73 million as of March 31, 2018 to ₹ 137,422.15 million as of March 31, 2019. This increase was primarily due to an increase in advances by 43.84% from ₹ 73,362.11 million as of March 31, 2018 to ₹ 105,524.55 million as of March 31, 2019. Total assets were ₹ 84,359.05 million as of March 31, 2017.

Advances

The following table sets forth a breakdown of total advances as of the dates indicated:

	As of March 31,			As of June 30, 2018	As of June 30, 2019
	2017	2018	2019		
	(₹ million)				
Bills, purchased and discounted	-	-	-	-	-
Cash credits, overdrafts and loans repayable on demand	-	11,758.49	12,695.53	9,970.46	13,159.35
Term loans	58,610.45	61,603.62	92,829.02	66,087.46	100,115.70
Total advances	**58,610.45**	**73,362.11**	**105,524.55**	**76,057.92**	**113,275.05**
Secured by tangible assets	1,169.77	4,059.54	14,991.44	5,491.62	19,332.83
Covered by bank/ government guarantees	-	-	-	-	-
Unsecured	57,440.68	69,302.57	90,533.11	70,566.30	93,942.22
Total advances	**58,610.45**	**73,362.11**	**105,524.55**	**76,057.92**	**113,275.05**
Priority sector	58,266.27	11,389.07	61,576.39	39,244.86	54,579.73
Public sector	-	-	-	-	-
Banks	-	60.00	-	160.22	-
Others	344.18	61,913.04	43,948.16	36,652.84	58,695.32
Total advances	**105,524.55**	**73,362.11**	**105,524.55**	**76,057.92**	**113,275.05**

Advances comprise micro banking, micro and small enterprise loans, affordable housing loans, financial institutional group loans and personal loans.

Total advances increased by 6.65% from ₹ 110,485.91 million as of March 31, 2019 to ₹ 117,829.38 million as of June 30, 2019 and by 46.12 % from ₹ 75,611.99 million as of March 31, 2018 to ₹ 110,485.91 million as of March 31, 2019, primarily due to increase in loan disbursements on account of reopening of markets and increase in focus on customer acquisition and retention. Total advances were ₹ 58,610.45 million as of March 31, 2017.

Investments

Our investments mainly represent investments in government securities.

Investments increased by 8.71% from ₹ 15,266.22 million as of March 31, 2019 to ₹ 16,595.81 million as of June 30, 2019, and by 23.86% from ₹ 12,324.79 million as of March 31, 2018 to ₹ 15,266.22 million as of March 31, 2019, primarily due to an increase in investment in government securities. Investments were ₹ 12,038.14 million as of June 30, 2018. Government securities increased by 8.72% from ₹ 15,265.22 million as of March 31, 2019 to ₹ 16,595.81 million as of June 30, 2019 and by 23.87% from ₹12,323.79 million as of March 31, 2018 to ₹ 15,265.22 million as of March 31, 2019 primarily due to an increase in deposits. Government securities were ₹ 12,037.14 million as of June 30, 2018. Investments were ₹ 14,466.77 million as of March 31, 2017.

Balances with Banks and Money at Call and Short Notice

Balances with banks and money at call and short notice was ₹ 4,217.56 million as of June 30, 2019 compared to ₹ 6,479.96 million as of March 31, 2019. The decrease in the three months ended June 30, 2019 was primarily driven by decrease in money at call and short notice with banks which decreased by 41.66% from ₹ 5,100.00 million as of March 31, 2019 to ₹ 3,600.00 million as of June 30, 2019 and money at call and short notice with banks which significantly decreased from ₹ 1,099.31 million as of March 31, 2019 to ₹ 272.87 million as of June 30, 2019.

Balances with banks and money at call and short notice was ₹ 6,479.96 million as of March 31, 2019 compared to ₹ 2,452.01 million as of March 31, 2018. The increase in Fiscal 2019 was primarily driven by increase in money at call and short notice with banks which increased by 183.33% from ₹ 1,800.00 million as of March 31, 2018 to ₹ 5,100.00 million as of March 31, 2019 and money at call and short notice with other instruments which increased by 449.92 % from ₹ 199.90 million as of March 31, 2018 to ₹ 1,099.31 million as of March 31, 2019. As of June 30, 2018, balances with banks and money at call and short notice was ₹ 2,640.87 million and money at call and short notice was ₹ 1,750.00 million. Balances with banks and money at call and short notice was ₹ 5,018.92 million as of March 31, 2017.

Other Assets

Other assets primarily include interest accrued, others (including deferred tax assets) and tax paid in advance/ tax deducted at source.

Other assets was ₹ 2,892.49 million as of June 30, 2019 compared to ₹ 2,842.28 million as of March 31, 2019. The increase in three months ended June 30, 2019 was primarily driven by an increase in interest accrued by 2.66% from ₹ 1,319.81 million as of March 31, 2019 to ₹ 1,354.98 million as of June 30, 2019.

Other assets was ₹ 2,842.28 million as of March 31, 2019 compared to ₹ 2,110.03 million as of March 31, 2018. The increase in Fiscal 2019 was primarily driven by an increase in tax paid in advance by 55.93% from ₹ 846.40 million as of March 31, 2018 to ₹ 1,319.81 million as of March 31, 2019. As of June 30, 2018, other assets were ₹ 2,103.48 million and interest accrued were ₹ 877.71 million. Other assets were ₹ 2,255.93 million as of March 31, 2017.

Capital and Liabilities

The table below sets out the principal components of our shareholders' funds and liabilities as of the dates indicated:

	As of March 31,			As of June 30, 2018	As of June 30, 2019
	2017	2018	2019		
	(₹ million)				
Capital	16,400.37	16,400.37	16,400.37	16,400.37	16,400.37
Reserves and surplus	0.35	68.98	1,795.94	534.53	2,740.78
Deposits	2,064.05	37,725.18	73,794.40	38,034.50	79,567.64
Borrowings	62,914.04	38,528.45	41,660.90	39,446.43	39,460.68
Other liabilities and provisions	2,980.24	2,005.75	3,770.54	2,766.58	4,756.64
Total Capital and Liabilities	**84,359.05**	**94,728.73**	**137,422.15**	**97,182.41**	**142,926.11**

Total capital and liabilities amounted to ₹ 142,926.11 million as of June 30, 2019 compared to ₹ 137,422.15 million as of March 31, 2019. Total liabilities amounted to ₹ 137,422.15 million as of March 31, 2019 compared to ₹ 94,728.73 million as of March 31, 2018. The increase as in the three months ended June 30, 2019 and Fiscal 2019 was primarily on account of increase in deposits. Total liabilities amounted to ₹ 84,359.05 million as of March 31, 2017.

Deposits

The following table sets forth a breakdown of our Bank's deposits, as well as the percentage of total deposits that each item contributes, as of the dates indicated:

	As of March 31,						As of June 30, 2018		As of June 30, 2019	
	2017		2018		2019					
	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)	Amount (₹ million)	Percentage of total deposits (%)
Demand Deposits										
(i) from banks	-	-	0.01	0.00%	24.93	0.03%	0.01	0.00%	33.93	0.04%
(ii) from others	0.03	0.00%	102.30	0.27%	780.61	1.06%	118.32	0.31%	1,143.33	1.44%
Saving Bank Deposits	**32.37**	**1.57%**	**1,284.53**	**3.40%**	**7,035.37**	**9.53%**	**2,270.47**	**5.97%**	**7,093.51**	**8.92%**
Term Deposits										
(i) from banks	460.00	22.29%	9,604.34	25.46%	26,151.49	35.44%	11,971.77	31.48%	30,273.53	38.05%
(ii) from others	1,571.65	76.14%	26,734.00	70.87%	39,802.00	53.94%	23,673.93	62.24%	41,023.34	51.56%
Total Deposit	**2,064.15**	**100%**	**37,725.18**	**100.00%**	**73,794.40**	**100.00%**	**38,034.50**	**100.00%**	**79,567.64**	**100.00%**

Deposits mainly comprise term deposits, savings bank deposits and demand deposits.

Deposits increased by 7.82% from ₹ 73,794.40 million as of March 31, 2019 to ₹ 79,567.64 million as of June 30, 2019 and by 95.61% from ₹ 37,725.18 million as of March 31, 2018 to ₹ 73,794.40 million as of March 31, 2019 mainly due to expansion of our Banking Outlets, and product and services offerings. Deposits amounted to ₹ 2,064.05 million as of March 31, 2017.

Borrowings

Borrowings primarily comprise borrowings from other institutions and agencies, other banks and non-convertible redeemable debenture.

Our borrowings decreased by 5.28% from ₹ 41,660.90 million as of March 31, 2019 to ₹ 39,460.68 million as of June 30, 2019, primarily attributable to an decrease in borrowings from other institutions and agencies from ₹ 38,160.90 million as of March 31, 2019 to ₹ 36,50.68 million as of June 30, 2019. There was also a decrease in non-convertible redeemable debenture from ₹ 1,000.00 million as of March 31, 2019 to ₹ 400.00 million as of June 30, 2019. As of June 30, 2018, our borrowings were ₹ 39,446.43 million comprising borrowings from other institutions and agencies, and other banks of ₹ 27,280.42 million and ₹ 6,166.01 million.

Our borrowings increased by 8.13% from ₹ 38,528.45 million as of March 31, 2018 to ₹ 41,660.90 million as of March 31, 2019, primarily attributable to an increase in borrowings from other institutions and agencies from ₹ 23,511.16 million as of March 31, 2018 to ₹ 38,160.90 million as of March 31, 2019. This increase was offset by a decrease in borrowings from other banks by 72.28% from ₹ 9,017.29 million as of March 31, 2018 to ₹ 2,500.00 million as of March 31, 2019 and a decrease in non-convertible redeemable debenture by 83.33% from ₹ 6,000.00 million as of March 31, 2018 to ₹ 1,000.00 million as of March 31, 2019. Borrowings amounted to ₹ 62,914.04 million as of March 31, 2017.

Other Liabilities and Provisions

Other liabilities and provisions represent bills payable, inter-office adjustments (net), interest accrued, standard asset-general provisions and others (including provisions).

Other liabilities and provisions increased by 26.15% from ₹ 3,770.54 million as of March 31, 2019 to ₹ 4,756.64 million as of June 30, 2019, primarily due to an increase in (i) others (including provisions) by 32.95% from ₹ 1,334.79 million as of March 31, 2019 to ₹ 1,774.56 million as of June 30, 2019; and (ii) interest accrued by 47.61% from ₹ 1,022.56 million as of March 31, 2019 to ₹ 1,509.42 million as of June 30, 2019.

Other liabilities and provisions increased by 87.99% from ₹ 2,005.75million as of March 31, 2018 to ₹ 3,770.54 million as of March 31, 2019, primarily due to (i) an increase in others (including provisions) from ₹ 732.81 million as of March 31, 2018 to ₹ 1,334.79 million as of March 31, 2019; (ii) an increase in interest accrued by 53.91% from ₹ 664.39 million as of March 31, 2018 to ₹ 1,022.56 million as of March 31, 2019; and (iii) an increase in bills payable by 258.86% from ₹ 243.56 million as of March 31, 2018 to ₹ 874.04 million as of March 31, 2019. Other liabilities and provisions amounted to ₹ 2,766.58 million as of June 30, 2018, comprising others (including provisions) of ₹ 1,071.80 million and interest accrued of ₹ 982.53 million. Other liabilities and provisions amounted to ₹ 2,980.24 million as of March 31, 2017.

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 have access to diverse sources of liquidity, both debt and equity. In Fiscal 2019 and in the three months ended June 30, 2019, we received an aggregate ₹ 162,062.76 million and ₹ 33,456.82 million, respectively, from these sources, and as of March 31, 2019 and June 30, 2019, we had cash and cash equivalents available for use in our operations of ₹ 10,944.60 million and ₹ 7,214.48 million, respectively.

We actively manage our liquidity position by raising funds on a continuous basis on terms that, we believe, are favorable to us. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Further, some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. See "*Risk Factors - We are required to comply with various restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security interests, which may adversely affect our business, results of operations and financial conditions.*" on page 33.

CASH FLOWS

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	Fiscal 2017	Fiscal 2018	Fiscal 2019	Three months ended June 30, 2018	Three months ended June 30, 2019
	(₹ million)				
Net cash generated from operating activities	(70,837.94)	23,137.09	4,777.17	(619.66)	(1,253.75)
Net cash used in investing activities	(1,611.40)	(1,005.94)	(1,478.60)	(306.37)	(276.15)
Net cash generated from/ (used in) financing activities	79,314.41	(24,385.59)	2,867.23	917.98	(2,200.22)
Net increase/ (decrease) in cash and cash equivalents	6,865.12	(2,254.44)	6,165.80	(8.05)	(3,730.12)
Cash and cash equivalents as at the beginning of the year	-	6,865.12	4,610.68	4,610.68	10,776.48
Cash and cash equivalents at the end of the year	6,865.12	4,610.68	10,776.48	4,602.63	7,046.36

Operating Activities

Three months ended June 30, 2019

In three months ended June 30, 2019, cash generated from operating activities was ₹ (993.50) million. Net profit before taxation was ₹ 1,424.46 million in the three months ended June 30, 2019 and adjustments to reconcile net profit before taxation to net cash flows primarily consisted of depreciation of Bank's property of ₹ 172.52 million, provision for non-performing assets of ₹ 124.20 million and provision for standard assets of ₹ 63.70 million. Operating profit before working capital changes was ₹ 1,793.39 million in the three months ended June 30, 2019. The main working capital adjustments in the three months ended June 30, 2019, included increase in advances of ₹ (7,874.70) million and increase in investments of ₹ (1,338.25) million. This was significantly offset by an increase in deposits of ₹ 5,773.24 million in the three months ended June 30, 2019. In the three months ended June 30, 2019, net cash generated from operations was ₹ (1,253.75) million and direct taxes paid amounted to ₹ 260.25 million.

Three months ended June 30, 2018

In three months ended June 30, 2018, cash generated from operating activities was ₹ (536.67) million. Net profit before taxation was ₹ 695.63 million in the three months ended June 30, 2018 and adjustments to reconcile net profit before taxation to net cash flows primarily consisted of depreciation of Bank's property of ₹ 121.12 million and provision for non-performing assets of ₹ 131.95 million. Operating profit before working capital changes was ₹ 973.85 million in the three months ended June 30, 2018. The main working capital adjustments in the three months ended June 30, 2018, included increase in advances of ₹ (2,828.10) million. This was significantly offset by an increase in other liabilities of ₹ 743.39 million, increase in deposits of ₹ 309.32 million and decrease in investments of ₹ 281.53 million in the three months ended June 30, 2018. In the three months ended June 30, 2018, net cash generated from operations was ₹ (619.66) million and direct taxes paid amounted to ₹ 82.99 million.

Fiscal 2019

In Fiscal 2019, cash generated from operating activities was ₹ 5,166.82 million. Net profit before taxation was ₹ 2,684.24 million in Fiscal 2019 and adjustments to reconcile net profit before taxation to net cash flows primarily consisted of depreciation of Bank's property of ₹ 605.98 million, provision for non-performing assets of ₹ 231.72 million and provision for standard assets of ₹ 174.17 million. Operating profit before working capital changes was ₹ 3,732.52 million in Fiscal 2019. The main working capital adjustments in Fiscal 2019, included increase in deposits of ₹ 36,069.22 million, increase in advances of ₹ 32,394.16 million and increase in investments of ₹ 2,966.27 million. In Fiscal 2019, net cash generated from operations was ₹ 4,777.17 million and direct taxes paid amounted to ₹ 389.65 million.

Fiscal 2018

In Fiscal 2018, cash generated from operating activities was ₹ 23,473.78 million. Net profit before taxation was ₹ 85.43 million in Fiscal 2018 and adjustments to reconcile net profit before taxation to net cash flows primarily consisted of provision for non-performing assets of ₹ 3,868.95 million, provision for standard assets of ₹ 761.20 million and depreciation on Bank's property of ₹ 413.73 million. Operating profit before working capital changes was ₹ 3,588.76 million in Fiscal 2018. The main working capital adjustments in Fiscal 2018, included increase in deposits of ₹ 35,661.13 million, increase in advances of ₹ 18,620.61 million and decrease in investments of ₹ 2,166.58 million. In Fiscal 2018, net cash generated from operations was ₹ 23,137.09 million and direct taxes paid amounted to ₹ 336.69 million.

Fiscal 2017

In Fiscal 2017, cash used in operating activities was ₹ 70,829.79 million. Net profit before taxation was ₹ 11.94 million in Fiscal 2017 and adjustments to reconcile net profit before taxation to net cash flows primarily consisted of fixed assets written off (including goodwill written off) of ₹ 162.57 million, depreciation on Bank's property of ₹ 51.04 million and profit on revaluation of investments of ₹ 41.97 million. Operating profit before working capital changes was ₹ 314.34 million in Fiscal 2017. The main working capital adjustments in Fiscal 2017, included increase in advances of ₹ 58,631.46 million on account of slump sale of all assets and liabilities of UFSL to our Bank in accordance with the Business Transfer Agreement, increase in investments of ₹ 14,511.10 million and increase in other assets of ₹ 3,022.52 million. In Fiscal 2017, net cash used in operations was ₹ 70,837.94 million and direct taxes paid amounted to ₹ 8.10 million.

Investing Activities

Three months ended June 30, 2019

Net cash used in investing activities was ₹ 276.15 million in three months ended June 30, 2019, primarily on account of purchase of fixed assets including work-in-progress of ₹ 278.92 million and proceeds from sale of fixed assets amounting to ₹ 2.77 million.

Three months ended June 30, 2018

Net cash used in investing activities was ₹ 306.37 million in three months ended June 30, 2018, primarily on account of purchase of fixed assets including work-in-progress of ₹ 307.41 million and proceeds from sale of fixed assets amounting to ₹ 1.04 million.

Fiscal 2019

Net cash used in investing activities was ₹ 11.33 million in Fiscal 2019, primarily on account of purchase of fixed assets including work-in-progress of ₹ 1,489.93 million and proceeds from sale of fixed assets amounting to ₹ 11.33 million.

Fiscal 2018

Net cash used in investing activities was ₹ 1,005.94 million in Fiscal 2018, primarily on account of purchase of fixed assets including work-in-progress of ₹ 1,009.62 million and proceeds from sale of fixed assets amounting to ₹ 3.68 million.

Fiscal 2017

Net cash used in investing activities was ₹ 1,611.40 million in Fiscal 2017 on account of purchase of fixed assets including work-in-progress of ₹ 1,611.40 million.

Financing Activities

Three months ended June 30, 2019

Net cash used in financing activities was ₹ 2,200.22 million in the three months ended June 30, 2019 on account of decrease in borrowings (net) of ₹ 2,200.22 million.

Three months ended June 30, 2018

Net cash generated from financing activities was ₹ 917.98 million in the three months ended June 30, 2019 on account of increase in borrowings (net) of ₹ 917.98 million.

Fiscal 2019

Net cash generated from financing activities was ₹ 2,867.23 million in Fiscal 2019 on account of increase in borrowings (net) of ₹ 3,132.45 million and preference dividend paid during the year was ₹ 220 million.

Fiscal 2018

Net cash used in financing activities was ₹ 24,385.59 million in Fiscal 2018 on account of decrease in borrowings (net) of ₹ 24,835.59 million.

Fiscal 2017

Net cash generated from financing activities was ₹ 79,314.41 million in Fiscal 2017 on account of increase in borrowings (net) of ₹ 62,914.04 million and proceeds from issue of equity shares of ₹ 16,400.37 million.

CAPITAL ADEQUACY

Our Bank is subject to the CAR requirements prescribed by the RBI. As of March 31, 2018, we were required to maintain a minimum CAR of 15.00%, based on the total capital to risk-weighted assets. The following table sets forth certain information relating to the CAR of our Bank as of the periods indicated:

	As of and for the year ended March 31,			As of and for the three months ended June 30, 2018	As of and for the three months ended June 30, 2019
	2017	2018	2019		
	(₹ million, except percentages)				
Tier I Capital	14,601.36	14,829.50	16,533.74	15,448.39	17,333.46
Tier II Capital	479.55	481.30	497.91	482.42	593.39
Total Capital	15,080.91	15,310.80	17,031.65	15,930.82	17,926.86
Total Risk Weighted Assets	71,575.29	66,452.47	89,896.78	**67,123.80**	**94,338.25**
Capital Adequacy Ratio					
Tier I Capital (as a Percentage of Total Risk Weighted Assets (%))	20.40%	22.32%	18.39%	23.01%	18.37%
Tier II Capital (as a Percentage of Total Risk Weighted Assets (%))	0.67%	0.72%	0.55%	0.72%	0.63%
Total Capital (as a Percentage of Total Risk Weighted Assets (%))	21.07%	23.04%	18.95%	**23.73%**	**19.00%**

CREDIT RATING

The following table sets forth our credit ratings:

Particulars	Amount (₹ million)	Rating / Agency
Long Term Borrowing	14,590	CARE A+ (Stable)
NCD	400	CARE A+ (Stable)
Certificate of Deposits	40,000	CRISIL A1+

INDEBTEDNESS

As of June 30, 2019, our total indebtedness was ₹ 39,460.68 million (with long-term borrowings (including current maturity) of ₹ 39,060.80 million and short-term borrowings of ₹ 399.88 million) representing a debt to equity ratio of 2.41. For further information regarding our indebtedness, see "*Financial Information*" and "*Financial Indebtedness*" on pages 187 and 290, respectively.

The following table sets forth certain information relating to our outstanding indebtedness as of June 30, 2019, and our repayment obligations in the periods indicated:

Particulars	As of June 30, 2019
	Payment due by period

	(₹ million)				
	Total	Not later than 1 year	1-3 years	3 -5 years	More than 5 years
Long Term Borrowings					
Non-Convertible Debentures	400.00	400.00	-	-	-
Term loans from bank (secured)	265.80	265.80	-	-	-
Term loans from others (secured)	1,640.00	1,178.70	421.30	40.00	-
Term loans from bank (Unsecured)	2,500.00	2,500.00	-	-	-
Term loans from others (Unsecured)	34,255.00	13,906.00	15,024.00	5,325.00	-
Sales tax deferment loan (secured)	-	-	-	-	-
Total long term borrowings	**39,060.80**	**18,250.50**	**15,445.30**	**5,365.00**	**-**
Short Term Borrowings					
Secured	399.88	399.88	-	-	-
Total Short Term Borrowings	**399.88**	**399.88**	**-**	**-**	**-**
Total Borrowings	**39,460.68**	**18,650.38**	**15,445.30**	**5,365.00**	**-**

Some of the financing arrangements entered into by us include conditions that require our Bank to obtain respective lenders' consent prior to carrying out certain activities and entering into certain transactions. Some of the corporate actions that require prior consents from certain lenders include, amongst others, altering our capital structure; changing our current ownership/ control, formulating a scheme of amalgamation, compromise or reconstruction, material change in management, implementing a scheme of expansion, declaration of dividend in case of default, and amending constitutional documents. For further information, see "*Risk Factors - We are required to comply with various restrictive covenants under our financing agreements. Any non-compliance may lead to, amongst others, accelerated repayment schedule and enforcement of security interests, which may adversely affect our business, results of operations and financial conditions.*" on page 33.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth certain information relating to future payments due under known contractual commitments as of June 30, 2019, aggregated by type of contractual obligation:

Particulars	As of June 30, 2019				
	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(₹ million)				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	295.14	270.60	24.54	0.00	0.00
Total Contractual Obligations	**295.14**	**270.60**	**24.54**	**0.00**	**0.00**

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. Most of our Banking Outlets are taken on a short term lease of less than one year, which are also terminable on a short notice, and are not reflected in the table below.

Particulars	As of June 30, 2019			
	Payment due by period			
	Total	Less than 1 year	Later than 1 year but not later than 5 years	More than 5 years
	(₹ million)			
Non-cancellable operating lease obligations	1,474.46	482.17	930.89	61.40
Total	**1,474.46**	**482.17**	**930.89**	**61.40**

SECURITISATION AND ASSIGNMENT ARRANGEMENTS

The following table sets forth information regarding our securitization deals outstanding as of March 31, 2019 and June 30, 2019:

Particulars	As of March 31, 2019	As of June 30, 2019
Number of SPVs sponsored by our Bank for securitisation transactions	1.00	1.00
Total amount of securitized assets as per books of the SPVs sponsored by our Bank (includes MRR portion of ₹ 208.38 million) (₹ million)	908.32	537.80
Total amount of exposure retained by our Bank to comply with MRR as on the date of the balance sheet (₹ million)	-	-
Off balance sheet exposure	-	-
First loss	276.51	276.51

For further information, see "*Financial Information*" on page 187.

CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

The following table sets forth certain information relating to our contingent liabilities which have not been provided for, as of March 31, 2019 and as of June 30, 2019, as per AS-29 issued by the ICAI:

Contingent Liabilities	As of March 31, 2019	As of June 30, 2019
	(₹ million)	
Claims against the Bank not acknowledged as debts		
- Taxation (Service tax)	4.22	4.23
- Other Legal cases	1.88	2.30
Guarantees given on behalf of constituents	2.50	2.50
Other items for which Bank is contingently liable		
- Capital commitments not provided	231.81	295.14
- Others - Cash Collateral - Securitization	68.12	68.12
- Amount transferred to Depositor Education and Awareness Fund (DEAF)	0.00	0.42
Total	**308.53**	**372.71**

Further, as of as of June 30, 2019, our on balance sheet exposure for first loss on account of securitization transactions, were ₹ 276.51 million.

For further information, see "*Financial Information*" on page 187.

Except as disclosed in our Restated Financial Statements or elsewhere in this Draft Red Herring Prospectus, there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

CAPITAL EXPENDITURE

Our capital expenditure consists principally of expenditure relating to Banking Outlets network expansion as well as investment in technology infrastructure. In Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, we incurred ₹ 1,184.28 million, ₹ 2,070.96 million and ₹ 2,047.72 million, respectively, as capital expenditure in connection with the fixed assets excluding computer software. In Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, we also incurred ₹ 757.15 million, ₹ 752.51 million and ₹ 788.64 million, respectively, on capital expenditures incurred in connection with the fixed assets capitalized as computer software.

RELATED PARTY TRANSACTIONS

We have in the past entered into transactions with our holding company, key management personnel, enterprise in which relatives of key management personnel are members and enterprises in which key management personnel are members. These transactions principally include reimbursement of expenses and payment of remuneration. In Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019, the aggregate amount of such related party transactions was ₹ 315.61 million, ₹ 1,636.54 million and ₹ 1,370.13 million, respectively. The percentage of the aggregate value such related party transactions to our total income in Fiscal 2018, Fiscal 2019 and in the three months ended June 30, 2019 was 2.00%, 8.03% and 19.42%, respectively. For further information relating to our related party transactions, see "*Financial Information*" and "*Risk Factors - 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.*" on page 39.

AUDITOR OBSERVATIONS

There have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their audit reports on the audited financial statements as of and for the years ended March 31, 2017, 2018 and 2019, and as of and for the three months ended June 30, 2019. In addition, our Statutory Auditors have made no reservations/ qualifications/ adverse remarks/ matters of emphasis in their examination report on the Restated Financial Statements included in this Draft Red Herring Prospectus.

RECONCILIATION BETWEEN INDIAN GAAP TO IND AS

The tables below set out the reconciliation between (i) our Bank's audited Indian GAAP financial statements for Fiscal 2019 with our Bank's audited Ind AS financial statements for Fiscal 2019 and (ii) our Bank's audited Indian GAAP financial statements for the three months ended June 30, 2019, with our Bank's Ind AS financial results for the three months ended June 30, 2019 subject to a limited review. Such reconciliation information has been presented as adjustments to total comprehensive income and total equity of our Bank under Indian GAAP.

Reconciliation of Total Comprehensive Income

Particulars	Three Months ended June 30, 2019
	(₹ million)
Net profit / (loss) as per Indian GAAP	**944.85**
Ind AS Adjustments	
Through profit and loss	
Incremental expected credit loss provision on advances	(0.29)
Reversal of processing fees income for the year	(146.60)
Deferred tax impact on Ind AS adjustments	42.90
Fair valuation of ESOP expense	(37.11)
Accrual of interest on NPA	3.05
Write-off of Interest recognised as NPA	(4.55)
Recognition of actuarial gain / loss in Other Comprehensive Income	16.12
Reversal of lease equalization expense	63.56
Fair valuation of lease deposits	(0.85)
Fair valuation of employees deposits at preferential rate	(0.42)
Fair valuation of employees loan at concessional rate	(0.17)
Reversal of loss on reclassification of Investments	-
Amortisation of term loan processing fee - borrowings	(0.47)
Impact of securitisation transaction	(4.55)
Impact of lease accounting as per Ind AS 116	(50.16)
Impairment on investments - measured at amortized cost	(0.25)
Other comprehensive income	
Recognition of actuarial gain / loss in other comprehensive income	(16.12)
Deferred tax on above	5.51
Total Ind AS Adjustments	**(130.40)**
Total comprehensive income as per Ind AS	**814.44**

Notes

1. *Provision on advances has been computed based on expected credit loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and in consequent periods.*
2. *Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the statement of profit and loss over the tenure of the loan, as interest income by applying effective interest rate ("**EIR**") method. The processing fee received by our Bank for the loans outstanding as on the transition date and for the loans originated in Fiscal 2018 and Fiscal 2019 have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.*
3. *Deferred tax has been created on the Ind AS adjustments.*
4. *Under Indian GAAP, our Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 – 'Share based payment', stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. Our Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised in consequent periods as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.*
5. *Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less expected credit loss provision). Accordingly, our Bank has recognised interest on advances classified as stage III assets on the transition date and in Fiscal 2018. In Fiscal 2018, some of the NPAs existing as on the transition date were written off, hence incremental interest recognised on these advances as on the transition date have been written off in Fiscal 2018.*

6. *Under Indian GAAP, actuarial gains and losses were recognised in statement of profit and loss. Under Ind AS, the actuarial gains and losses is recognised in other comprehensive income. In Fiscal 2018, our Bank had an actuarial gain of ₹ 11.69 million, hence on recognition of actuarial gain in other comprehensive income there is an decrease in profit to that extent.*
7. *Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly, the lease equalization reserve has been reversed and actual rent expense has been recognized.*
8. *Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value. Accordingly, our Bank has determined the fair value of the lease deposits by discounting these deposits for the respective lease period. Difference between the discounted value (fair value) and the transaction value of security deposit has been recognised as prepaid rent. The prepaid rent has been amortised over the lease term and interest income has been recognised on the fair value of the security deposit. The difference in rent expense and interest income have been adjusted with retained earnings as of April 1, 2017 and with profit for the consequent year periods.*
9. *Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), our Bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.*
10. *Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), our Bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.*
11. *Under Indian GAAP, investments were reclassified from as per RBI categories and a loss was recognised on such reclassification in Fiscal 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.*
12. *Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the profit and loss account over the tenure of the borrowing, as interest expense by applying EIR method.*
13. *Our Bank recognised impairment on investments based on the RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Our Bank has recorded the impairment for investments in government securities measured at amortized cost on the transition date and in consequent periods.*

Particulars	**Fiscal 2019**
	(₹ million)
Net profit / (loss) as per Indian GAAP	**1,992.17**
<u>Ind AS Adjustments</u>	
Through profit and loss	
Incremental expected credit loss provision on advances	(251.15)
Reversal of processing fees income for the year	(278.08)
Deferred tax impact on Ind AS adjustments	178.62
Fair valuation of ESOP expense	(151.02)
Accrual of interest on NPA	5.90
Write-off of Interest recognised as NPA	(40.83)
Recognition of actuarial gain / loss in Other Comprehensive Income	9.42
Reversal of lease equalization expense	29.37
Fair valuation of lease deposits	(2.83)
Fair valuation of employees deposits at preferential rate	(2.34)
Fair valuation of employees loan at concessional rate	0.61
Reversal of loss on reclassification of Investments	-
Amortisation of term loan processing fee - borrowings	1.28
Impact of securitisation transaction	18.08
Impact of lease accounting as per Ind AS 116	-
Impairment on investments - measured at amortized cost	(0.59)
Other comprehensive income	
Recognition of actuarial gain / loss in other comprehensive income	(9.42)
Deferred tax on above	3.29
Total Ind AS Adjustments	**(489.69)**
Total comprehensive income as per Ind AS	**1,502.49**

Notes:
1. *Provision on advances has been computed based on Expected Credit Loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and for year ended March 31, 2018.*
2. *Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the statement of profit and loss over the tenure of the loan, as interest income by applying EIR. The processing fee received by the bank for the loans outstanding as on the transition date and for the loans originated during the year ended March 31,*

2018 have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.

3. *Deferred tax has been created on the Ind AS adjustments.*
4. *Under Indian GAAP, the Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 Share-based Payment, stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. The Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised for the year ended March 31, 2018 as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.*
5. *Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less ECL provision). Hence Bank has recognised interest on advances classified as Stage 3 assets on the transition date and for the year ended March 31, 2018. During the year ended March 31, 2018, some of the NPAs existing as on the transition date were written off, hence incremental interest recognised on these advances as on the transition date have been written off during the year ended March 31, 2018.*
6. *Under Indian GAAP, actuarial gains and losses were recognised in Statement of profit and loss. Under Ind AS, the actuarial gains and losses is recognised in other comprehensive income. For the year ended March 31, 2018, the bank had an actuarial gain of ₹ 11.69 million, hence on recognition of actuarial gain in other comprehensive income there is an decrease in profit to that extent.*
7. *Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly the lease equalization reserve has been reversed and actual rent expense has been recognized.*
8. *Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value. Accordingly, the bank has determined the fair value of the lease deposits by discounting these deposits for the respective lease period. Difference between the discounted value (fair value) and the transaction value of security deposit has been recognised as prepaid rent. The prepaid rent has been amortised over the lease term and interest income has been recognised on the fair value of the security deposit. The difference in rent expense and interest income have been adjusted with retained earnings as at April 1, 2017 and with profit for the year ended March 31, 2018.*
9. *Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), the bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.*
10. *Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), the bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.*
11. *Under Indian GAAP, investments were reclassified from as per RBI categories and a loss was recognised on such reclassification in year ended March 31, 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.*
12. *Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the profit and loss account over the tenure of the borrowing, as interest expense by applying EIR.*
13. *Bank recognised impairment on investments based on RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and for the year ended March 31, 2018.*

Reconciliation of Total Equity

Particulars	As on June 30, 2019
	(₹ million)
Total equity / shareholders' funds as per Indian GAAP	**19,141.14**
Ind AS Adjustments	
Reversal of processing fees	(918.76)
Incremental provision on advances (expected credit loss)	(300.32)
Deferred tax impact on Ind AS adjustments	387.31
Fair valuation of ESOP expense	(298.59)
Impact on ESOP Reserve	298.59
Interest accrual on NPA	26.70
Reversal of lease equalization reserve	106.11
Lease deposit	(6.15)
Fair valuation of staff loan	0.94
Impairment on investments - measured at amortized cost	(3.27)
Fair valuation of staff deposits	(3.47)
Amortisation of term loan processing fee - borrowings	3.38
Impact of securitisation transaction	13.53
Impact of lease accounting as per Ind AS 116	(335.75)
Reversal of loss on reclassification of investments	15.56

Particulars	As on June 30, 2019
	(₹ million)
Total Ind AS Adjustments	**(1,014.19)**
Total equity as per Ind AS	**18,126.95**

Notes

1. *Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the statement of profit and loss over the tenure of the loan, as interest income by applying EIR method. The processing fee received by our Bank for the loans outstanding as on the transition date and for the loans originated in consequent periods have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.*
2. *Provision on advances has been computed based on expected credit loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and in consequent periods.*
3. *Deferred tax has been created on the Ind AS adjustments.*
4. *Under Indian GAAP, our Bank has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 – 'Share based payment', stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. Our Bank has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised in consequent periods as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.*
5. *Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less expected credit loss provision). Accordingly, our Bank has recognised interest on advances classified as stage III assets on the transition date and in consequent periods.*
6. *Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly, the lease equalization reserve has been reversed and actual rent expense has been recognized.*
7. *Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value.*
8. *Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), our Bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.*
9. *Our Bank recognised impairment on investments based on the RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Our Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and in consequent periods.*
10. *Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), our Bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.*
11. *Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the profit and loss account over the tenure of the borrowing, as interest expense by applying EIR method.*
12. *Under Indian GAAP, investments were reclassified from as per the RBI categories and a loss was recognised on such reclassification in Fiscal 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.*

Particulars	As on March 31, 2019
	(₹ millions)
Total equity / shareholders' funds as per Indian GAAP	**18,196.30**
Ind AS Adjustments	
Reversal of processing fees	(772.16)
Incremental provision on advances (expected credit loss)	(300.03)
Deferred tax impact on Ind AS adjustments	338.90
Fair valuation of ESOP expense	(261.48)
Impact on ESOP Reserve	261.48
Interest accrual on NPA	28.20
Reversal of lease equalization reserve	42.56
Lease deposit	(5.30)
Fair valuation of staff loan	1.11
Impairment on investments - measured at amortized cost	(3.02)
Fair valuation of staff deposits	(3.06)
Amortisation of term loan processing fee - borrowings	3.85
Impact of securitisation transaction	18.08

Particulars	As on March 31, 2019
	(₹ millions)
Impact of lease accounting as per Ind AS 116	-
Reversal of loss on reclassification of investments	15.56
Total Ind AS Adjustments	**(635.31)**
Total equity as per Ind AS	**17,560.99**

Notes:

1. *Under Indian GAAP, the processing fee earned from loans and advances was recognised as income when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Profit and loss account over the tenure of the loan, as interest income by applying Effective Interest Rate method (EIR).The processing fee received by the bank for the loans outstanding as on the transition date and for the loans originated during the year ended March 31, 2018 have been recognised as income over the average period of the loan. Hence, the excess processing fee which was recognised earlier on receipt have been reversed.*
2. *Provision on advances has been computed based on Expected Credit Loss model as required by Ind AS 109. Incremental provision on advances has been recorded on transition date and for the year ended March 31, 2018.*
3. *Deferred tax has been created on the Ind AS adjustments.*
4. *Under Indian GAAP, the Group has been recording the cost of the employee share based payments based on the intrinsic value method. As per Ind AS 102 Share-based Payment, stock options have to be fair valued on the grant date and expense has to recognised over the vesting period. The Group has accordingly determined the cost of the employee share-based payments considering the fair value principles and in line with Ind AS 101, recognised the share based payment expense for all the unvested options as on the transition date for the period starting from the grant date till the transition date. Further, the share based payment expense recognised for the year ended March 31, 2018 as per the Indian GAAP have been adjusted to reflect the amount that has to be recognised as per Ind AS 102.*
5. *Under Indian GAAP, interest is not accrued on NPAs. As per Ind AS 109, interest on credit impaired financial assets have to computed based on amortized cost (gross value less ECL provision). Hence Bank has recognised interest on advances classified as Stage 3 assets on the transition date and for the year ended March 31, 2018.*
6. *Under Indian GAAP, rent expenses are required to be straight lined over the lease term. Under Ind AS, actual rent paid shall be recognized as expense if the payments to the lessor are structured to increase in line with expected general inflation. Accordingly the lease equalization reserve has been reversed and actual rent expense has been recognized.*
7. *Under Indian GAAP, interest free lease deposits given (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets and financial liabilities are required to be recognised at their fair value on the initial recognition. Since these deposits are interest free, the transaction did not happen at fair value.*
8. *Under Indian GAAP, loans given to employees at concessional rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since loans were given to employees at concessional rate (which is not at fair value), the bank has determined the fair value based on the MCLR/ rates to other customers and the difference has been recognized as deferred employee benefit asset and has been amortized over the loan period and interest income has been recognized on the fair value of the loan.*
9. *Bank recognised impairment on investments based on RBI regulation. As per Ind AS 109, impairment loss allowance has to be measured on financial assets that are measured at amortized cost based on expected credit loss model. Bank has recorded the impairment for investments in G-sec measured at amortized cost on the transition date and for the year ended March 31, 2018.*
10. *Under Indian GAAP, deposits accepted from employees at preferential rate were recorded at their transaction value. Under Ind AS 109, the transaction has to be recognized at its fair value on the day of entering the transaction. Since deposits were accepted from employees at preferential rate (which is not at fair value), the bank has determined the fair value based on the deposit interest rates that would be paid to non-employees and the difference has been recognized as deferred employee benefit asset which has been amortized over the loan period and interest expense has been recognized on the fair value of the deposit.*
11. *Under Indian GAAP, the processing fee paid on borrowings were recognised as expense when the amount was received. However, as per Ind AS 109, these processing fee are recognised in the Profit and loss account over the tenure of the borrowing, as interest expense by applying Effective Interest Rate method (EIR)*
12. *Under Indian GAAP, investments were reclassified from as per RBI categories and a loss was recognised on such reclassification in year ended March 31, 2018. Since, such reclassification was not relevant under Ind AS, the loss has been reversed at the year end.*

See "*– Significant Factors Affecting our Results of Operations and Financial Condition – Transition to Ind AS and impact on preparation and presentation of our future and historical financial statements*" and "*Reconciliation of Total Comprehensive Income"* on pages 265 and 252, respectively.

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, asset risk and inflation risk. For further information, see "*Business – Robust Risk Management Framework*" on page 101.

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*" and "*Financial Information – Segment Information*" on pages 80 and 236, respectively.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

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 261 and 21, respectively. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

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 261 and 21, respectively.

NEW PRODUCTS OR BUSINESS SEGMENTS

Except as described in this Draft Red Herring Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and introduction of new products.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 21, 98 and 260, 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

Our business is not seasonal in nature.

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 98, 80, 25 and 261, respectively.

SIGNIFICANT DEVELOPMENTS AFTER JUNE 30, 2019 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Except as disclosed in this section including under "*– Significant Factors Affecting Our Results of Operations and Financial Condition*", "*Our Business*" and "*History and Certain Corporate Matters*" on pages 261, 98 and 128, respectively, to our knowledge no circumstances have arisen since June 30, 2019, that could materially and adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization as at June 30, 2019, on the basis of our Restated Financial Statements, and as adjusted for 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*", "*Financial Statements*" and "*Risk Factors*" on pages 260, 187 and 21, respectively.

(₹ *in million*)

Particulars	Pre-Issue as at June 30, 2019	As adjusted for the proposed Issue
Debt		
Short term debt (A)	399.88	**[●]**
Long term debt* (B)	39,060.80	**[●]**
Total debt (C=A+B)	**39,460.68**	**[●]**
Shareholders' funds		
Share Capital		
1,440,036,800 Equity Shares	14,400.37	**[●]**
200,000,000 Preference Shares	2,000.00	**[●]**
Total Share Capital (D)	**16,400.37**	**[●]**
Reserves and surplus		[●]
1) Statutory reserves	751.51	**[●]**
2) Investment fluctuation reserve	128.79	**[●]**
3) Balance of profit and loss account	1,860.48	**[●]**
Total reserves and surplus (E)	**2,740.78**	**[●]**
Total Shareholders' funds (F=D+E)	**19,141.15**	**[●]**
Long term debt/ Total Shareholder's fund (G = B/F)	**2.04**	**[●]**
Total debt/ Shareholder's fund (H = C/F)	**2.06**	**[●]**

Note: The corresponding post IPO capitalization data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.

**Borrowings with original contractual maturity of more than one year are classified as long term, per RBI regulations. All other borrowings have been classified as short term.*

FINANCIAL INDEBTEDNESS

Our Bank avails loans in the ordinary course of business for the purposes of onward lending, meeting working capital requirements and for general corporate purposes.

Our Shareholders have authorised our Board to borrow such sums of money as may be required for the purpose of the business of the Bank. For details regarding the borrowing powers of our Board, please see "*Our Management – Borrowing Powers of Board*" on page 140.

Set forth below is a brief summary of our aggregate borrowings as of June 30, 2019:

(in ₹ million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Term loans		
Secured	2,000.00	265.80
Unsecured	2,500.00	2,500.00
Refinance	48,860.00	35,395.00
Subordinate debt (unsecured)	500.00	500.00
NCDs (secured)(1)	400.00	400.00
Triparty Repo Borrowing	400.00	399.88
Total	**54,660.00**	**39,460.68**

**As certified by PKF Sridhar & Santhanam LLP pursuant to their certificate dated August 14, 2019*
(1) As of the date of this Draft Red Herring Prospectus, the NCDs have been redeemed by the Bank.

Off Balance Sheet Exposures

(in ₹ million)

Category of borrowing	Sanctioned amount	Outstanding amount*
Securitization	1,602.93	537.79
Inter-bank participation certificate	3,350.00	3,350.00
Total	**4,952.93**	**3,887.79**

**As certified by PKF Sridhar & Santhanam LLP pursuant to the certificate dated August 14, 2019*

Principal terms of the subsisting borrowings availed by our Bank along with the off-balance sheet exposure:

1. ***Interest:*** The interest rates for the facilities availed by our Bank typically ranges from 7.80% per annum to 15.00% per annum. In respect of certain loans availed by our Bank, the interest rate is based on the marginal cost of fund based lending rates. Further, for certain loans availed by our Bank, additional interest rates have been stipulated on the occurrence of certain events such as payment related default, breach of terms and conditions etc.

2. ***Tenor:*** The tenor of the term loans and off balance sheet exposures availed by our Bank typically ranges from 150 days to five and a half years.

3. ***Security:*** Our secured loans are typically secured by way of hypothecation of our present and future assets including receivables and an exclusive first charge on all the book debts of our Bank. The nature of securities described herein is indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by our Bank.

4. ***Pre-payment:*** Certain loans availed by our Bank have pre-payment provisions which allow for pre-payment of the outstanding loan by serving notice to the lender and subject to payment of such pre-payment penalties as may be prescribed. These pre-payment penalties typically range from 0.5% to 3.00% of the amount being prepaid. However, in respect of certain loans availed by us, we are restricted from pre-paying the loan without obtaining the prior approval of the lender. Further, in certain instances, we are restricted from pre-paying the loan during the prescribed lock-in period from the disbursement of the loan.

5. ***Re-payment:*** The repayment period for the facilities availed by us typically ranges from 150 days to five and a half years.

6. ***Events of Default:*** Borrowing arrangements entered into by our Bank contain standard events of default, including among others:

   a) Failure or inability to pay amount on due dates;

   b) Change in control of the Bank;

   c) Cessation or change in business;

   d) Incorrect or misleading information;

   e) Violation of any term of the relevant agreement or any other borrowing agreement;

f) Any other event or circumstance which could have a material adverse effect on the lender.

This is an indicative list and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by our Bank.

7. ***Consequences of occurrence of events of default:*** In terms of our facility agreements and sanction letters, the following, among others, are the consequences of occurrence of events of default, whereby the lenders may:

a) Terminate either whole or part of the facility;

b) Declare any or all amounts under the facility, either whole or in part, as immediately due and payable to the lender;

c) Suspend further access/drawals by our Bank to the use, either in whole or in part, of the facility;

d) Exercise their right to appoint a receiver to recover the receivables for the loan;

e) Accelerate repayments/recall of the loan.

8. ***Restrictive Covenants:*** The loans availed by our Bank contain certain restrictive covenants, including:

a) Change in capital structure of our Bank without the prior approval of the lender;

b) Change in management of our Bank without the prior approval of the lender;

c) Change in capital structure, including sale/transfer of promoter's shareholding, or change of managing director or chief executive officer of our Bank, without approval of the lender, in the event of default by our Bank;

d) Change in the constitutional documents of our Bank without the prior approval of the lender;

e) Undertaking or permitting any merger, de-merger, consolidation, reorganization, scheme of arrangement or compromise between our Bank and its creditors or shareholders or effecting any scheme of amalgamation or reconstruction including creation of any subsidiary or permitting any company to become a subsidiary of our Bank without the prior approval of the lender;

f) Declaration or payment of dividends, or authorising or making any distribution to the Shareholders pending repayment of the outstanding dues to lenders without the prior approval of the lender;

g) Making any equity investments in the primary or secondary markets, or derivative deals.

This is an indicative list and there may be such other additional terms under the various borrowing arrangements entered into by our Bank.

Additionally, some of our lenders have the right to appoint a nominee director on the Board and to send an observer to attend board meetings. One of our lenders has exercised the right to appoint a nominee director on our Board as of the date of this Draft Red Herring Prospectus. For further details, please see "*Our Management"* on page 133.

Further, our Bank, in its ordinary course of business enters into triparty repo borrowing arrangements through the Clearing Corporation of India Limited. The triparty repo borrowing arrangements entered into by our Bank, as outstanding on June 30, 2019 have an interest rate of 5.60%. These borrowing arrangements have a tenor of 2 days and are secured by central government securities.

For the purpose of the Issue, our Bank has obtained necessary consents from our lenders as required under the relevant loan documentations for undertaking activities relating to the Issue including consequent actions, such as change in our capital structure, change in the board composition, amendments to the Articles of Association of our Bank, etc.

We undertake securitization of certain portions of our loan portfolio. For details, please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 260.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there is no outstanding (i) criminal proceeding; (ii) action taken by regulatory or statutory authorities; (iii) claim related to direct and indirect taxes (in a consolidated manner); and (iv) other pending litigation as determined to be material as per the policy dated July 30, 2019, approved by the Board of Directors, in each case involving our Bank, its Promoter and Directors ("**Relevant Parties**"). Further, except as disclosed in this section, there are no disciplinary actions including penalties imposed by SEBI or the Stock Exchanges against our Promoter in the last five financial years including any outstanding action. Further, there are no pending litigation involving our Group Company which has a material impact on the Bank.*

For the purpose of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation pursuant to the Board resolution dated July 30, 2019:

All outstanding litigation, including any litigation involving the Relevant Parties, other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoter in the last five financial years including any outstanding action and tax matters (direct or indirect), would be considered 'material' if: (i) the monetary amount of claim by or against the entity or person in any such pending proceeding is in excess of 1.00% of the profit after tax of the Bank for FY 2019 as per the Restated Financial Statements (i.e. ₹19.92 million); or (ii) where monetary liability is not quantifiable, however, the outcome of any such pending proceedings may have a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Except as stated in this section, there are no outstanding material dues to creditors of our Bank. For this purpose, our Board has pursuant to the Board resolution dated July 30, 2019, considered and adopted a policy of materiality for identification of material outstanding dues to creditors. In terms of this materiality policy, outstanding dues to any creditor of the Bank having monetary value exceeding 5% *of the total dues owed to creditors of the Bank as on the date of the latest Restated Financial Statements of our Bank included in this Draft Red Herring Prospectus, shall be considered as 'material'. Accordingly, as on June 30, 2019, any outstanding dues exceeding ₹12.34 million have been considered as material outstanding dues for the purposes of disclosure in this section. For outstanding dues to any micro, small or medium enterprise, the disclosure shall be based on information available with the Bank regarding the status of the creditor as defined under the Micro, Small and Medium Enterprises Development Act, 2006, as amended read with the rules and notifications thereunder, as has been relied upon by the Statutory Auditors of the Bank.*

Litigation involving our Bank

Litigation against our Bank

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against our Bank which involves a monetary liability of ₹19.92 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against our Bank.

However, three FIRs have been filed against the employees of our Bank, (of which, in one FIR, our head office has also been named as a party) under Sections 294, 354, 409, 420, 504 and 506 of the IPC at the Kolabira Police Station, Safidon Police Station and the HAL Police Station on the grounds that the employees of the Bank had, allegedly, *inter alia*, (i) visited the house of the complainant (a customer of our Bank) for collection of instalments towards loans availed from the Bank and had misbehaved, threatened and harassed the complainant in this regard, and (ii) given false assurances to the complainant when the complainant requested the employee of our Bank to inquire into the matter of multiple withdrawals from the account of the complainant by anonymous persons. Further, one private complaint has been filed against five employees of our Bank before the Court of the Additional Chief Judicial Magistrate, Bokaro, under Sections 323, 341, 420, 354(B), 379 and 406 of the IPC on the grounds that the employees of the Bank had committed the offenses of, *inter alia*, assault, cheating and outraging the modesty of the complainant. These matters are currently pending.

Actions Taken by Regulatory and Statutory Authorities

As of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against our Bank.

Litigation by our Bank

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation instituted by our Bank which involve a monetary liability of ₹19.92 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Criminal Litigation

1. Our Bank has filed an FIR no. 05/2017 dated February 3, 2017 against unknown persons at the Police Station, Kayar under Section 394 of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.20 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

2. Our Bank has filed an FIR no. 33/2017 dated March 31, 2017 against Sharmila Devi at the Police Station, Kunda under Sections 406 and 420 of the IPC. A collection officer of our Bank had collected money from the customers of the Bank and transferred the same to the accused for depositing with the Bank. The accused misappropriated the amount and utilised the same for personal use. The misappropriated amount aggregates to ₹0.06 million. The matter is currently under investigation.

3. Our Bank has filed an FIR no. 140/17 dated May 19, 2017 against three unknown persons at the Police Station, Rajgangpur, Odisha under Section 392 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.10 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

4. Our Bank has filed an FIR no. 124/17 dated June 17, 2017 against Ritesh Kumar Das, who was an employee of our Bank at the Police Station, Raghunathpali, under Sections 406, 408, 417, 418, 420, 465 and 506 of the IPC on the grounds that the accused misappropriated the amounts received by the Bank as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.07 million. The police has filed a charge sheet against Ritesh Kumar Das under Sections 406, 408, 417, 418, 420, 465 and 506 of the IPC before the Sub Divisional Judicial Magistrate, Panposh, Rourkela and the matter is currently pending.

5. Our Bank has filed an FIR no. 170/17 dated May 26, 2017 against Babita Das and Minu Das at the Police Station, Palasbari under Sections 341, 294, 325 and 506 read with Section 34 of the IPC. An employee of our Bank was assaulted by the accused. The matter is currently under investigation.

6. Our Bank has filed an FIR no. 82/17 dated April 7, 2017 against three unknown persons at the Police Station, Katras, Jharkhand under Section 392 of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.10 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

7. Our Bank has filed an FIR no. 128/17 dated February 9, 2017 against seven unknown persons at the Police Station, Paltan Bazar, Kamrup under Section 398 of the IPC on the grounds that the accused had visited the Bank armed with weapons in an attempt to rob the Bank. The matter is currently under investigation.

8. Our Bank has filed an FIR no. 148/17 dated May 10, 2017 against Munindra Talukdar at the Police Station, Palasbari under Sections 341, 294, 325 and 384 of IPC on the grounds that the accused caused grievous hurt to a staff member of our Bank. The matter is currently under investigation.

9. Our Bank has filed an FIR no. 92/18 dated July 5, 2018 against two unknown persons at the Police Station, Kunda under Section 392 of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.07 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

10. Our Bank has filed an FIR no. 624/18 dated June 30, 2018 against an unknown person at the Police Station, Paltan Bazar, Kamrup under Sections 379 and 420 of IPC on the grounds that the accused had stolen ₹0.02 million from the Bank. The matter is currently under investigation.

11. Our Bank has filed an FIR no. 423/17 dated September 26, 2017 against Asima Khatoon and two others at the Police Station, Fatuah under Sections 323, 341, 504, 342, 427 and 506 read with Section 34 of IPC on the grounds that the accused caused hurt to a staff member of our Bank. The matter is currently under investigation.

12. Our Bank has filed an FIR no. 459/17 dated September 12, 2017 against two unknown persons at the Police Station, Kharagpur under Section 382 of the IPC. A customer relationship officer of our Bank was robbed by the accused and an amount aggregating ₹0.05 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

13. Our Bank has filed an FIR no. 111/17 dated October 30, 2017 against Sanjay Pattanaik and Durga Pattanaik at the Police Station, Kolabira under Sections 341, 323, 427, and 506 read with Section 34 of the IPC. An employee of our Bank was assaulted by the accused. The matter is currently under investigation.

14. Our Bank has filed an FIR no. 79/18 dated March 21, 2018 against four unknown persons at the Police Station, M D. Bazar, West Bengal, under Section 392 of IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating to ₹0.05 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

15. Our Bank has filed an FIR no. 64/18 dated April 9, 2018 against Ganesh Chandra Mahto, who was an employee of our Bank at the Police Station Sakchi, Jamshedpur, under Sections 406, 420 and 379 of the IPC on the grounds that the accused misappropriated the amounts received by the Bank as repayment from its customers and also stole ATM cards of customers and utilised the same for his personal use. The misappropriated amount aggregated to ₹0.48 million. The matter is currently under investigation.

16. Our Bank has filed an FIR no. 259/17 dated March 3, 2017 against Shijo, who was an employee of our Bank at the Police Station, Wadakanchery, Thrissur, under Sections 406 and 420 of the IPC on the grounds that the accused misappropriated an amount aggregating ₹0.14 million for personal use instead of disbursing the same to the customer of the Bank. The police have filed a charge sheet against Shijo under Sections 406 and 420 of the IPC before the Court of Judicial Magistrate of First Class, Wadakanchery, Thrissur and the matter is currently pending.

17. Our Bank has filed an FIR no. 394/17 dated November 22, 2017 against Murugeshwari, who was an employee of our Bank, at the Police Station Town West, Dindigul under Sections 409 and 420 of the IPC on the grounds that the accused misappropriated an amount aggregating to ₹0.07 million. The police have filed the charge sheet against Murugeshwari under Sections 409 and 420 if the IPC before the Court of Judicial Magistrate of First Class, Dindigul and the matter is currently pending.

18. Our Bank has filed an FIR no. 653/17 dated October 9, 2017 against Dipak Shankar Pawar, who was an employee of our Bank, at the Police Station Karad under Sections 406 of IPC on the grounds that the accused misappropriated the amounts aggregating ₹0.07 million. The police has filed a charge sheet against Dipak Shankar Pawar under Sections 406 and 408 of the IPC before the Court of the Civil Judge Class-I, Karad and the matter is currently pending.

19. Our Bank has filed a complaint MA No. 605/2018 with the Court of Judicial First Class Magistrate at Pune against Rupali Chavan, who was an employee of our Bank, and Bipasha Kureshi, who was a customer of our Bank for offences committed by the accused punishable under Sections 403, 406, 409, 417, 418, 420, 426 and 427 of IPC read with Section 34 of the IPC. The accused processed loans in the name of fake customers and misappropriated amounts belonging to the Bank causing a loss aggregating to ₹0.33 million to the Bank. The matter is currently under investigation.

20. Our Bank has filed an FIR no. 250/2018 dated September 7, 2018 against Subiya Banu, who was an employee of our Bank, at the Police Station, Kote under Sections 409, 420 and 201 of the IPC on the grounds that the accused misappropriated the amounts aggregating ₹0.31 million. The matter is currently under investigation.

21. Our Bank has filed an FIR no. 153/2018 dated May 16, 2018 against three unknown persons at the Police Station, Govindpur under Section 392 of the IPC. An employee of our Bank was robbed by the accused armed with weapons and an amount aggregating ₹0.15 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

22. Our Bank has filed an FIR no. 143/2018 dated May 18, 2018 against an unknown person at the Police Station, Choudwar under Section 392 of IPC. A customer relationship officer of the Bank, was robbed by the accused and an amount aggregating to ₹0.04 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

23. Our Bank has filed an FIR no. 151/18 dated June 5, 2018 against four unknown person at the Police Station Rajgangpur, Sundargarh under Section 392 of the IPC. A customer relationship officer of the Bank, was robbed by the accused and electronic devices worth ₹0.02 million were stolen by the accused. The matter is currently under investigation.

24. Our Bank has filed an FIR no. 189/2018 dated August 17, 2018 against Lavkesh Kumar, who was a customer relationship officer of our Bank, at the Police Station, Saraidhela, Dhanbad, Jharkhand under Sections 420, 419, 467, 468 and 471 of IPC. The accused had stolen the bank passbook, ATM card and the PIN of certain customers of the Bank, withdrew money from the customers' accounts for personal use and collected money from customers without depositing the same with the Bank. An amount aggregating ₹0.06 million was stolen and misappropriated by the accused. The matter is currently under investigation.

25. Our Bank has filed an FIR no. 80/2018 dated August 20, 2018 against three unknown persons at Police Station Govindpur under Section 379 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.15 million was stolen by the accused. The matter is currently under investigation.

26. Our Bank has filed an FIR no. 75/2018 dated August 20, 2018 against two unknown persons at Police Station Bandamunda, Rourkela under Section 392 of the IPC and Sections 25 and 27 of the Arms Act, 1959. A customer relationship officer of the Bank, was robbed at gun point by the accused and an amount aggregating ₹0.14 million was stolen by the accused. The matter is currently under investigation.

27. Our Bank has filed an FIR no. 77/2018 dated October 8, 2018 against three unknown persons at the Police Station Olatpur, under Section 379 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.02 million was stolen by the accused. The matter is currently under investigation.

28. Our Bank has filed an FIR no. 412/2018 dated October 24, 2018 against three unknown persons at the Police Station, Sadar, Cuttack, under Section 379 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an electronic device worth ₹0.03 million were stolen by the accused. The matter is currently under investigation.

29. Our Bank has filed an FIR no. 293/18 dated November 6, 2018 against two unknown persons at the Police Station, Balianta, under Section 392 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.10 million was stolen by the accused. The matter is currently under investigation.

30. Our Bank has filed an FIR no. 98/2018 dated November 27, 2018 against three unknown persons at the Police Station Biridi, under Section 379 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and a device worth ₹0.02 million was stolen by the accused. The matter is currently under investigation.

31. Our Bank has filed an FIR no. 331/18 dated December 6, 2018 against four unknown persons at the Police Station MD. Bazar, Birbhum under Section 392 of the IPC. An employee of our Bank was robbed by the accused and an amount aggregating ₹0.12 million belonging to the Bank was stolen by the accused. The matter is currently under investigation.

32. Our Bank has filed an FIR no. 3/2019 dated January 4, 2019 against three unknown persons at the Police Station Baliapur, Dhanbad, under Sections 379 and 504 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.14 million was stolen by the accused. The matter is currently under investigation.

33. Our Bank has filed an FIR no. 72/2019 dated January 22, 2019 against three unknown persons at the Police Station Danapur, Patna, under Sections 356 and 349 of the IPC. A customer relationship officer of the Bank was robbed by the accused and amount aggregating ₹4,789 and an HHD machine worth ₹0.02 million were stolen by the accused. The matter is currently under investigation.

34. Our Bank has filed an FIR no. 10/19 dated February 13, 2019 against three unknown persons at the Police Station Bisra, under Section 392 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.24 million and an HHD device worth ₹0.01 million was stolen by the accused. The matter is currently under investigation.

35. Our Bank has filed an FIR no. 60/2018 dated April 13, 2018 against two unknown persons at the Police Station Saha, Ambala, under Section 379B of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating approximately ₹0.15 million to 0.20 million was stolen by the accused. The police have filed a charge sheet against Manpreet, Jagmohan Singh and Ram Singh under Sections 201, 379B, 392, 394, 397 read with Section 34 of the IPC before the Court of Additional Sessions Judge, Ambala. The matter is currently pending.

36. Our Bank has filed an FIR no. 363/18 dated July 3, 2018 against three unknown persons at the Police Station Jawahar Nagar, under Section 392 read with Section 34 of the IPC. A customer relationship officer of the Bank was robbed by the accused and an amount aggregating ₹0.12 million and certain valuables were stolen by the accused. The police have filed a charge sheet against Satpal Singh, Gursewak Singh, Jagjit Singh and Gurvinder Singh under Section 392 read with Section 34 of the IPC before the ACJM, Sriganganagar. The matter is currently pending.

37. Our Bank has filed an FIR no. 413/2018 dated October 22, 2018 against two unknown persons at the Police Station, Sadar, Fatehabad, under Section 392 of the IPC and Section 25 of the Arms Act, 1959. A customer relationship officer of the Bank was robbed at gun point by two unknown persons after collecting money from the customers of the Bank. Post investigation of the matter by the police officers, it was found that the entire case was concocted by the customer relationship officer for wrongful personal gains and that an amount aggregating ₹0.20 million was stolen and misused by the customer relationship officer. The police have filed the charge sheet against Manoj Kumar, Joginder Kumar and Sunil Kumar under Sections 120B, 177, 409 and 411 of the IPC before the ACJM, Fatehabad. The ACJM, Fathehabad has passed a release order for ₹0.19 million to be paid by the accused to our Bank. The matter is currently pending.

38. Our Bank has filed an FIR no. 302/2018 dated September 14, 2018 against Jitender Kumar, Vinay Kumar, Saroj Devi, Raju, Sagar and Praveen Kaushik at the Police Station Lohamandi, Agra under Sections 420, 467, 468, 471 and 120B of IPC on the grounds that the accused, along with five other persons cheated the officials of our Bank for wrongful gain, by

forging property and insurance documents in respect of a loan amount sanctioned by the Bank for purchase of property. The loan amount aggregated to ₹1.25 million. The matter is currently under investigation.

39. Our Bank has filed an FIR no. 202/2017 dated March 8, 2017 against Bhanupratap Singh, who was an employee of our Bank at the Police Station Sadar Bazar, Agra, under Section 406 of the IPC on the grounds that the accused collected money from the customers of the Bank and misappropriated the amounts. The misappropriated amount aggregated to ₹0.13 million. The charge sheet has been filed by the police against Bhanu Partap Singh under Section 406 of the IPC before the Court of the Chief Judicial Magistrate, Agra. The matter is currently pending.

40. Our Bank filed an FIR no. 122/17 dated July 28, 2017 against two unknown persons at the Police Station, Budbud under Section 382 of the IPC. An employee of our Bank, was robbed by the accused and an amount aggregating ₹0.16 million was stolen by the accused. The police have filed the charge sheet against Kutubuddin Mallick and Allauddin Mallick under Section 382 of the IPC before the Court of Judicial Magistrate, Durgapur. The matter is currently pending.

41. Our Bank has filed an FIR no. 106/19 against two unknown persons at the Police Station, Sukhnagar, Ranchi under Sections 356, 382 and 510 of the IPC. A customer relationship officer of the Bank was grievously hurt by the accused in an attempted robbery. The matter is currently under investigation.

42. Our Bank has filed an FIR no. 14/18 dated January 20, 2018 against six unknown persons at Police Station Dhauli, Bhubaneswar under Section 394 read with Section 34 of the IPC and Sections 25 and 27 of the Arms Act, 1959. A customer relationship officer of the Bank, was robbed by the accused carrying weapons and an amount aggregating ₹0.07 million and a device worth ₹0.02 million were stolen by the accused. The police has filed the charge sheet against Trilochana Behera, Pradipa Kandi, Jitu Bhoi and Susanta Rout under Section 395 of the IPC read with Sections 25 and 27 of the Arms Act, 1959, before the court of the SDJM, Bhubhaneswar and the matter is currently pending.

43. Our Bank has filed an FIR no. 111/19 dated March 11, 2019 against two unknown persons at the Police Station, Jasidih, under Section 392 of the IPC. A customer relationship officer of the Bank, was robbed by the accused and an amount aggregating ₹0.05 million was stolen by the accused. The matter is currently under investigation.

44. Our Bank has filed an FIR no. 408/18 dated June 18, 2018 against Sajna and Bindhu, at the Police Station Valappad under Section 420 of the IPC read with Section 34 of the IPC on the grounds that the accused, purporting to be employees of the Bank made fraudulent offers of loans of ₹0.05 million to ₹0.5 million from the Bank to certain persons and collected money from them. The matter is currently under investigation.

45. Our Bank has filed an FIR no. 246/19 dated March 27, 2019 against Satyajit Acharya, at the Police Station, Sonarpur under Section 406 of the IPC. A customer of our Bank had unintentionally credited ₹0.09 million to the account of the accused and the accused withdrew ₹0.02 million from his account for personal use and refused to return the amount to the customer of the Bank. The matter is currently under investigation.

46. Our Bank has filed an FIR no. 178/19 dated June 29, 2019 against S K Basar at the Police Station Jagatballavpur under Sections 341 and 325 on the grounds that the accused caused grievous hurt and attempted to murder a staff member of our Bank. The matter is currently under investigation.

Apart from the matters disclosed above, there are 664 cases filed by our Bank against various individuals and/or entities under the provisions of the Negotiable Instruments Act, 1881. All these cases have been filed in order to recover sums due to our Bank for which cheques issued in favour of our Bank have been dishonoured. The total pecuniary value involved in all these matters is ₹36.11 million.

Litigation involving our Promoter

Pursuant to the Business Transfer Agreement, our Promoter, UFSL is responsible for all claims by employees until the completion date under the agreement, i.e. February 1, 2017, including any payment of costs, expenses, damages and liabilities in this regard. Further, while all pending claims, proceedings, suits, etc. in relation to our Promoter as on the completion date, (i.e. February 1, 2017) are required to be dealt with and managed by our Promoter, our Bank is required to be liable for any payments which may become due and payable by our Promoter, on account of such claims, proceedings, suits etc., in relation to our Promoter which were pending as on the completion date (i.e. February 1, 2017) under the Business Transfer Agreement.

Litigation against our Promoter

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against our Promoter which involve a monetary liability of ₹19.92 million or more. The following are the outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of the Bank or our Promoter:

1. A public interest litigation ("**PIL**") bearing PIL No. 5640 of 2017 has been filed before the High Court of Judicature at Bombay (the "**Court**") by Shivaji Anappa Kate and others (the "**Petitioners**") against the State of Maharashtra, the District Collector (Kolhapur), the Superintendent of police (Kolhapur), RBI and six other micro finance institutions, including our Promoter (each, the "**Respondent**" and together, the "**Respondents**"), on the grounds that the Respondents are allegedly engaging in illegal finance business in contravention of the RBI guidelines. It has been alleged that the Respondents are adopting illegal methods for recovery of dues from their customers. The Petitioners have sought for *inter alia,* (i) appropriate directions to the State of Maharashtra and to the police authorities to register an FIR against the Respondents under Sections 306 and 304 of the IPC and under the provisions of the Prevention of Money Laundering Act, 2002, and (ii) appropriate orders directing the RBI to restrain the Respondents including our Promoter from conducting the alleged illegal financial activities in the State of Maharashtra, and from taking any steps/actions for recovery of loans pending the final disposal of the writ petition. The Court, by its order dated April 5, 2019 observed that no orders were required to be passed in respect of the instant case and adjourned the case indefinitely by allowing the Petitioners to circulate the PIL on filing of an affidavit and bringing any specific instance in larger public interest, to the notice of the Court.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against our Promoter.

However, five FIRs and one private complaint has been filed against the employees/ex-employees of our Promoter under Sections 420, 406, 451, 467, 468, 506 and 120B read with Section 34 of the IPC, Section 13 of the Kerala Money-lenders Act, 1958 ("**KML Act**") and Section 135 of the Electricity Act, 2003, at the Police Station Patna City Chauk, Police Station Sadar, Sambalbur, Police Station Dhama and Police Station North Parur and Police Station Gandhi Maidan, by various third parties, on the grounds that the employees/ ex-employees of our Promoter had, *inter alia,* (i) misappropriated funds; (ii) charged excessive interest; (iii) trespassed into the house of the complainant; (iv) committed criminal intimidation; and (v) committed theft of electricity. The matters are currently pending.

Actions Taken by Regulatory and Statutory Authorities

Except as disclosed below, as of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against our Promoter.

1. Our Promoter has received a notice dated May 21, 2013 by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, Mattancherry ("**Tax Authority No.1**"), under Section 18C of the KML Act on the grounds that our Promoter is allegedly operating a money lending firm in Cochin, Kerala without obtaining the requisite licence under Section 3(1) of the KML Act. Our Promoter filed objections against such notice, however the Tax Authority No.1 passed an order dated June 3, 2013 imposing a penalty of ₹0.02 million under Section 18C of the KML Act. Pursuant to this, the Promoter filed an appeal before the Deputy Commissioner, Commercial Taxes, Mattancherry ("**Tax Authority No.2**") which was dismissed by an order dated July 24, 2013. Challenging this order, the Promoter filed a revision petition before the Commissioner of Commercial Taxes, Thiruvananthapuram ("**Tax Authority No.3**") on September 13, 2013 against the Tax Authority No.1 and also an application seeking a stay on the demand recovery notice issued by the Tax Authority No.1 to the Promoter demanding payment of ₹0.02 million. The Tax Authority No. 1 has initiated recovery proceedings and directed the Promoter to pay the amounts owed on or before October 3, 2013. The Promoter has filed a writ petition before the High Court of Kerala under Article 226 of the Constitution of India, 1950 for setting aside the demand recovery notice, and seeking a writ of mandamus directing the Tax Authority No.3 to dispose of the revision petition. The High Court of Kerala pursuant to its order dated October 4, 2013, has directed the Tax Authority No. 3, to consider the revision petition and the petition for stay filed by the Promoter within one month from the date of the order. Pursuant to the directions of the High Court of Kerala, the Tax Authority No. 3 by its order dated October 17, 2014, issued a stay on the demand notice issued by the Tax Authority No. 1, until the disposal of the special leave petition filed by the Kerala NBFC Welfare Association (of which the Promoter is also a member), before the Supreme Court of India which is currently pending (among other similar special leave petitions) challenging the applicability of KML Act to NBFCs.

Disciplinary action

There are no disciplinary actions including penalty imposed by SEBI or stock exchanges against our Promoter in the last five financial years including outstanding actions.

Litigation by our Promoter

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation instituted by our Promoter which involve a monetary liability of ₹19.92 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of the Bank or our Promoter.

Criminal Litigation

1. Our Promoter has filed an FIR no. 493/2009 dated November 14, 2009 against Ajay Saha, who was an employee of our Promoter at the Police Station Thakurpukur, under Sections 381 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers, advanced fake loans to fake customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.10 million. The charge sheet has been filed by the police against Ajay Saha under Section 381 of the IPC before the Additional Chief Judicial Magistrate, Alipore and the matter is currently pending.

2. Our Promoter has filed an FIR no. 67/2010 dated February 23, 2010 against Apurba Banik, who was an employee of our Promoter at the Police Station Kasba, under Sections 381 and 408 of the IPC on the grounds that the accused stole official documents, gave fake loans to fake customers, misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹1.04 million. The matter is currently under investigation.

3. Our Promoter has filed an FIR no. 413/2010 dated October 3, 2010 against Roshan Ara, who was an employee of our Promoter at the Police Station Mango, East Singhbhum, Jamshedpur under Sections 467, 468, 471, 406, 420 read with Section 34 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.52 million. The charge sheet has been filed by the police against Roshan Ara, under Sections 467, 468, 471, 406, 420 read with Section 34 of the IPC before the Court of the Chief Judicial Magistrate, East Singhbhum. The dispute between the parties has been compromised outside court and the parties have agreed that the accused shall pay ₹0.15 million to our Promoter in instalments. The matter is currently pending.

4. Our Promoter has filed an FIR no. 257/2011 dated August 12, 2011 against an unknown person at the Police Station, Govindpur under Section 394 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.05 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Sudhir Ray under Sections 394 and 411 of the IPC before the Court of the Chief Judicial Magistrate, Dhanbad and the matter is currently pending.

5. Our Promoter has filed an FIR no. 12/2012 dated March 1, 2012 against Alok Kumar, Dina Kumar and Manish Ranjan, who were employees of our Promoter at the Police Station Chowk, under Sections 467, 468, 406, 420 and 120B of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹3.00 million. The charge sheet has been filed by the police against Alok Kumar, Dina Kumar and Manish Ranjan under Sections 467, 468, 406, 420 and 120B of the IPC before the Court of the VI Additional Chief Judicial Magistrate, Patna City, and the matter is currently pending.

6. Our Promoter has filed an FIR no.244/2012 dated August 6, 2012 against Dusasan Dixit, who was an employee of our Promoter at the Police Station Kumbharapada, under Sections 409 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.08 million. The charge sheet has been filed by the police against Dusasan Dixit under Section 409 of the IPC before the SDJM, Puri, and the matter is currently pending.

7. Our Promoter has filed an FIR no. 605/2012 dated August 23, 2012 against Debdas Adhikari, who was an employee of our Promoter at the Police Station Kalyani, under Section 406 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.07 million. The charge sheet has been filed by the police against Debdas Adhikary under Section 406 of the IPC before the Additional Chief Judicial Magistrate, Kalyani, Nadia, and the matter is currently pending.

8. Our Promoter has filed an FIR no. 126/13 dated May 19, 2013 against Kishore Rajwar, who was an employee of our Promoter at the Police Station Katras, and a complaint no. 85/2013 before the JMFC, Dhanbad under Sections 406 and 420 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.01 million. The charge sheet has been filed by the police against Kishore Rajwar under Sections 406 and 420 of the IPC before the Court of the Chief Judicial Magistrate, Dhanbad, and the matter is currently pending.

9. Our Promoter has filed an FIR no. 861/13 dated September 24, 2013 against Rohit Kumar, who was an employee of our Promoter at the Police Station Kotwali, under Section 406 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.03 million. The charge sheet has been filed by the police against Rohit Kumar under Section 406 of the IPC before the Court of the Chief Judicial Magistrate, Ranchi, and the matter is currently pending.

10. Our Promoter has filed an FIR no. 120/14 dated July 10, 2014 against unknown persons at the Police Station, Koderma under Sections 394 and 411 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.18 million belonging to the Promoter was stolen by the accused. The police has filed a charge sheet against Jitendra Ravidas, Kedar Das, Prem Das and Chandrika Kumar Das under Sections 394 and 411 of the IPC before the CJM at Koderma. The matter is currently pending.

11. Our Promoter has filed an FIR no. 102/15 dated May 20, 2015 against five unknown persons at the Police Station, Dagaruwa under Section 395 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.16 million belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

12. Our Promoter has filed an FIR no. 118/15 dated June 18, 2015 against three unknown persons at the Police Station Sainthia, under Section 394 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.07 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against SK Jewel and Manoj Mahara under Sections 394 and 412 before the Chief Judicial Magistrate Court, Birbhum and the matter is currently pending.

13. Our Promoter has filed an FIR no.304/15 dated July 13, 2015 against two unknown persons at the Police Station Govindpur, under Section 379 read with Section 34 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.10 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Farukh Ansari and others under Sections 379 and 411 read with Section 34 of the IPC before the Court of First Class Judicial Magistrate, Dhanbad and the matter is currently pending.

14. Our Promoter has filed an FIR no. 35/16 dated February 1, 2016 against Amrit Kumar Pandit at the Police Station Alipurduar, under Sections 420, 465 and 468 of the IPC on the grounds of forgery of documents and the emblem of our Promoter and of dishonestly inducing job applicants to pay money and making false promises to them regarding job offers with our Promoter. The matter is currently under investigation.

15. Our Promoter has filed an FIR no. 74/16 dated March 16, 2016 against an unknown person at the Police Station Balianta, under Section 392 of the IPC and Sections 25 and 27 of the Arms Act, 1959. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.11 million belonging to the Promoter was stolen by the accused. The matter is currently pending.

16. Our Promoter has filed an FIR no. 27/2016 dated March 22, 2016 against two unknown persons at the Police Station Govindpur, under Sections 394 and 294 of the IPC and Sections 25 and 27 of the Arms Act, 1959. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.16 million belonging to the Promoter was stolen by the accused. The matter is currently pending.

17. Our Promoter has filed an FIR no. 62/16 dated March 25, 2016 against three unknown persons at the Police Station Jagatpur, under Section 394 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.04 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Uday Kumar and Rohit Kumar under Section 394 of the IPC before the JMFC, Salipur, Cuttack and the matter is currently pending.

18. Our Promoter has filed an FIR no. 84/16 dated April 7, 2016 against Soumya Ranjan Parida at the Police Station Chandanpur, under Section 420 of the IPC read with Section 34 of the IPC, and Section 65 of the Copyright Act, 1957 on the grounds of misrepresentation by the accused as an employee of our Promoter and collection of amounts from several customers of the Promoter, illegally, using the logo of the Promoter in loan application forms. The charge sheet has been filed by the police before the SDJM Court, Puri and the matter is currently pending.

19. Our Promoter has filed an FIR no. 277/16 dated April 14, 2016 against Amit Kumar, who was an employee of our Promoter at the Police Station Aahiyapur, under Sections 406 and 420 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his personal use. The misappropriated amount aggregates to ₹0.09 million. The charge sheet has been filed by the police against Amit Kumar under Sections 406 and 420 of the IPC before the Court of the Chief Judicial Magistrate, Patna and the matter is currently pending.

20. Our Promoter has filed an FIR no. 272/16 dated April 18, 2016 against an unknown person at the Police Station Nagar, under Sections 406 and 420 of the IPC on the grounds that the accused misused the name of the Promoter and published advertisements in a daily newspaper offering loans to the public in the name of the Promoter. The matter is currently under investigation.

21. Our Promoter has filed an FIR no. 64/2016 dated May 7, 2016 against Kaushlainder Kumar, who was an employee of our Promoter at the Police Station Rajapakar, under Sections 408 and 420 of the IPC on the grounds that the accused misappropriated the amounts received by the Promoter as repayment from its customers and utilised the same for his

personal use. The misappropriated amount aggregates to ₹0.01 million. The charge sheet has been filed by the police against Kaushlainder Kumar under Sections 408 and 420 of the IPC before the Chief Judicial Magistrate Court, Hajipur and the matter is currently pending.

22. Our Promoter has filed an FIR no. 110/16 dated May 13, 2016 against two unknown persons at the Police Station Air Field, Bhubaneswar under Section 392 of the IPC and Section 25 of the Arms Act, 1959. An employee of our Promoter was robbed by the accused at gun point and an amount aggregating ₹0.23 million belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

23. Our Promoter has filed an FIR no. 246/16 dated June 12, 2016 against unknown persons at the Police Station Chandrasekharpur, under Section 380 of the IPC on the grounds of robbery being committed at the Chandrashekharpur branch of our Promoter in Orissa. The amount robbed aggregated to ₹0.02 million. The matter is currently under investigation.

24. Our Promoter has filed an FIR no. 297/2016 dated June 13, 2016 against unknown persons at the Police Station Khandagiri, under Sections 457 and 380 of the IPC on the grounds of robbery being committed at the Baramunda branch of our Promoter in Orissa. The amount robbed aggregated to ₹0.37 million. The matter is currently under investigation.

25. Our Promoter has filed an FIR no. 252/2016 dated June 15, 2016 against three unknown persons at the Police Station Chandrasekharpur, under Section 394 of the IPC read with Section 34 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.09 million belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

26. Our Promoter has filed an FIR no. 578/16 dated July 15, 2016 against three unknown persons at the Police Station E-Bazar, Malda under Section 379 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.09 million belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

27. Our Promoter has filed an FIR no. 248/16 dated September 9, 2016 against Subhash Kumar at the Police Station, Barari, Katihar, under Sections 420 and 406 of the IPC on the grounds of misrepresentation by the accused as an employee of our Promoter and collection of amounts from several customers of the Promoter with false promises of providing them loans in the name of the Promoter. The matter is currently under investigation.

28. Our Promoter has filed an FIR no. 102/16 dated September 28, 2016 against two unknown persons at the Police Station Biridi, under Section 392 of the IPC and Section 25 of the Arms Act, 1959. An employee of our Promoter was robbed by the accused at gun point and a mobile worth ₹0.01 million and a bag containing documents belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

29. Our Promoter has filed an FIR no. 217/16 dated October 21, 2016 against three unknown persona at the Police Station Rajiv Nagar, under Section 394 of the IPC. An employee of our Promoter was assaulted and robbed by the accused at gun point and a bag containing documents belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

30. Our Promoter has filed an FIR no. 241/2016 dated October 25, 2016 against an unknown person at the Police Station Parsudih, under Section 379 of the IPC on the grounds that a branch of the Promoter was robbed by the accused and batteries and inverter belonging to the Promoter was stolen by the accused. The matter is currently under investigation.

31. Our Promoter has filed an FIR no. 904/16 dated November 26, 2016 against three unknown persons at the Police Station Hajo, under Sections 120B, 379 and 511 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹6,200 was demanded by the accused and paid by the employee of our Promoter. The matter is currently under investigation.

32. Our Promoter has filed an FIR no. 448/2016 dated December 4, 2016 against Santosh Kumar Singh, Atul Kumar, Prafful Kumar and Nand Kumar who were employees of our Promoter at the Police Station Gandhi Maidan, under Sections 420, 408, 381 and 120B read with Section 34 of the IPC on the grounds that the accused misappropriated the amounts belonging to the Promoter from the safe vaults of the Promoter. The misappropriated amounts aggregated to ₹0.80 million. The charge sheet has been filed by the police against Santosh Kumar Singh, Atul Kumar, Pratul Kumar and Nand Kumar under Sections 420, 408, 381 and 120B of the IPC before the Chief Judicial Magistrate Court, Patna, and the matter is currently pending.

33. Our Promoter has filed an FIR no. 162/17 dated April 1, 2017 against Sukanta Bhattachharya who was an employee of our Promoter at the Police Station Kharagpur Town, under Sections 420, 406 and 409 of the IPC on the grounds that the accused misappropriated the amounts belonging to the Promoter by collecting loan installments from the borrowers of the Promoter. The misappropriated amounts aggregated to ₹0.02 million. The matter is currently under investigation.

34. Our Promoter has filed an FIR no. 15/17 dated January 16, 2017 against Pankajnath at the Police Station Mogra, under Sections 394 and 397 of the IPC on the grounds of robbery being committed at a certain branch of our Promoter. The

amount robbed aggregated to ₹2.40 million. The charge sheet has been filed by the police against Pankajnath and six other persons under Sections 395 and 412 of the IPC before the Chief Judicial Magistrate Court, Hooghly and the matter is currently pending.

35. Our Promoter has filed an FIR no. 154/2016 dated December 20, 2016 against two unknown persons at the Police Station Baselisahi, under Section 394 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.01 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Amulya Das under Sections 394 of the IPC before the SDJM, Puri and the matter is currently pending.

36. Our Promoter has filed a complaint (General Diary No. 1278/17) against Rinku Devi, Sanjay Yadav and Rahul Kumar at the Police Station, Civil Lines, Nagar. An employee of the Promoter had visited the house of the accused to collect instalments towards loan repayments and the accused assaulted the employee and caused damage to the motorcycle of the employee. The matter is currently under investigation.

37. Our Promoter has filed an FIR no. 492/12 dated September 13, 2012 against two unknown persons at the Police Station, Modi Nagar, Ghaziabad, under Section 392 of the IPC. Two employees of our Promoter were robbed by the accused and an amount aggregating ₹0.21 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Kamal Deep, Deepak and Adesh Giri under Sections 392 and 411 of the IPC before the Additional Chief Judicial Magistrate, Ghaziabad and the matter is currently pending.

38. Our Promoter filed an FIR no. 23/2015 dated March 21, 2015 against Yadwinder Singh, who was an employee of the Promoter, at the Police Station Gidder Baha under Sections 381 and 408 of the IPC, on the grounds that the accused committed theft of an amount aggregating ₹0.25 million from one of the branches of the Promoter. The charge sheet has been filed by the police against Yadwinder Singh under Sections 381 and 408 of the IPC before Court of the Sub-Divisional Judicial Magistrate, Gidderbaha and the matter is currently pending.

39. Our Promoter has filed an FIR no. 434/15 dated July 10, 2015 against three unknown persons at the Police Station Hira Nagar, Indore, under Section 392 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹0.03 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Shubham and four others under Sections 392, 397, 413 and 411 of the IPC before the JMFC, Indore and the matter is currently pending.

40. Our Promoter has filed an FIR no. 34/2016 dated February 5, 2016 against Nishant Suthar, Vikram Singh, Buta Singh and Sudhir Kumar who were employees of the Promoter at the Police Station, Abohar under Sections 408, 420, 465, 468, 471 and 120B of the IPC on the grounds that the accused cheated and misappropriated various amounts belonging to the Promoter by forging signatures of borrowers of the Promoter. The misappropriated amount aggregates to ₹1.2 million to ₹1.3 million. The charge sheet has been filed by the police against Nishant Suthan, Vikram Singh, Buta Singh and Sudhir Kumar under Sections 408, 420, 465, 468, 471 and 120B of the IPC before the Court of the SDJM Abohar and the matter is currently pending.

41. Our Promoter has filed an FIR no. 574/2016 dated September 9, 2016 against three unknown persons at the Police Station Medical College, Meerut, under Sections 392 of the IPC. An employee of our Promoter was robbed by the accused and an amount aggregating ₹1.13 million belonging to the Promoter was stolen by the accused. The charge sheet has been filed by the police against Kapil, Santi, Bunty, Sonu & Subash under Section 395, 397 and 412 of the IPC before the Additional District Judge, Meerut and the matter is currently pending.

42. Our Promoter has filed an FIR no. 265/2016 dated November 3, 2016 against Raghu B.P. who was a cashier at the Belgaum branch of the Promoter, at the Police Station A.P.M.C Yard, Belgaum under Sections 409, 468, 469, 471 and 420 of the IPC on the grounds that the accused cheated and misappropriated various amounts belonging to the Promoter by forging signatures of various customers and pocketing the loan amounts sanctioned to the customers in the name of the Promoter. The misappropriated amount aggregated to ₹0.13 million. The charge sheet has been filed by the police against Raghu B.P. under Sections 406, 409, 468, 471 and 420 of the IPC before the JMFC, Belgavi and the matter is currently pending.

43. Our Promoter has filed an FIR no. 865/2015 dated December 28, 2015 against Lokesh who was an employee at one of the branches of our Promoter, at the Police Station, Subramanyapura under Sections 408 and 420 of the IPC on the grounds that the accused committed cheating and criminal breach of trust by misappropriating funds belonging to the Promoter. The misappropriated amount aggregates to ₹0.19 million. The charge sheet has been filed by the police against Lokesh under Sections 408 and 420 of the IPC before the Court of the IV ACMM, Bangalore and the matter is currently pending.

44. Our Promoter has filed an FIR no. 96/11 dated January 19, 2012 against Bhimraj Rajendra Gangurde who was a customer relationship officer of the Promoter at the Police Station, Nasik Road under Sections 418, 420, 427, 465, 467, 468, 504 and 506 of the IPC on the grounds that the accused misappropriated amounts belonging to the Promoter by engaging in fake disbursements of loan amounts. The misappropriated amount aggregated to ₹0.46 million. The charge sheet has been filed

against Bhimraj Rajendra Gangurde under Sections 418, 420, 427, 467, 468, 504 and 506 of the IPC by the police before the Court of the Judicial Magistrate, First Class, Nashik Road and the matter is currently pending.

45. Our Promoter has filed an FIR no. 96/11 dated March 10, 2011 against Nilesh Tukaram Anpat who was a customer relationship officer of the Promoter at the Police Station, Wakola under Section 408 of the IPC on the grounds that the accused misappropriated amounts belonging to the Promoter by engaging in fake disbursements of loan amounts. The misappropriated amount aggregated to ₹0.08 million. The charge sheet has been filed under Section 408 of the IPC by the police before the Metropolitan Magistrate, Bandra and the matter is currently pending.

46. Our Promoter has filed an FIR no. 90/13 dated March 12, 2013 against Deepali Raghunath Sugdare who was a customer relationship officer of the Promoter at the Police Station, Dharavi under Sections 408 and 420 of the IPC on the grounds that the accused gave information of fake schemes to customers and kept that amount. The misappropriated amount aggregated to ₹0.82 million out of which ₹0.18 million was returned. The charge sheet has been filed against Dipali Raghunath Sukhdhare under Sections 408 and 420 of the IPC by the police before the Metropolitan Magistrate, Mumbai and the matter is currently pending.

47. Our Promoter has filed a complaint 2200/2015 before the Court of First Class Judicial Magistrate, Pune at Pune against P. Umesh Rao who was an employee of the Promoter, on the grounds that the accused had fabricated documents and pocketed payments to vendors of the Promoter and thereby committed offenses under Sections 405, 408, 415, 418, 464, 468 and 471 of the IPC. The misappropriated amount aggregates to ₹0.11 million. An investigation report under Section 202 of the Code of Criminal Procedure, 1973 has been filed by the police before the Court of the Judicial Magistrate First Class, Shivaji Nagar and the matter is currently pending.

48. Our Promoter has filed an FIR no. 2228/16 dated June 8, 2016 against Mahadev Nilkanth Divate who was a customer relationship officer of the Promoter at the Police Station, Shahupuri, Kolhapur under Sections 406 and 420 of the IPC on the grounds that the accused cheated and misappropriated various amounts belonging to the Promoter by not depositing loan instalments received from customers and by forging signatures in disbursements letters in the name of the Promoter. The misappropriated amount aggregated to ₹0.26 million. The matter is currently under investigation.

Apart from the matters disclosed above, there are 46 cases filed by our Promoter against various individuals and/or entities across the country under the provisions of the Negotiable Instruments Act, 1881. All these cases have been filed in order to recover sums due to our Promoter for which cheques issued in favour of our Promoter have been dishonoured. The total pecuniary value involved in all these matters is ₹1.73 million.

Litigation involving our Directors

Litigation against our Directors

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no material outstanding civil litigation against any of our Directors which involve a monetary liability of ₹19.92 million or more, nor any outstanding litigation wherein monetary liability is not quantifiable, whose outcome has a material bearing on the business, operations, performance, prospects or reputation of the Bank.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation against by any of our Directors.

Actions Taken by Regulatory and Statutory Authorities

As of the date of this Draft Red Herring Prospectus, there are no pending actions by regulatory and statutory authorities against any of our Directors.

Litigation by our Directors

Civil Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding civil litigation instituted by any of our Directors.

Criminal Litigation

As of the date of this Draft Red Herring Prospectus, there are no outstanding criminal litigation instituted by any of our Directors.

Litigation involving our Group Company

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

Tax Claims

Except as disclosed below, there are no claims related to direct and indirect taxes, involving our Bank, Directors and Promoter.

Nature of case	Number of cases	Amount involved (in ₹ million)
Bank		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Directors		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Promoter		
Direct Tax	Nil	Nil
Indirect Tax	1*	4.23

** In addition to this, a notice dated May 21, 2013 issued to the Promoter by the Office of the Inspecting Assistant Commissioner, Commercial Taxes, under Section 18C of the Kerala Money-lenders Act, 1958 has been disclosed in "Litigation against our Promoter – Actions Taken by Regulatory and Statutory Authorities". For further details in relation to the case, please refer to page 297.*

Outstanding dues to Creditors

As of the date of this Draft Red Herring Prospectus, the total number of creditors of our Bank was 183 and the total outstanding dues to these creditors by our Bank was ₹246.90 million. Our Bank owes an amount of ₹7.75 million to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

As per the materiality policy, creditors of our Bank to whom an amount exceeding 5% (i.e. ₹12.34 million) of the total dues owed to creditors as on June 30, 2019, were considered 'material' creditors. As of June 30, 2019, there are three material creditors to whom our Bank owes an aggregate amount of ₹183.12 million. The details pertaining to net outstanding dues towards our material creditors are available on the website of our Bank at https://www.ujjivansfb.in/pdf/Material-Creditor-as-on-June-30-2019.pdf. It is clarified that such details available on our website do not form a part of this Draft Red Herring Prospectus.

Details of outstanding dues owed to MSMEs and other creditors as of June 30, 2019 is set out below:

Types of Creditors	Number of creditors	Amount involved (in ₹ million)
Micro, Small and Medium Enterprises	10	7.75
Other creditors	173	239.15
Total Outstanding Dues	**183**	**246.90**

Material Developments

Other than as stated in "*Management's Discussion And Analysis of Financial Condition And Results Of Operations"* on page 260, there have not arisen, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our trading, our profitability or the value of our assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

We have set out below an indicative list of approvals obtained by our Bank which are considered material and necessary for the purpose of undertaking its business activities. In view of these key approvals, our Bank can undertake this Issue and its business activities. In addition, certain of our key approvals may have expired or may expire in the ordinary course of business and our Bank has either already made an application to the appropriate authorities for renewal of such key approvals or is in the process of making such renewal applications.

I. Incorporation details

1. Certificate of incorporation dated July 4, 2016 issued to our Bank, under the name Ujjivan Small Finance Bank Limited by the RoC.

2. The CIN of our Bank is U65110DL2016PLC302481.

II. Approvals in relation to the Issue

For details regarding the approvals and authorisations obtained by our Bank in relation to the Issue, see "*Other Regulatory and Statutory Disclosures - Authority for the Issue*" on page 307.

III. Key approvals in relation to our Bank

Regulatory approvals for our Bank

1. The RBI pursuant to the RBI In-Principle Approval granted UFSL in-principle approval to establish an SFB under Section 22 of the Banking Regulation Act, subject to UFSL completing all the relevant formalities within the validity period of eighteen months from the date of approval, to the satisfaction of RBI.

2. The RBI pursuant to the RBI Final Approval, issued UFSL, license no. MUM:123, to carry on the SFB business in terms of Section 22 of the Banking Regulation Act.

3. The RBI has, pursuant to the following letters, permitted our Bank to open 607 banking outlets:

   a. 217 new banking outlets consisting of 119 banking outlets in Tier 1 centres, 98 banking outlets in Tier 2 to Tier 6 centres, including at least 75 banking outlets in URCs, pursuant to RBI letter dated August 10, 2017;

   b. 288 new banking outlets consisting of 139 banking outlets in Tier 1 centres, 149 banking outlets in Tier 2 to Tier 6 centres, including at least 73 banking outlets in URCs, pursuant to RBI letter dated September 27, 2018 in response to the ABOEP for Financial Year 2018-19; and

   c. 102 new banking outlets consisting of 42 banking outlets in Tier 1 centres, 60 banking outlets in Tier 2 to Tier 6 centres, including at least 25 banking outlets in URCs, pursuant to RBI letter dated May 23, 2019 in response to the ABOEP for Financial Year 2019-2020.

4. The RBI has, pursuant to a letter dated December 1, 2016, granted our Bank approval to participate in the Centralised Payment Systems viz. RTGS and NEFT

5. The RBI has, pursuant to a letter dated January 19, 2017, granted our bank membership of RTGS System in the 'Type A' category and a RTGS Settlement Account in the name of our Bank has been opened at the banking department, Mumbai. The intra day liquidity limit sanctioned to our Bank is ₹7,500 million.

6. The RBI has, pursuant to a letter dated September 7, 2017, intimated the Bank of its inclusion in the second schedule to the RBI Act, 1934, vide its notification dated July 3, 2017, published in the Gazette of India dated August 25, 2017.

7. The RBI has, pursuant to a letter dated January 3, 2017, intimated us of the opening of our principal current account with the RBI in the name of our Bank.

8. The RBI has, pursuant to a letter dated January 31, 2017, intimated us of the opening of our subsidiary ledger account in the name of our Bank.

9. The RBI has, pursuant to an email dated January 10, 2017, allotted primary IFSC UJVN0000001, to our Bank.

10. The RBI has, pursuant to a letter dated April 21, 2017 granted our Bank permission to set up four Central Processing Centres at Bengaluru, Kolkata, New Delhi, and Pune.

11. The RBI has, pursuant to a letter dated April 3, 2018, granted our Bank permission to set up one call centre at Bengaluru and one administrative office at Mumbai. Pursuant to RBI letter dated April 13, 2018, our Bank was granted permission to set up one call centre in Pune and five administrative offices in Dispur, Ahmedabad, Jaipur, Agra and Chennai.

Further, RBI pursuant to a letter dated May 23, 2019 granted our Bank permission to set up five administrative offices in Pune, Thane, Panipat, Ranchi and Tollygunge.

12. The RBI has, pursuant to a letter dated April 21, 2017, granted our Bank permission to set up four regional offices in Bengaluru, Kolkata, New Delhi and Pune.

13. The RBI pursuant to a letter dated May 4, 2017, informed us that our Bank has been admitted as a sub-member (type 2) of Bankers' Clearing House at New Delhi for the purposes of participating in the cheque truncation system ("**CTS**") clearing at Bankers' Clearing House at New Delhi.

14. The RBI pursuant to a letter dated March 7, 2017, informed us that our Bank has been admitted as a sub-member (type 2) of Western Grid Bankers' Clearing House.

15. The Department of Telecommunication, Ministry of Communication and Information Technology, Government of India has, pursuant to letters dated January 13, 2017 and January 24, 2017 granted our Bank certificates of registration to set up DOSPs in Pune, Maharashtra and Bengaluru, Karnataka, respectively.

16. The RBI has, pursuant to letters dated June 22, 2017, granted our Bank membership of NDS-Call and NDS-OM system.

17. The RBI pursuant to a letter dated January 31, 2017, informed us that our Bank has been admitted as a sub-member (type 2) of Bankers' Clearing House at Chennai.

18. The RBI through various letters has allotted the MICR code to 474 banking outlets of our Bank.

19. The RBI has, pursuant to a letter dated December 9, 2016, granted our Bank approval to commence and operate mobile banking services, with flexible channels for registration with customers.

20. The CERSAI has, pursuant to an email dated January 10, 2017, confirmed the registration of our Bank in the Central KYC registry.

21. The Foreign Exchange Department, RBI has, pursuant to certificate dated August 27, 2018, authorised our Bank as an Authorized Dealer – Category II.

22. The NPCI has, pursuant to an email dated June 27, 2017, granted our Bank access to the NACH platform.

23. The RBI has, pursuant to a letter dated December 14, 2016, granted the INFINET membership to our Bank.

24. The CCIL has, pursuant to letters dated May 23, 2017 and September 21, 2017, granted our Bank memberships to the CCIL's Securities Segment and Collateralised Borrowing and Lending Obligation Segment, respectively.

25. The Deposit Insurance and Credit Guarantee Corporation has, pursuant to a letter dated January 12, 2017, granted our Bank registration as an insured bank in terms of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

26. The RBI has, pursuant to a letter dated December 14, 2017, granted our Bank a no-objection for providing referral services for various loan products.

27. The RBI has, pursuant to a letter dated August 2, 2019 granted our Bank a no-objection for providing point of sales and quick response code related services under a referral arrangement.

28. The RBI has, pursuant to an email dated February 7, 2017, issued a 3 digit Basic Statistical Return – BSR Code 206, to our Bank.

29. The IRDAI has, issued a certificate of renewal registration to our Bank as a Category Corporate Agent (Composite) with effect from April 1, 2019.

30. The NSDL has, pursuant to a letter dated March 20, 2017, granted our Bank registration to the Central Recordkeeping Agency.

31. Our Bank has been in compliance with the Foreign Account Tax Compliance Act, 2010, pursuant to registration dated August 3, 2017.

32. The RBI has, pursuant to a letter dated March 17, 2017, issued a no-objection certificate to undertake the activity of distribution of insurance products on a non-risk sharing basis without any commitment of own funds.

33. The RBI has, pursuant to a letter dated June 12, 2018, issued a no-objection certificate to undertake the distribution of pension products under the Atal Pension Yojana Scheme on a non-risk sharing basis without any commitment of own funds.

34. The PFRDA has, pursuant to a letter dated December 7, 2018, granted our Bank registration as a point of presence under the PFRDA (Point of Presence) Regulations, 2018 to transact in pension schemes and/ or under the PFRDA (Point of Presence) Regulations, 2018.

35. The RBI has, pursuant to a letter dated September 5, 2018, permitted our Bank to open non-residential rupee accounts in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, as an Authorised Dealer Category-II Bank.

36. The RBI has, pursuant to an email dated March 24, 2017, allotted Depositor Education and Awareness Fund code 2145 to our Bank.

37. The Financial Intelligence Unit, India has granted our Bank registration as a reporting entity.

38. The NPCI has granted our Bank membership for certain services under the Aadhaar Enabled Payment System.

39. The FIMMDA has, pursuant to a letter dated December 13, 2016, approved our membership in the FIMMDA. The said membership, being an annual subscription, is renewed by our Bank at the beginning of each Financial Year.

40. The Indian Banks' Association has, pursuant to a letter dated September 1, 2017, granted our Bank membership of the Indian Banks' Association with effect from September 1, 2017 as an 'Ordinary Member'.

Tax related approvals

1. The permanent account number of our Bank is AABCU9603R.

2. The tax deduction account number of our Bank is DELU05703F.

3. The GST registration number of our Bank is 29AABCU9603R1ZJ, for the state of Karnataka.

Labour related approvals

Our Bank has obtained registrations under various employee and labour related laws including the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Contract Labour (Regulations and Abolition Act), 1970 and the relevant shops and establishment legislations.

IV. Key approvals obtained for the material Banking Outlets and Asset Centres of the Bank

Our Bank has obtained registrations in the normal course of business for its Banking Outlets and Asset Centres across various states in India including trade licenses and licenses for location of business issued by relevant municipal authorities under applicable laws, shops and establishments registrations issued by various state labour departments under relevant state legislations and registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. Our Bank has obtained goods and services tax registrations with the relevant authorities for our Banking Outlets and Asset Centres in the states of Assam, Bihar, Chandigarh, Chhattisgarh, New Delhi, Jharkhand, Odisha, Punjab, Rajasthan, Tripura, Uttar Pradesh, Uttarakhand, West Bengal, Karnataka, Gujarat, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Goa, Meghalaya, Pondicherry and Tamil Nadu. Certain approvals may have lapsed in their normal course and our Bank has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

V. Intellectual property

Our Bank has 42 trademark registrations, including for its domain name 'ujjivansfb.in', under classes 16, 35, 36 and 41 of the Trade Mark Act, 1999. 15 of our trademark applications are presently assigned the status 'Accepted and Advertised'. Four of our trademark applications have been objected to. We have also made applications for registration of trademarks with the Registrar of Trademarks. We are in the process of making an application for our corporate logo with the Registrar of Trademarks under classes 16, 35, 36 and 41. For details, see "*Our Business – Intellectual Property*" and "*Risk Factors - 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*" on pages 117 and 2.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board has approved the Issue pursuant to the resolution passed at its meeting held on July 30, 2019 and our Shareholders have approved the Issue pursuant to a resolution passed at the EGM held on August 3, 2019. This Draft Red Herring Prospectus has been approved by our Board pursuant to a resolution passed on August 14, 2019.

Our Bank has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

Pursuant to the RBI In-Principle and the RBI Final Approval, the Equity Shares of our Bank are mandatorily required to be listed within a period of three years from the date of commencement of business of the Bank.

Prohibition by SEBI or other Governmental Authorities

Our Bank, Promoter, Directors, the persons in control of the Bank and the persons in control of our Promoter are not prohibited from accessing the capital market or debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any other jurisdiction or any other authority/court.

None of the companies with which our Promoter, Directors or persons in control of our Bank are promoter, directors or persons in control have been debarred from accessing capital markets under any order or direction passed by SEBI or any other authorities.

Except Jayanta Kumar Basu, who is a beneficiary of Category II AIFs, namely, AAJV Investment Trust and CX Alternative Investment Fund, none of our Directors are associated with securities market related business, in any manner and there has been no outstanding actions initiated by SEBI against our Directors in the five years preceding the date of this Draft Red Herring Prospectus.

Our Bank, Promoter or Directors have not been declared as wilful defaulters by any bank or financial institution or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Our Promoter or Directors have not been declared as fugitive economic offenders.

Confirmation under Companies (Significant Beneficial Ownership) Rules, 2018

Our Bank and Promoter are in compliance with the Companies (Significant Beneficial Ownership) Rules, 2018, to the extent applicable, as on the date of this Draft Red Herring Prospectus.

Eligibility for the Issue

Our Bank is eligible for the Issue in accordance with Regulation 6(2) of the SEBI ICDR Regulations, which states as follows:

"*An issuer not satisfying the condition stipulated in sub-regulation (1) shall be eligible to make an initial public offer only if the issue is made through the book-building process and the issuer undertakes to allot at least seventy five per cent. of the net offer to qualified institutional buyers and to refund the full subscription money if it fails to do so.*"

We are an unlisted company, not satisfying the conditions specified in Regulation 6(1) of the SEBI ICDR Regulations and are therefore required to allot not less than 75% of the Net Issue to QIBs to meet the conditions as detailed under Regulation 6(2) of the SEBI ICDR Regulations. In the event that we fail to do so, the full application monies shall be refunded to the Bidders, in accordance with the SEBI ICDR Regulations.

Our Bank is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Our Bank confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Our Bank shall not make an Allotment if the number or prospective allottees is less than one thousand in accordance with Regulation 49(1) of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BRLMs HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI ICDR REGULATIONS. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED AUGUST 14, 2019 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SEBI ICDR REGULATIONS.

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLMs ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to this Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies in terms of Section 32 of the Companies Act, 2013. All legal requirements pertaining to this Issue will be complied with at the time of registration of the Prospectus with the Registrar of Companies in terms of sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Disclaimer clause of RBI

A license authorizing the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.

Disclaimer from our Bank, our Directors and BRLMs

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our Bank's website www.ujjivansfb.in, or the respective websites of our Promoter or any affiliate of our Bank would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement and the Underwriting Agreement.

All information shall be made available by our Bank and the BRLMs to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Bank, or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Bidders will be required to confirm and will be deemed to have represented to our Bank, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Bank, our Promoter, their respective directors and officers, group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, the Promoter, and their respective directors, officers, agents, group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, domestic Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs and AIFs that they are eligible under all applicable laws and regulations to purchase the Equity Shares. This Draft Red Herring Prospectus does not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform him or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

Invitations to subscribe to or purchase the Equity Shares in the Issue will be made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Issue, which comprises the Red Herring Prospectus and the preliminary international wrap for the Issue, if the recipient is outside India. **No person outside India is eligible to Bid for Equity Shares in the Issue unless that person has received the preliminary offering memorandum for the Issue, which contains the selling restrictions for the Issue outside India.**

Eligibility and Transfer Restrictions

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Draft Red Herring Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of this Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Issue) may violate the registration requirements of the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue within the United States, by its acceptance of the Red Herring Prospectus and the purchase of the Equity Shares, will be deemed to have acknowledged, represented to and agreed, on behalf of itself and each person for which it is acting, with the Bank and BRLMs that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, (iii) was not formed for the purpose of investing in Equity Shares, and (iv) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB with respect to which it exercises sole investment discretion;

4) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the states of the United States;

6) the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   "THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

9) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares; and

10) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Issue

Each purchaser that is acquiring the Equity Shares offered pursuant to this Issue outside the United States, by its acceptance of the Red Herring Prospectus and the purchase of the Equity Shares offered pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with the Bank and BRLMs that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1) the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Issue in compliance with all applicable laws and regulations;

2) the purchaser acknowledges that the Equity Shares offered pursuant to this Issue have not been and will not be registered under the U.S. Securities Actor with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3) the purchaser is purchasing the Equity Shares offered pursuant to this Issue in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Issue, was located outside the United States at each time (i) the offer of such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

5) the purchaser is not an affiliate of the Bank or a person acting on behalf of an affiliate;

6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until the Bank determines, in its sole discretion, to remove them;

7) the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Bank determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

   "THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

9) the purchaser acknowledges that the Bank, BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of such acknowledgements, representations, warranties and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents and warrants that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or the maximum number of Equity Shares that can be held by them under applicable law. Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than in accordance with applicable laws.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For details, see *"Key Regulations and Policies"* and "*Issue Procedure"* beginning on pages 120 and 325, respectively.

Disclaimer Clause of BSE

[•]

Disclaimer Clause of NSE

[•]

Listing

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. Applications will be made to the Stock Exchanges for obtaining permission for listing and trading of the Equity Shares. [•] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

Consents

Consents in writing of: (a) our Directors, Statutory Auditor, legal counsels appointed for the Issue, the BRLMs, the Registrar to the Issue, in their respective capacities, have been obtained; (b) Experts to the Issue has been obtained and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus. Further, consents in writing of the Syndicate Members, the Banker(s) to the Issue/ Escrow Collection Bank(s)/ Refund Bank(s), Sponsor Bank to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act, 2013.

Expert to the Issue

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

Our Bank has received written consent dated August 14, 2019 from the Statutory Auditors namely, MSKA & Associates, Chartered Accountants, holding a valid peer review certificate from the Institute of Chartered Accountants of India to include their name in this Draft Red Herring Prospectus as required under Section 26(5) of the Companies Act, 2013 read with SEBI ICDR Regulations and as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of the reports of the Statutory Auditors on the Restated Financial Statements dated August 14, 2019 and the statement of special tax benefits dated August 14, 2019 included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term "expert" shall not be construed to mean an "expert" as defined under the Securities Act.

Particulars regarding capital issues by our Bank and listed group companies, subsidiaries or associate entity during the last three years

Other than as disclosed in "*Capital Structure*" on page 61, our Bank has not made any capital issues during the three years preceding the date of this Draft Red Herring Prospectus. Our Group Company has not made any capital issues in the last three years preceding the date of this Draft Red Herring Prospectus. Our Bank does not have any subsidiary or associate entity.

Commission and Brokerage paid on previous issues of the Equity Shares in the last five years

Since this is the initial public issue of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Bank's incorporation.

Performance vis-à-vis objects – Public/ rights issue of our Bank

Our Bank has not undertaken any public issue in the five years preceding the date of this Draft Red Herring Prospectus. Further, except as disclosed in "*Capital Structure*" on page 61, our Bank has not undertaken any rights issue in the five years preceding the date of this Draft Red Herring Prospectus. The objects for which the rights issue was undertaken has been achieved without any delay or shortfall.

Performance vis-à-vis objects – Public/ rights issue of the listed subsidiaries/listed Promoter of our Bank

There have been no shortfalls in performance vis-à-vis objects stated in the last issue made by our Promoter in the preceding five years. Objects mentioned in the offer document of our Promoter issued in connection with its initial public offering were satisfied. Our Bank does not have any subsidiaries.

Price information of past issues handled by the BRLMs

A. Kotak Mahindra Capital Company Limited

1. Price information of past issues handled by Kotak Mahindra Capital Company Limited

S. No.	Issue name	Issue size (in ₹ million)	Issue price (in ₹)	Listing date	Opening price on listing date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/ % change in closing benchmark]- 180th calendar days from listing
1.	Polycab India Limited(2)	13,452.60	538	April 16, 2019	633.00	+15.36% [-5.35%]	+14.70%[-1.99%]	-
2.	Metropolis Healthcare Limited	12,042.88	880	April 15, 2019	958.00	+3.75% [-4.01%]	+21.39%[-1.18%]	-
3.	CreditAccess Grameen Limited	11,311.88	422	August 23, 2018	390.00	-21.6% [-3.80%]	-14.91% [-8.00%]	-5.71%[-8.13%]
4.	HDFC Asset Management Company Limited	28,003.31	1,100	August 6, 2018	1,726.25	+58.35% [+1.17%]	+30.61% [-7.32%]	+23.78%[-4.33%]
5.	TCNS Clothing Co. Limited	11,251.25	716	July 30, 2018	716.00	-9.29% [+3.70%]	-19.74% [-11.39%]	-1.00%[-4.76%]
6.	Varroc Engineering Limited(1)	19,549.61	967	July 6, 2018	1,015.00	+1.62% [+5.46%]	-7.29% [+0.79%]	-24.01% [+1.28%]
7.	IndoStar Capital Finance Limited	18,440.00	572	May 21, 2018	600.00	-0.96% [+1.84%]	-16.28% [+9.07%]	-39.97 [+1.57%]
8.	Lemon Tree Hotels Limited	10,386.85	56	Apr 9, 2018	61.60	+30.18% [+3.26%]	+29.91% [+3.79%]	+19.46% [-0.61%]
9.	Bandhan Bank Limited	44,730.19	375	March 27, 2018	499.00	+31.81% [+3.79%]	+42.96 [+6.26%]	+51.89% [9.42%]
10.	Aster DM Healthcare Limited	9,801.36	190	February 26, 2018	183.00	-13.66% [-3.77%]	-4.97% [+0.21%]	-8.16% [+9.21%]

Source: www.nseindia.com

Notes:

1. *In Varroc Engineering Limited, the issue price to employees was ₹919 after a discount of ₹48 per equity share.*
2. *In Polycab India Limited, the issue price to employees was ₹485 after a discount of ₹53 per equity share.*
3. *In the event any day falls on a holiday, the price/index of the immediately preceding working day has been considered.*
4. *The 30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.*
5. *Nifty is considered as the benchmark index.*
6. *Restricted to last 10 equity public issues.*

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2. Summary statement of price information of past issues handled by Kotak Mahindra Capital Company Limited

Fiscal	Total no. of IPOs	Total amount of funds raised (₹ in million)	No. of IPOs trading at discount as on 30th calendar day from listing date			No. of IPOs trading at premium as on 30th calendar day from listing date			No. of IPOs trading at discount as on 180th calendar day from listing date			No. of IPOs trading at premium as on 180th calendar day from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2020	2	25,495.48	-	-	-	-	-	2	-	-	-	-	-	-
2019	6	98,942.90	-	-	3	1	1	1	-	1	3	-	-	2

Fiscal	Total no. of IPOs	Total amount of funds raised (₹ in million)	No. of IPOs trading at discount as on 30th calendar day from listing date			No. of IPOs trading at premium as on 30th calendar day from listing date			No. of IPOs trading at discount as on 180th calendar day from listing date			No. of IPOs trading at premium as on 180th calendar day from listing date		
			Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2018	9	384,510.39	-	1	5	-	1	2	-	-	5	2	1	1

Notes:
1. *The information is as on the date of this Draft Red Herring Prospectus.*
2. *The information for each of the financial years is based on issues listed during such financial year.*

B. IIFL Securities Limited

1. Price information of past issues handled by IIFL Securities Limited

Sr. No.	Issue Name	Issue Size (in ₹ Mn)	Issue Price (₹)	Listing Date	Opening Price on Listing Date	+/- % change in closing price*, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price*, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Indian Energy Exchange Limited	10,007.26	1,650.00	October 23, 2017	1,500.00	-5.6%, [+1.9%]	-1.8%, [+7.4%]	-0.7%, [+4.1%]
2.	Reliance Nippon Life Asset Management Limited	15,422.40	252.00	November 06, 2017	295.90	+1.2%, [-3.9%]	+5.9%, [+2.9%]	-4.2%, [+1.6%]
3.	HDFC Standard Life Insurance Company Limited	86,950.07	290.00	November 17, 2017	310.00	+31.5%, [+1.2%]	+49.0%, [+3.2%]	+71.6%, [+5.2%]
4.	Shalby Limited	5,048.00	248.00	December 15, 2017	239.70	-4.2%, [+4.2%]	-11.7%, [+1.1%]	-29.3%, [+5.9%]
5.	Future Supply Chain Solutions Limited	6,496.95	664.00	December 18, 2017	664.00	+4.1%, [+4.4%]	+6.9%, [-1.3%]	-5.2%, [+4.7%]
6.	ICICI Securities Limited	35,148.49	520.00	April 04, 2018	435.00	-28.9%, [+3.6%]	-38.6%, [+4.4%]	-46.2%, [+7.5%]
7.	Varroc Engineering Limited	19,549.61	967.00	July 06, 2018	1,015.00	+1.6%, [+5.7%]	-13.9%, [-1.4%]	-25.2%, [+0.4%]
8.	HDFC Asset Management Company Limited	28,003.31	1,100.00	August 6, 2018	1,726.25	+52.9%, [+1.0%]	+30.6%, [-7.1%]	+23.8%, [-4.1%]
9.	Credit Access Grameen Limited	11,311.88	422.00	August 23, 2018	390.00	-21.2%, [-3.7%]	-12.4%, [-8.4%]	-7.2%, [-8.4%]
10.	Polycab India Limited	13,452.60	538.00	April 18, 2019	633.00	10.7%, [-3.2%]	16.5%, [-0.9%]	NA

Source: www.nseindia.com
Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 30, 90 and 180 calendar days, except wherever 30th /90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. % change taken against closing CNX NIFTY Index a day prior to the listing date. NA means Not Applicable.

2. Summary statement of price information of past issues handled by IIFL Securities Limited

Fiscal	Total No. of IPO's	Total Funds Raised (in ₹ Mn)	No. of IPOs trading at discount – 30th calendar days from listing			No. of IPOs trading at premium – 30th calendar days from listing			No. of IPOs trading at discount – 180th calendar days from listing			No. of IPOs trading at premium – 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018	9	1,98,722.66	-	-	3	1	2	3	-	1	3	2	1	2
2019	4	94,015.43	-	1	1	1	-	1	-	2	1	-	-	1
2020	1	13,452.60	-	-	1	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: www.nseindia.com
Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered. NA means Not Applicable.

C. JM Financial Limited

1. Price information of past issues handled by JM Financial Limited

Sr. No.	Issue name	Issue Size (₹ million)	Issue price (₹)	Listing Date	Opening price on Listing Date (in ₹)	+/- % change in closing price, [+/- % change in closing benchmark] - 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark] - 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark] - 180th calendar days from listing
1.	Metropolis Healthcare Limited	12,042.88	880.00	April 15, 2019	958.00	+3.75% [-4.01%]	+21.39% [-1.18%]	NA
2.	Chalet Hotels Limited	16,411.80	280.00	February 7, 2019	294.00	+1.14% [-0.31%]	+24.41% [+3.87%]	+10.77% [-1.87%]
3.	HDFC Asset Management Company Limited	28,003.31	1,100.00	August 6, 2018	1,726.25	+58.04% [+1.17%]	+30.61% [-7.32%]	+23.78% [-4.33%]
4.	Fine Organic Industries Limited	6,001.69	783.00	July 2, 2018	815.00	+5.72% [+6.56%]	+35.38% [+2.56%]	+50.21% [1.90%]
5.	IndoStar Capital Finance Limited	18,440.00	572.00	May 21, 2018	600.00	-0.96% [+1.84%]	-16.28% [+9.07%]	-39.97% [+1.57%]
6.	Bandhan Bank Limited	44,730.19	375.00	March 27, 2018	499.00	+31.81% [+3.79%]	+42.96% [+6.26%]	+51.89% [+9.42%]
7.	Aster DM Healthcare Limited	9,801.00	190.00	February 26, 2018	183.00	-13.66% [-3.77%]	-4.97% [+0.21%]	-8.16% [+9.21%]
8.	Galaxy Surfactants Limited	9,370.88	1,480.00	February 8, 2018	1,525.00	+1.14% [-3.31%]	-0.85% [+1.33%]	-14.68% [+7.66%]
9.	Reliance Nippon Life Asset Management Limited	15,422.40	252.00	November 6, 2017	295.90	+3.61% [-3.19%]	+5.91% [+2.95%]	-4.21% [+1.59%]
10.	Prataap Snacks Limited	4,815.98	938.00(1)	October 5, 2017	1,270.00	+25.12% [+5.70%]	+31.82% [+5.60%]	+40.99% [+3.27%]

Source: www.nseindia.com for price information and prospectus/basis of allotment for issue details
Notes:

1. *A discount of ₹90 per equity share had been offered to eligible employees.*
2. *Opening price information as disclosed on the website of NSE.*
3. *Change in closing price over the issue/offer price as disclosed on NSE.*
4. *Change in closing price over the closing price as on the listing date for benchmark index viz. NIFTY 50.*
5. *In case of reporting dates falling on a trading holiday, values for the trading day immediately preceding the trading holiday have been considered.*
6. *30th calendar day has been taken as listing date plus 29 calendar days; 90th calendar day has been taken as listing date plus 89 calendar days; 180th calendar day has been taken a listing date plus 179 calendar days.*
7. *Restricted to last 10 issues.*

2. Summary statement of price information of past issues handled by JM Financial Limited

Financial Year	Total no. of IPOs	Total funds raised (₹ Millions)	Nos. of IPOs trading at discount on as on 30th calendar days from listing date			Nos. of IPOs trading at premium on as on 30th calendar days from listing date			Nos. of IPOs trading at discount as on 180th calendar days from listing date			Nos. of IPOs trading at premium as on 180th calendar days from listing date		
			Over 50%	Between 25% - 50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%	Over 50%	Between 25%-50%	Less than 25%
2019-2020	1	12,042.88	-	-	-	-	-	1	-	-	-	-	-	-
2018-2019	4	68,856.80	-	-	1	1	-	2	-	1	-	1	1	-
2017-2018	10	251,600.44	-	-	4	-	3	3	-	1	5	1	1	2

* *The information is as on the date of the document*

Stock Market Data of Equity Shares

This being an initial public offer of our Bank, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Issue for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances in relation to the Bidding process may be addressed to the Registrar to the Issue with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder, Bid cum Application Form number, Bidder DP ID, Client ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.

Anchor Investors are required to address all grievances in relation to the Issue to the BRLMs.

Further, the Bidder shall also enclose a copy of the Acknowledgment Slip duly received from the concerned Designated Intermediary in addition to the information mentioned hereinabove.

Our Bank has not received investor complaints during the period of three years preceding the date of the Draft Red Herring Prospectus, hence no investor complaint in relation to our Bank is pending as on the date of filing of the Draft Red Herring Prospectus.

Our Group Company is not listed on any stock exchange.

Disposal of Investor Grievances by our Bank

The Bank has obtained authentication on the SCORES and shall comply with the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 in relation to redressal of investor grievances through SCORES.

Our Bank estimates that the average time required by our Bank or the Registrar to the Issue or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our will seek to redress these complaints as expeditiously as possible.

Our Bank has also appointed Chanchal Kumar, Company Secretary of our Bank, as the Compliance Officer for the Issue. For details, see "*General Information*" on page 54.

Our Bank has constituted a Stakeholders' Relationship Committee comprising of Sunil Vinayak Patel (*Chairman*), Vandana Viswanathan and Samit Kumar Ghosh as members. For details, see "*Our Management*" on page 133.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered pursuant to the Issue shall be subject to the provisions of the Companies Act, SEBI ICDR Regulations, SCRA, SCRR, the Banking Regulation Act, the SFB Licensing Guidelines, the MoA, AoA, Listing Regulations, RBI Final Approval, RBI In-Principle Approval, the terms of the Red Herring Prospectus, the Prospectus, the abridged prospectus, Bid cum Application Form, the Revision Form, the CAN/Allotment Advice and other terms and conditions as may be incorporated in other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Issue.

The Allottees upon Allotment of Equity Shares under the Issue, will be entitled to dividend and other corporate benefits, if any, declared by our Bank after the date of Allotment. The Equity Shares issued in the Issue shall be pari passu with the existing Equity Shares in all respects including dividends. For further details, see "*Description of Equity Shares and Terms of Articles of Association*" on page 338.

Face Value, Issue Price and Price Band

The face value of each Equity Share is ₹10 and the Issue Price at the lower end of the Price Band is ₹[●] per Equity Share and at the higher end of the Price Band is ₹[●] per Equity Share. The Anchor Investor Issue Price is ₹[●] per Equity Share.

The Price Band will be decided by our Bank, in consultation with the BRLMs and the minimum Bid Lot size for the Issue will be decided by our Bank in consultation with the BRLMs and advertised in [●] editions of the English national newspaper [●] and [●] editions of [●], (a widely circulated Hindi national daily newspaper, Hindi also being the regional language of New Delhi, where our Registered Office is located) each with wide circulation, each with wide circulation, at least two Working Days prior to the Bid/Issue Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges.

At any given point of time, there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy, in accordance with the provisions of the Companies Act;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, Banking Regulation Act, the Listing Regulations and the Articles of Association of our Bank.

For a detailed description of the main provisions of the Articles of Association of our Bank relating to voting rights, dividend, forfeiture and lien, transfer, transmission and/or consolidation/splitting, see "*Description of Equity Shares and Terms of Articles of Association*" on page 338.

Market Lot and Trading Lot

Pursuant to Section 29 of the Companies Act, 2013 the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form. In this context, two agreements have been entered into amongst our Bank, the respective Depositories and Registrar to the Issue:

- Tripartite agreement dated January 22, 2019 amongst our Bank, NSDL and Registrar to the Issue.
- Tripartite agreement dated January 14, 2019 amongst our Bank, CDSL and Registrar to the Issue.

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of the Equity Shares, they will be deemed to hold such Equity Shares as joint tenants with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, the sole Bidder, or the first Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Bank.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Bank. Nominations registered with respective Depository Participant of the Bidder would prevail. If the Bidder wants to change the nomination, they are requested to inform their respective Depository Participant.

Bid/Issue Programme

BID/ISSUE OPENS ON	**[●]**(1)
BID/ISSUE CLOSES ON	**[●]**(2)

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

(2) Our Bank may, in consultation with the BRLMs, consider closing the Bid/Issue Period for QIBs one day prior to the Bid/Issue Closing Date in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Issue is set out below:

Event	Indicative Date
Bid/Issue Closing Date	[●]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [●]
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about [●]
Credit of Equity Shares to demat accounts of Allottees	On or about [●]
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about [●]

The above timetable, other than the Bid/Issue Closing Date, is indicative and does not constitute any obligation or liability on our Bank or the BRLMs.

Whilst our Bank shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/Issue Closing Date, the timetable may be extended due to various factors, such as extension of the Bid/Issue Period by our Bank in consultation with the BRLMs, revision of the Price Band or any delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Issue Period (except the Bid/Issue Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time ("**IST**")
Bid/Issue Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/ Issue Closing Date, the Bids shall be uploaded until:

(i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and

(ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by RIBs or Eligible UFSL Shareholders under the UFSL Shareholder Reservation Portion

On Bid/Issue Closing Date, extension of time may be granted by Stock Exchanges only for uploading Bids received by Retail Individual Bidders and Eligible UFSL Shareholders under the UFSL Shareholder Reservation Portion after taking into account the total number of Bids received and as reported by the BRLMs to the Stock Exchanges.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Issue Closing Date, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under this Issue. Bids will be accepted only during Working Days.

None among our Bank or any member of the Syndicate is liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; and (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.

Our Bank, in consultation with the BRLMs reserves the right to revise the Price Band during the Bid/Issue Period. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly.

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

In case of discrepancy in data entered in the electronic book vis-vis data contained in the Bid cum Application Form for a particular Bidder, the details as per the Bid file received from the Stock Exchanges shall be taken as the final data for the purpose of Allotment.

Minimum Subscription

If our Bank does not receive (i) the minimum subscription of 90% of the Issue on the date of closure of; and (ii) subscription in the Issue equivalent to at least 10% post- Issue paid up equity share capital of our Bank (the minimum number of securities as specified under Rule 19(2)(b) of the SCRR), including through devolvement of Underwriters, as applicable, within 60 days from the date of Bid/ Issue Closing Date on the date of closure of the Issue; or withdrawal of applications; or after technical rejections; or if the listing; or trading permission is not obtained from the Stock Exchanges for the securities so offered under the issue document; or if the subscription level falls below the threshold under Rule 19(2)(b) of the SCRR mentioned above after the Bid/Issue Closing Date, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Bank becomes liable to pay the amount, our Bank and every Director of our Bank, who are officers in default, shall pay interest at the rate of 15% per annum.

Further, our Bank shall ensure that the number of Allottees to whom the Equity Shares shall not be less than 1,000.

Arrangements for Disposal of Odd Lots

There are no arrangements for disposal of odd lots since our Equity Shares will be traded in dematerialised form only and market lot for our Equity Shares will be one Equity Share.

Restrictions, if any on Transfer and Transmission of Equity Shares

Except for lock-in of the pre-Issue capital of our Bank, lock-in of the Promoters' minimum contribution and the Anchor Investor lock-in as provided in "*Capital Structure*" on page 61 and except as provided under the Banking Regulation Act and the rules and regulations made thereunder and the Articles of Association, there are no restrictions on transfer of the Equity Shares. Further, there are no restrictions on transmission of any shares/debentures of our Bank and on their consolidation or splitting, except as provided in the Articles of Association. For details, see "*Main Provisions of the Articles of Association*" beginning on page 338.

In accordance with Section 12B of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with such person) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. For further details, see *"Key Regulations and Policies"* and "*Issue Procedure*" on pages 120 and 325.

Allotment only in Dematerialized Form

Pursuant to Section 29 of the Companies Act, 2013, the Equity Shares in the Issue shall be Allotted only in dematerialised form. Further, as per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form on the Stock Exchanges.

ISSUE STRUCTURE

Issue of up to [●] Equity Shares for cash at price of ₹[●] per Equity Share (including a premium of ₹[●] per Equity Share) aggregating up to ₹12,000 million.

The Issue shall constitute [●]% of the post-Issue paid up Equity Share capital of our Bank. The Issue includes a reservation of up to [●] Equity Shares, aggregating up to ₹1,200 million, for subscription by Eligible UFSL Shareholders. The UFSL Shareholder Reservation Portion shall not exceed [●]% of our post-Issue paid-up Equity Share capital. The Issue less the UFSL Shareholder Reservation Portion is the Net Issue. The Issue and Net Issue shall constitute [●]% and [●]% of the post-Issue paid up Equity Share capital of our Bank, respectively.

Our Bank, in consultation with the BRLMs, may consider a Pre-IPO Placement for an aggregate amount not exceeding ₹3,000 million. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Bank in consultation with the BRLMs and the Pre-IPO Placement will be completed prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the amount raised from the Pre-IPO Placement will be reduced from the Issue, subject to the minimum Issue Size constituting at least 10% of the post-Issue paid-up Equity Share capital of our Bank.

The Issue is being made through the Book Building Process.

Particulars	**Eligible UFSL Shareholders**	**QIBs(1)**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares available for Allotment/ allocation (2)	Up to [●] Equity Shares	Not less than [●] Equity Shares	Not more than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not more than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size available for Allotment/ allocation	Approximately [●]% of the Issue	Not less than 75% of the Net Issue Size shall be Allotted to QIBs. However, up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs	Not more than 15% of the Net Issue or the Net Issue less allocation to QIBs and Retail Individual Bidders will be available for allocation	Not more than 10% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Bidders will be available for allocation
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate subject to minimum Bid Lot For details see, "*Issue Procedure*" on page 325	Proportionate as follows (excluding the Anchor Investor Portion): a) up to [●] Equity Shares shall be available for allocated on a proportionate basis to Mutual Funds only; and b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. Up to 60% of the QIB Portion Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to domestic Mutual Funds only, subject to valid Bid received from domestic Mutual Funds at or above the Anchor Investor Allocation Price	Proportionate	Allotment to each Retail Individual Bidder shall not be less than the maximum Bid lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares is any, shall be allotted on a proportionate basis. For details see, "*Issue Procedure*" on page 325
Minimum Bid	[●] Equity Shares and in multiples of	Such number of Equity Shares and in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹200,000	Such number of Equity Shares and in multiples of [●] Equity Shares so that	[●] Equity Shares

Particulars	Eligible UFSL Shareholders	QIBs[1]	Non-Institutional Bidders	Retail Individual Bidders
	[●] Equity Shares thereafter.		the Bid Amount exceeds ₹200,000	
Maximum Bid	Such number of Equity Shares and in multiples of [●] Equity Shares, such that the Bid Amount does not exceed ₹200,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Issue, subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the size of the Issue, subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹200,000
Who can apply[3] [4]	Eligible UFSL Shareholders	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, mutual funds registered with SEBI, FPIs other than Category III FPIs, FVCIs, VCFs, AIFs, state industrial development corporation, insurance company registered with IRDAI, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million National Investment Fund set up by the Government, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs.	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions, societies and trusts, Category III FPIs	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)
Mode of Allotment	Compulsorily in dematerialized form			
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter			
Allotment Lot	A minimum of [●] Equity Shares and thereafter in multiples of one Equity Share. For Retail Individual Bidders, [●] Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Portion			
Trading Lot	One Equity Share			
Terms of Payment	Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder or by the Sponsor Bank through the UPI Mechanism (only for Retail Individual Bidders) that is specified in the ASBA Form at the time of submission of the ASBA Form [4]			
Mode of Bidding	Only through the ASBA process (except for Anchor Investors).			

(1) *Our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. For details, see "Issue Structure" on page 322*

(2) *Subject to valid Bids being received at or above the Issue Price. This is an Issue in terms of Rule 19(2)(b) of the SCRR in compliance with Regulation 6(2) of the SEBI ICDR Regulations.*

(3) *In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids, except as otherwise permitted, in any or all categories. Further, a Bidder Bidding in the UFSL Shareholders Reservation Portion (subject to the Bid Amount being up to ₹200,000) may also Bid under the Net Issue and such Bids shall not be treated as multiple Bids. To clarify, an UFSL Shareholder Bidding in the UFSL Shareholders Reservation Portion above ₹200,000 shall not be allowed to Bid in the Net Issue as such Bids shall be treated as multiple Bids.*

(4) *Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Issue Price shall be payable by the Anchor Investor pay-in date as indicated in the CAN.*

Any unsubscribed portion remaining in the UFSL Shareholder Reservation Portion shall be added to the Net Issue.

Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Portion, the Retail Portion or the UFSL Shareholder Reservation Portion would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange, on a proportionate basis. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories. For further details, see "*Terms of the Issue*" on page 318.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Issue paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Issue will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Issue paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Issue and BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Issue paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Issue at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre-Issue paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Withdrawal of the Issue

Our Bank, in consultation with the BRLMs, reserve the right not to proceed with the Issue after the Bid/ Issue Opening Date but before the Allotment. In such an event, our Bank would issue a public notice in the newspapers in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Issue and inform the Stock Exchanges promptly on which the Equity Shares are proposed to be listed. The BRLMs, through the Registrar to the Issue, shall notify the SCSBs and the Sponsor Bank, to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Issue to process refunds to the Anchor Investors, as the case may be. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Bank, in consultation with the Book Running Lead Managers withdraws the Issue after the Bid/ Issue Closing Date and thereafter determines that it will proceed with an issue of the Equity Shares, our Bank shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Bank shall apply for after Allotment; and (ii) the final RoC approval of the Prospectus after it is filed with the RoC.

ISSUE PROCEDURE

All Bidders should read the General Information Document for Investing in Public Issues, which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations which is part of the abridged prospectus accompanying the Bid cum Application Form. The General Information Document is available on the websites of the Stock Exchanges and the BRLMs. Please refer to the relevant provisions of the General Information Document which are applicable to the Issue.

Additionally, all Bidders may refer to the General Information Document for information in relation to (i) Category of investors eligible to participate in the Issue; (ii) maximum and minimum Bid size; (iii) price discovery and allocation; (iii) Payment Instructions for ASBA Bidders/Applicants; (iv)Issuance of CAN and allotment in the Issue; (v) General instructions (limited to instructions for completing the Bid Form); (vi) Submission of Bid Form; (vii) Other Instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (viii) applicable provisions of the Companies Act, 2013 relating to punishment for fictitious applications; (vi) mode of making refunds; and (vii) interest in case of delay in allotment or refund.

*SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for RIBs applying through Designated Intermediaries was made effective along with the existing process and existing timeline of T+6 days. ("**UPI Phase I**"). The UPI Phase I was effective till June 30, 2019.*

*With effect from July 1, 2019, SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, read with circular bearing number SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 with respect to Bids by RIBs through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days will continue for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"). Subsequently, the final reduced timeline will be made effective using the UPI Mechanism for applications by RIBs ("**UPI Phase III**"), as may be prescribed by SEBI.*

Our Bank and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated in this section and are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in the Red Herring Prospectus and the Prospectus.

Further, our Bank and the Syndicate are not liable for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in this Issue.

Book Building Procedure

The Issue is being made through the Book Building Process in accordance with Regulation 6(2) of the SEBI ICDR Regulations wherein not less than 75% of the Net Issue shall be allocated on a proportionate basis to QIBs, provided that our Bank may, in consultation with the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. Further, 5% of the Net QIB Portion shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not more than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Investors and not more than 10% of the Net Issue shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Issue Price.

The Issue includes a reservation of up to [●] Equity Shares, aggregating up to ₹1,200 million, for subscription by Eligible UFSL Shareholders. The UFSL Shareholder Reservation Portion shall not exceed [●]% of our post-Issue paid-up Equity Share capital.

Under-subscription, if any, in any category, except in the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange subject to receipt of valid Bids received at or above the Issue Price. Under-subscription, if any, in the QIB Portion, would not be allowed to be met with spill-over from any other category or a combination of categories.

The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID, PAN and UPI ID, for RIBs Bidding using the UPI Mechanism, shall be treated as incomplete and will be rejected.

Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialised subsequent to Allotment of the Equity Shares in the Issue.

Phased implementation of Unified Payments Interface

SEBI has issued the UPI Circulars in relation to streamlining the process of public issue of inter alia, equity shares. Pursuant to the UPI Circulars, the UPI Mechanism has been introduced in a phased manner as a payment mechanism (in addition to mechanism of blocking funds in the account maintained with SCSBs under ASBA) for applications by RIBs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to upto three Working Days. Considering the time required for making necessary changes to the systems and to ensure complete and smooth transition to the UPI payment mechanism, the UPI Circulars have introduced the UPI Mechanism in three phases in the following manner:

Phase I: This phase was applicable from January 1, 2019 until March 31, 2019 or floating of five main board public issues, whichever was later. Subsequently, the timeline for implementation of Phase I was extended till June 30, 2019. Under this phase, an RIB had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019 and will continue for a period of three months or floating of five main board public issues, whichever is later. Under this phase, submission of the ASBA Form by RIBs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds will be discontinued and will be replaced by the UPI Mechanism. However, the time duration from public issue closure to listing would continue to be six Working Days during this phase.

Phase III: The commencement period of Phase III is yet to be notified. In this phase, the time duration from public issue closure to listing would be reduced to three Working Days.

For further details, refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs.

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus will be available with the Designated Intermediaries at the Bidding Centres, and our Registered Office. An electronic copy of the Bid cum Application Form will also be available for download on the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) at least one day prior to the Bid/ Issue Opening Date.

Copies of the Anchor Investor Application Form will be available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Issue only through the ASBA process. Anchor Investors are not permitted to participate in the Issue through the ASBA process. The RIBs can additionally Bid through the UPI Mechanism.

RIBs bidding using the UPI Mechanism must provide the UPI ID in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that does not contain the UPI ID are liable to be rejected.

ASBA Bidders (using UPI Mechanism) must provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details are liable to be rejected or the UPI ID, as applicable, in the relevant space provided in the ASBA Form.

ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. RIBs using UPI Mechanism, may submit their ASBA Forms, including details of their UPI IDs, with the Syndicate, Sub-Syndicate members, Registered Brokers, RTAs or CDPs. RIBs authorising an SCSB to block the Bid Amount in the ASBA Account may submit their ASBA Forms with the SCSBs. ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB or the Sponsor Bank, as applicable at the time of submitting the Bid.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians, including resident QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible NRIs applying on a non-repatriation basis	[●]
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions applying on a repatriation basis	[●]
Anchor Investors	[●]
UFSL Shareholders bidding in the UFSL Shareholder Reservation Portion	[●]

* *Excluding electronic Bid cum Application Forms*

Notes:
(1) Electronic Bid cum Application forms and the abridged prospectus will also be available for download on the website of NSE (www.nseindia.com) and BSE (www.bseindia.com)
(2) Bid cum Application Forms for Anchor Investors shall be available at the offices of the BRLMs

In case of ASBA forms, the relevant Designated Intermediaries shall upload the relevant bid details in the electronic bidding system of the Stock Exchanges. For RIBs using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to RIBs for blocking of funds. For ASBA Forms (other than RIBs using UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSB where the Bidder has an ASBA bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

In terms of the Banking Regulation Act read with Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, no person either by himself or acting in concert with any other person can acquire, directly or indirectly, or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, it is the responsibility of each Bidder to seek RBI approval, if the Bids submitted by such Bidder for such number of Equity Shares as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such Bidder ("**Other Persons**") aggregate to 5% or more of the post-Issue paid-up share capital of our Bank. It may be noted that in the event an approval from RBI is not obtained by any Bidder, it shall not be allotted 5% or more of the post-issue paid-up share capital of our Bank.

Our Bank, the BRLMs and the Registrar to the Issue will rely strictly and solely on the RBI approvals received from Bidders for making any Allotment of Equity Shares to such Bidders and to the Other Persons, if any, that results in such Bidder, either individually or on an aggregate basis with the Other Persons associated with such Bidder, holding Equity Shares equal to or in excess of 5% of the post-Issue paid-up share capital of our Bank thereafter, after considering their existing aggregate shareholding in our Bank, if any. Our Bank, the Registrar to the Issue and BRLMs will not be responsible for identifying the Other Persons associated with any Bidder, or for the consequences of any Bidder and the Other Persons holding Equity Shares, which together with their existing shareholding amount to 5% or more of the post-Issue paid-up share capital of our Bank pursuant to the Allotment made without a valid and subsisting RBI approval.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Issue at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre-Issue paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

An 'associate enterprise' has the same meaning assigned to it in Explanation 1(a) to Section 12B of Banking Regulation Act, 1949. A 'person acting in concert" has the same meaning as stated in Explanation1(c) to Section 12B of Banking Regulation Act, 1949. A 'relative' has the same meaning as defined in Section 2(77) of the Companies Act, 2013 and rules made thereunder.

Accordingly, in case of Bids for such number of Equity Shares, as may result in the shareholding of a Bidder (along with his relatives, associate enterprises or persons acting in concert with such person) exceeding 5% or more of the total paid-up share capital of our Bank, such Bidder is required to submit the approval obtained from the RBI with the Registrar to the Issue, at least one Working Day prior to the finalisation of the Basis of Allotment. In case of failure by such Bidder to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, as adjusted for the Bid Lot (and in case of over-subscription in the Issue, after making applicable proportionate allocation for the Equity Shares Bid for), that will limit the aggregate shareholding of the Bidder (along with his relatives, associate enterprises or persons acting in concert with such person and including existing shareholding, if any) to less than 5% of the post-Issue paid-up Equity Share capital of our Bank.

A clearly legible copy of the RBI approval in the name(s) of the Bidders together with the application submitted for obtaining such RBI approval must be submitted by the Bidders with the Bid cum Application Form as well as to the Registrar to the Issue at any time prior to the date falling one day before the date for finalisation of the Basis of Allotment. Such RBI approval should clearly mention the name(s) of the entities which propose to Bid in the Issue, the aggregate shareholding of the Bidder and the Other Persons in the pre-Issue paid-up share capital of our Bank and the maximum permitted holding of Equity Shares by the Other Persons. All allotments to such Bidders and the Other Persons, shall be in accordance with and subject to the conditions contained in such RBI approval.

Participation by Promoter of the Bank, the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to purchase Equity Shares in this Issue in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members may Bid for Equity Shares in the Issue, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Neither (i) the BRLMs or any associates of the BRLMs (except Mutual Funds sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associate of BRLMs or AIFs sponsored by the entities which are associate of the BRLMs or FPIs, other than Category III FPIs sponsored by the entities which are associates of the BRLMs) nor; (ii) any "person related to the Promoter" shall apply in the Issue under the Anchor Investor Portion.

For the purposes of this section, a QIB who has any of the following rights shall be deemed to be a "person related to the Promoter": (a) rights under a shareholders' agreement or voting agreement entered into with the Promoter; (b) veto rights; or (c) right to appoint any nominee director on our Board.

Further, an Anchor Investor shall be deemed to be an associate of the BRLMs, if: (a) either of them controls, directly or indirectly through its subsidiary or holding company, not less than 15% of the voting rights in the other; or (b) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (c) there is a common director, excluding a nominee director, amongst the Anchor Investor and the BRLMs.

The Promoter will not participate in the Issue.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Further, the Banking Regulation Act requires any person to seek prior approval of the RBI to acquire or agree to acquire, directly or indirectly, shares or voting rights of a bank, by itself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by such person or associate enterprise or persons acting in concert with the concerned person) results in aggregate shareholding of such person to be 5% or more of the paid up capital of a bank or entitles him to exercise 5% or more of the voting rights in a bank. For details, see "*Key Regulations and Policies*" beginning on page 120.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their respective SCSB to block their Non-Resident External ("**NRE**") accounts, or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their respective SCSB to block their Non-Resident Ordinary ("**NRO**") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents ([•] in colour). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents ([•] in colour).

Bids by HUFs

Hindu Undivided Families or HUFs, should be made in the individual name of the *Karta*. The Bidder/Applicant should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder/Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs will be considered at par with Bids/Applications from individuals.

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10%

of our post-Issue Equity Share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Bank and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Bank. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the board followed by a special resolution passed by the shareholders and subject to prior intimation to RBI. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

By a resolution of our Board dated July 30, 2019 and a resolution of our Shareholders dated August 3, 2019, our Bank has increased the aggregate limits of its shareholding by FPIs to 49%, and of NRIs (on a repatriation basis) to 24% of its paid-up Equity Share capital.

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.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations, an FPI, other than Category III FPIs and unregulated broad based funds, which are classified as Category II FPIs by virtue of their investment manager being appropriately regulated, may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iii) such offshore derivative instruments shall not be issued to or transferred to persons who do not satisfy the conditions specified in Regulation 4 of the SEBI FPI Regulations. An FPI is also required to ensure *inter alia*, that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority.

An FPI issuing offshore derivate instruments is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to, *inter alia*, the following conditions:

(a) offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre-approved by the FPI.

The FPIs who wish to participate in the Issue are advised to use the Bid cum Application Form for non-residents.

Bids by SEBI registered VCFs, AIFs and FVCIs

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 ("**SEBI VCF Regulations**") as amended, *inter alia* prescribe the investment restrictions on VCFs, registered with SEBI. The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("**SEBI AIF Regulations**") prescribe, amongst others, the investment restrictions on AIFs. The Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 as amended ("**SEBI FVCI Regulations**") prescribe the investment restrictions on FVCIs.

Accordingly, the holding in any company by any individual VCF or FVCIs registered with SEBI should not exceed 25% of the corpus of the VCF of FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds in various prescribed instruments, including in public offering.

Category I and II AIFs cannot invest more than 25% of the investible funds in one investee company. A category III AIF cannot invest more than 10% of the investible funds in one investee company. A VCF registered as a category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than one-third of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

Our Bank or the BRLMs will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by limited liability partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Bank, in consultation with the BRLMs reserves the right to reject any Bid without assigning any reason thereof.

Bids by Eligible UFSL Shareholders

Bids under the UFSL Shareholders Reservation Portion shall be subject to the following:

(a) Only Eligible UFSL Shareholders (i.e. Individuals and HUFs who are equity shareholders of our Promoter, UFSL (excluding such other persons not eligible under applicable laws, rules, regulations and guidelines) as at the date of the Red Herring Prospectus) would be eligible to apply in this Issue under the UFSL Shareholders Reservation Portion.

(b) The sole/ First Bidder shall be an Eligible UFSL Shareholder.

(c) Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.

(d) The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter.

(e) Bids by Eligible UFSL Shareholders in UFSL Shareholders Reservation Portion (subject to the Bid Amount being up to ₹200,000) and in the Net Issue portion shall not be treated as multiple Bids. Our Bank reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. For further details please see "*Issue Procedure*" on page 325

(f) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible UFSL Shareholders to the extent of their demand.

(g) Under-subscription, if any, in any category including the UFSL Shareholders Reservation Portion, except in the QIB Portion, would be allowed to be met with spill over from any other category or a combination of categories at the discretion of our Bank in consultation the BRLMs and the Designated Stock Exchange.

(h) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of Allotment, see "*Issue Procedure - Basis of Allotment*" on page 325.

Eligible UFSL Shareholders would need to have a valid PAN and their PAN should be updated with the register of shareholders maintained with UFSL. Further, Eligible UFSL Shareholders would need to have a valid demat account number and details, as Equity Shares can only be Allotted to Eligible UFSL Shareholders having a valid demat account.

If the aggregate demand in this category is greater than [•] Equity Shares the allocation to the UFSL Shareholder Reservation Portion as envisaged under the Red Herring Prospectus, at or above the Issue Price, then the maximum number of Eligible UFSL Shareholders who can be Allotted the minimum Bid Lot will be computed by dividing the total number of Equity Shares available for Allotment to Eligile UFSL Shareholders by the minimum Bid Lot ("**Maximum UFSL Shareholders Allottees**"). The Allotment to the Eligible UFSL Shareholders will then be made in the following manner:

a) In the event the number of Eligible UFSL Shareholders who have submitted valid Bids in the Issue is equal to or less than Maximum UFSL Shareholders Allottees, (i) all such Eligible UFSL Shareholders shall be Allotted the minimum Bid Lot; and (ii) the balance available Equity Shares, if any, remaining in the UFSL Shareholder Reservation Portion shall be Allotted on a proportionate basis to the Eligible UFSL Shareholders who have received Allotment as per (i) above for the balance demand of the Equity Shares Bid by them (i.e. who have Bid for more than the minimum Bid Lot).

b) In the event the number of Eligible UFSL Shareholders who have submitted valid Bids in the Issue is more than Maximum UFSL Shareholders Allottees, the Eligible UFSL Shareholders (in that category) who will then be Allotted minimum Bid Lot shall be determined on the basis of draw of lots.

Grounds for Technical Rejection for UFSL Shareholders:

Multiple Bid cum Application Forms are liable to be rejected in the event (i) an Eligible UFSL Shareholder holding multiple demat accounts makes such multiple applications and (ii) an Eligible UFSL Shareholder, being first holder of a joint demat account makes such multiple applications individually and jointly. In the event applications are made in the UFSL Shareholders Reservation Portion, Bidders should ensure that they have a valid PAN and the PAN is updated with the register of shareholders maintained with UFSL. For example, in case there is no PAN updated in the register of shareholders maintained with UFSL or the PAN mentioned in the application form does not match with the PAN in the register of shareholders maintained with UFSL, the applications can be rejected.

Bids by banking companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form, failing which our Bank, in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason.

The investment limit for banking companies in another banking company as per the Banking Regulation Act, and the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 (the "**Financial Services Directions**"), is 10% but not exceeding 30% of the paid-up share capital of such investee company if (i) the investee company is engaged in non-financial activities permitted for banks in terms of Section 6(1) of the Banking Regulation Act, or (ii) the additional acquisition is through restructuring of debt/corporate debt restructuring/strategic debt restructuring, or to protect the bank's interest on loans/investments made to a company. The bank is required to submit a time-bound action plan for disposal of such shares within a specified period to the RBI. A banking company would require a prior approval of the RBI to *inter alia* make (i) investment in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed under 5(b)(i) of the Financial Services Directions), and (ii) investment in a non-financial services company in excess of 10% of such investee company's paid-up share capital as stated in 5(a)(v)(c)(i) of the Financial Services Directions. Further, the aggregate investment by a banking company in subsidiaries and other entities engaged in financial and non-financial services company cannot exceed 20% of the investee company's paid-up share capital and reserves.

In terms of the Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended (i) a bank's investment in the capital instruments issued by banking, financial and insurance entities should not exceed 10% of its capital funds; (ii) banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeds 5% of the investee bank's equity capital; (iii) equity investment by a bank in a subsidiary company, financial services company, financial institution, stock and other exchanges should not exceed 10% of the bank's paid-up share capital and reserves; (iv) equity investment by a bank in companies engaged in non-financial services activities would be subject to a limit of 10% of the investee company's paid up share capital or 10% of the bank's paid up share capital and reserves, whichever is less; and (v) a banking company is restricted from holding shares in any company, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30% of the paid-up share capital of that company or 30% of its own paid-up share capital and reserves, whichever is less. For details in relation to the investment limits under Master Direction – Ownership in Private Sector Banks, Directions, 2016, see "*Key Regulations and Policies*" beginning on page 120.

Bids by SCSBs

SCSBs participating in the Issue are required to comply with the terms of the SEBI circulars (Nos. CIR/CFD/DIL/12/2012 and CIR/CFD/DIL/1/2013) dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Bank in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016 are broadly set forth below:

(a) equity shares of a company: the lower of 10%* of the outstanding equity shares (face value) or 10% of the respective fund in case of life insurer or 10% of investment assets in case of general insurer or reinsurer;

(b) the entire group of the investee company: not more than 15% of the respective fund in case of a life insurer or 15% of investment assets in case of a general insurer or reinsurer or 15% of the investment assets in all companies belonging to the group, whichever is lower; and

(c) the industry sector in which the investee company operates: not more than 15% of the fund of a life insurer or a general insurer or a reinsurer or 15% of the investment asset, whichever is lower.

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer and the amount calculated under (a), (b) and (c) above, as the case may be.

* *The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000 million or more but less than ₹2,500,000 million.*

Insurance companies participating in this Issue shall comply with all applicable regulations, guidelines and circulars issued by IRDAI from time to time.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Bank in consultation with the BRLMs reserves the right to reject any Bid, without assigning any reason thereof.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, Eligible FPIs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable law) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Bank in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Bank in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form subject to the terms and conditions that our Bank, in consultation with the BRLMs may deem fit.

Bids by Systemically Important Non-Banking Financial Companies

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) certified copy of its last audited financial statements on a standalone basis and a net worth certificate from its statutory auditor, and (iii) such other approval as may be required by the Systemically Important NBFCs, are required to be attached to the Bid cum Application Form. Failing this, our Bank, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. Systemically Important NBFCs participating in the Issue shall comply with all applicable regulations, guidelines and circulars issued by RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus.

In accordance with existing regulations issued by the RBI, OCBs cannot participate in this Issue.

General Instructions

***Do's*:**

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals. All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

2. Ensure that you have Bid within the Price Band;

3. Read all the instructions carefully and complete the Bid cum Application Form, as the case may be, in the prescribed form;

4. Ensure that you have mentioned the correct ASBA Account number if you are not an RIB bidding using the UPI Mechanism in the Bid cum Application Form and if you are an RIB using the UPI Mechanism ensure that you have mentioned the correct UPI ID (with maximum length of 45 characters including the handle), in the Bid cum Application Form;

5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Centre within the prescribed time;

6. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB, before submitting the ASBA Form to any of the Designated Intermediaries;

7. If the first applicant is not the bank account holder, ensure that the Bid cum Application Form is signed by the account holder. Ensure that you have mentioned the correct bank account number in the Bid cum Application Form;

8. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;

9. Ensure that you request for and receive a stamped acknowledgement counterfoil of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;

10. Ensure that the name(s) given in the Bid cum Application Form is/are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain only the name of the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. Ensure that the signature of the First Bidder is included in the Bid cum Application Forms;

11. RIBs bidding in the Issue to ensure that they shall use only their own ASBA Account or only their own bank account linked UPI ID (only for RIBs using the UPI Mechanism) to make an application in the Issue and not ASBA Account or bank account linked UPI ID of any third party;

12. Ensure that you submit the revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;

13. Ensure that you have correctly signed the authorisation/undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB or Sponsor Bank, as applicable, via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid. In case of RIBs submitting their Bids and participating in the Issue through the UPI Mechanism, ensure that you authorise the UPI Mandate Request raised by the Sponsor Bank for blocking of funds equivalent to Bid Amount and subsequent debit of funds in case of Allotment;

14. Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of the SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the IT Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

15. Ensure that the Demographic Details are updated, true and correct in all respects;

16. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;

17. Ensure that the category and the investor status is indicated;

18. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust, etc., relevant documents are submitted;

19. Ensure that Bids submitted by any person resident outside India is in compliance with applicable foreign and Indian laws;

20. Ensure that the Bidder's depository account is active, the correct DP ID, Client ID, the PAN, UPI ID, if applicable, are mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID, the PAN and UPI ID, if applicable, entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the name, DP ID, Client ID, PAN and UPI ID, if applicable, available in the Depository database;

21. Ensure that when applying in the Issue using UPI, the name of your SCSB appears in the list of SCSBs displayed on the SEBI website which are live on UPI. Further, also ensure that the name of the app and the UPI handle being used for making the application is also appearing in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019;

22. RIBs who wish to revise their Bids using the UPI Mechanism, should submit the revised Bid with the Designated Intermediaries, pursuant to which RIBs should ensure acceptance of the UPI Mandate Request received from the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in the RIB's ASBA Account;

23. Ensure that you have accepted the UPI Mandate Request received from the Sponsor Bank prior to 12:00 p.m. of the Working Day immediately after the Bid/ Issue Closing Date;

24. RIBs shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorize the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the

mandate using his/her UPI PIN, an RIB may be deemed to have verified the attachment containing the application details of the RIB in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to block the Bid Amount mentioned in the Bid Cum Application Form; and

25. Ensure that while Bidding through a Designated Intermediary, the Bid cum Application Form (other than for Anchor Investors and RIBs bidding using the UPI Mechanism) is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at www.sebi.gov.in).

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with. Application made using incorrect UPI handle or using a bank account of an SCSB or SCSBs which is not mentioned in the Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019 is liable to be rejected.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);
3. Do not pay the Bid Amount in cheques, demand drafts or by cash, money order, postal order or by stock invest;
4. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;
5. Do not Bid at Cut-off Price (for Bids by QIBs and Non-Institutional Bidders);
6. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process;
7. Do not submit the Bid for an amount more than funds available in your ASBA account.
8. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of a Bidder;
9. In case of ASBA Bidders, do not submit more than one ASBA Forms per ASBA Account;
10. If you are a RIB and are using UPI mechanism, do not submit more than one ASBA Form for each UPI ID;
11. Anchor Investors should not Bid through the ASBA process;
12. Do not submit the ASBA Forms to any Designated Intermediary that is not authorised to collect the relevant ASBA Forms or to our Bank;
13. Do not Bid on a Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;
14. Do not submit the General Index Register (GIR) number instead of the PAN;
15. Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID, if applicable, or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Issue;
16. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
17. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);
18. Do not submit a Bid/revise a Bid Amount, with a price less than the Floor Price or higher than the Cap Price;
19. Do not submit a Bid using UPI ID, if you are not a RIB;
20. Do not Bid on another ASBA Form or the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;
21. Do not Bid for Equity Shares in excess of what is specified for each category;
22. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for, exceeds the Issue size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus;

23. Do not withdraw your Bid or lower the size of your Bid (in terms of quantity of the Equity Shares or the Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder. Retail Individual Bidders can revise or withdraw their Bids on or before the Bid/Issue Closing Date;

24. Do not submit Bids to a Designated Intermediary at a location other than the Bidding Centres;

25. If you are an RIB which is submitting the ASBA Form with any of the Designated Intermediaries and using your UPI ID for the purpose of blocking of funds, do not use any third party bank account or third party linked bank account UPI ID;

26. Do not Bid if you are an OCD.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Further, in case of any pre-Issue or post Issue related issues regarding share certificates/demat credit/refund orders/unblocking etc., investors shall reach out the Company Secretary and Compliance Officer. For details of Company Secretary and Compliance Officer, see "*General Information*" on page 54.

Names of entities responsible for finalising the basis of allotment in a fair and proper manner

The authorised employees of the Stock Exchanges, along with the BRLMs and the Registrar, shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the procedure specified in SEBI ICDR Regulations.

Method of allotment as may be prescribed by SEBI from time to time

Our Bank will not make any allotment in excess of the Equity Shares through the Issue Document except in case of oversubscription for the purpose of rounding off to make allotment, in consultation with the Designated Stock Exchange. Further, upon oversubscription, an allotment of not more than one per cent of the Net Issue may be made for the purpose of making allotment in minimum lots.

The allotment of Equity Shares to applicants other than to the Retail Individual Bidders and Anchor Investors shall be on a proportionate basis within the respective investor categories and the number of securities allotted shall be rounded off to the nearest integer, subject to minimum allotment being equal to the minimum application size as determined and disclosed.

The allotment of Equity Shares to each Retail Individual Bidders shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Bidders Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Bank in consultation with the BRLMs, in their absolute discretion, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. For Anchor Investors, the payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

(a) In case of resident Anchor Investors: "[●]"

(b) In case of Non-Resident Anchor Investors: "[●]"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Bank and the Syndicate, the Escrow Collection Bank and the Registrar to the Issue to facilitate collections of Bid amounts from Anchor Investors.

Pre- Issue Advertisement

Subject to Section 30 of the Companies Act, 2013, our Bank shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in: (i) [●] editions of [●], a widely circulated English national daily newspaper and (ii) [●] editions of [●], (a widely circulated Hindi national daily newspaper, Hindi also being the regional language of New Delhi, where our Registered Office is located).

In the pre-Issue advertisement, we shall state the Bid/Issue Opening Date and the Bid/Issue Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

The above information is given for the benefit of the Bidders/applicants. Our Bank and the members of the Syndicate are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

(a) Our Bank and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price but prior to the filing of Prospectus.

(b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Issue Price, the Anchor Investor Issue Price, Issue size, and underwriting arrangements and will be complete in all material respects.

Undertakings by our Bank

Our Bank undertakes the following:

- adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders and Anchor Investor Application Form from Anchor Investors;

- the complaints received in respect of the Issue shall be attended to by our Bank expeditiously and satisfactorily;

- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed shall be taken within six Working Days of the Bid/Issue Closing Date or such other period as may be prescribed;

- if Allotment is not made within the prescribed time period under applicable law, the entire subscription amount received will be refunded/unblocked within the time prescribed under applicable law. If there is delay beyond the prescribed time, our Bank shall pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and applicable law for the delayed period;

- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Bank;

- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- Except for Equity Shares that may be allotted pursuant to the conversion of employee stock options granted under the USFB ESOP Plan 2019, the Equity Shares allotted pursuant to the Issue, the USFB ESPS Plan 2019 and the Pre-IPO Placement, no further issue of the Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are unblocked in ASBA Account/refunded on account of non-listing, under-subscription, etc.

Utilisation of Issue Proceeds

Our Board of Directors certifies and declares that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013;

- details of all monies utilised out of the Issue shall be disclosed, and continue to be disclosed till the time any part of the Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and

- details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (*earlier known as Department of Industrial Policy and Promotion*) ("**DPIIT**"), issued the Consolidated FDI Policy Circular of 2017 ("**FDI Policy**"), which, with effect from August 28, 2017, consolidated and superseded all previous press notes, press releases and clarifications on FDI that were in force and effect as on August 27, 2017. The FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI policy and transfer does not attract the provisions of the Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Foreign Exchange Laws

The foreign investment in our Bank is governed by *inter alia* the FEMA, as amended, the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2017 as amended, the FDI Policy issued and amended by way of press notes.

In terms of the FDI Policy and SFB Licensing Guidelines, the aggregate foreign investment in a SFB is allowed up to a maximum of 74% of the paid-up capital of the SFB (automatic up to 49% and approval route beyond 49% up to 74 %). At all times, at least 26% of the paid-up capital will have to be held by residents. In the case of FIIs/FPIs, individual FII / FPI holding is restricted to below 10% of the total paid-up capital. The aggregate limit for all FIIs /FPIs cannot exceed 24% of the total paid-up capital, which can be raised to 49% of the total paid-up capital by the bank concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its shareholders.

In the case of NRIs, the individual holding is restricted to 5% of the total paid-up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10% of the total paid-up capital both on repatriation and non-repatriation basis. However, NRIs holding can be allowed to hold up to 24% of the total paid-up capital both on repatriation and non-repatriation basis provided the shareholders of the SFB pass a special resolution to that effect.

By a resolution of our Board dated July 30, 2019 and a resolution of our Shareholders dated August 3, 2019, our Bank has increased the aggregate limits of its shareholding by FPIs to 49%, and of NRIs (on a repatriation basis) to 24% of its paid-up Equity Share capital. For details, see "*Issue Procedure*" on page 325.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any other applicable law of the United States and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A and referred to in this Draft Red Herring Prospectus as "U.S. QIBs". For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S and pursuant to the applicable laws of the jurisdictions where those offers and sales are made.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Bank. Pursuant to Schedule I of the Companies Act, 2013 and the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Bank are detailed below.

Authorised share capital

The authorized share capital of Ujjivan Small Finance Bank Limited (the "**Bank**") shall be such as given in Clause V of the Memorandum from time to time, with the power to increase or reduce the capital and to issue any part of its capital original or increased with or without any priority or special privilege, subject to the provisions of the 1949 Act, the Act, the Guidelines or any other rules under Applicable.

Alteration of capital

The Bank shall have the power to increase or reduce the authorised capital and to issue any part of its capital original or increased with or without any priority or special privilege subject to compliance with the 1949 Act, the Act, the Guidelines or any other rules under Applicable Law, or subject to any postponement of rights or to any conditions or restrictions so that unless the conditions of issue otherwise prescribe such issue shall be subject to the provisions herein contained.

The Bank in General Meeting may, from time to time, increase the capital by the creation of new shares of such amount as may be deemed expedient.

Subject to the provisions of Section 43 of the Act and Section 12 of the 1949 Act and the Guidelines, the new shares shall be issued upon such terms and conditions and with such rights and privileges as the Bank in General Meeting shall prescribe, and in particular, such shares may be issued, subject to the 1949 Act and circulars that may be issued by the RBI from time to time, with a special or qualified right to dividend and in the distribution of assets of the Bank.

Any issue of shares which results in a Person (by himself or acting in concert with any other Person) acquiring 5% or more of the paid-up Equity Share capital or voting rights of the Bank shall be made with prior approval of RBI.

Power to sub- divide and consolidate

The Bank may, by ordinary resolution, from time to time, subject to Section 61 of the Act, alter the conditions of Memorandum as follows:

a. Consolidate and divide all or any its share capital into shares of larger amount than its existing shares;

b. Sub- divide its existing shares or any of them into shares of smaller amount than is fixed by Memorandum;

c. Cancel any shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

d. Convert all or any one its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination.

Allotment of shares

Subject to the provisions of the Act, 1949 Act and these Articles the shares in the capital of the Bank for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or at a discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in General Meeting, to give to any person the option or right to call for or be allotted shares of any class of the Bank either at par or at premium such option being exercisable at such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Bank on payment in full or part of any property sold and transferred or for any services rendered to the Bank in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that the option or right to call for shares shall not be given to any person or persons without the sanction of the Bank in the General Meeting.

Forfeiture and lien

If any Member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter while the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Bank by reason of such non-payment. The provisions of forfeiture shall apply in the case of non- payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

The Bank shall have no lien on its fully paid-up shares.

The Bank shall have a first and paramount lien (i) on every share to the extent of all moneys called or payable at a fixed time in respect of such shares and (ii) on all shares/ debentures (not being fully paid-up) standing registered in the name of a single person, for all monies presently payable by him or his estate to the Bank. If a member fails to pay any call, or instalment on or before the day appointed for the payment of the same, the Board may at any time thereafter, during such time as the call or instalment remain unpaid, serve notice on such member requiring him to pay the same together with any interest that may have accrued and expenses that may have been incurred by the Bank by reasons of such non-payment.

Shares

When at any time the Bank proposes to increase the subscribed capital of the Bank by the issue of new shares, then subject to any decision which may be taken by the Bank in General Meeting, such new shares shall be offered to such persons as specified in the Act and these Articles.

Nothing in this Article shall apply to the increase of the subscribed capital of the Bank caused by the exercise of an option attached to the debentures issued or loans raised by the Bank to convert such debentures or loans into shares of the Bank or subscribe to shares of the Bank in accordance with the provisions of the 1949 Act and guidelines issued by the RBI from time to time. Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a Special Resolution passed by the Bank in a General Meeting.

Subject to the provisions of the Act, 1949 Act and these Articles the shares in the capital of the Bank for the time being (including any shares forming a part of any increased capital of the Bank) shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par (and subject to compliance with applicable law) at a discount and at such times as they may from time to time think fit and proper, and with full power with the sanction of the Bank in General Meeting, to give to any person the option or right to call for or be allotted shares of any class of the Bank either at par or at premium such option being exercisable at such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the Bank on payment in full or part of any property sold and transferred or for any services rendered to the Bank in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that the option or right to call for shares shall not be given to any person or persons without the sanction of the Bank in the General Meeting.

Any application signed by the applicant for shares in the Bank, followed by an allotment of any shares therein, shall on acceptance of the shares by him within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of the Act and these Articles, be a Member of the Bank.

Every Member shall pay to the Bank the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereof, in such amounts, at such time or times and in such manner as the Board of Directors shall from time to time, in accordance with these Articles, require or fix for the payment thereof.

The Bank shall cause to be kept a Register of Members, an index of Members, a register of debenture holders and an index of debenture holders in accordance with Section 88 of the Act.

Subject to Section 89 of the Act and save as herein otherwise provided, the Bank shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof.

Certificate

The certificates of title to shares shall be issued under the Companies (Share Capital and Debentures) Rules, 2014 and other relevant provisions under Applicable Law.

Unless where the shares are issued in dematerialized form, every Member or allottee of shares shall be entitled, without payment, to receive within 2 months after incorporation, in case of subscribers to the Memorandum or after allotment or within 1 month after the application for the registration of transfer or transmission, or within such other period as per the conditions of issue or Applicable Law:

(a) One certificate for all his shares without payment of any charge; or

(b) Several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

On listing of the shares of the Bank on a recognised stock exchange, the share certificates shall be generally issued in marketable lots and where share certificates are issued in lots other than marketable lots, subdivision, and consolidation of share certificates into marketable lots shall be done by the Bank free of charge.

Every certificate shall specify the name of the person in whose favour it is issued. Every share shall be distinguished by its appropriate number and shall specify the shares to which it relates and the amount paid-up thereon.

No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or where the pages on the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the Bank. Duplicate share certificates may be issued in lieu of those that are lost or destroyed or in replacement of those which are defaced, torn, old, decrepit, worn out with the prior consent of the Board and on such reasonable terms, as the Board may think fit. The Bank shall make entry of such share certificates issued in the register of renewed and duplicate share certificates in such manner and within such timeframe prescribed in the Act.

In respect of any share or shares held jointly by several persons, the Bank shall not be bound to issue more than one share certificate. The certificates of shares registered in the names of two or more persons shall be delivered to any one of such persons named in the Register, which shall be sufficient delivery to all such holders.

The provisions above shall mutatis mutandis apply to debentures of the Bank.

Transfer and transmission of shares

No transfer shall be registered unless a proper instrument of transfer has been delivered to the Bank. Every such instrument of transfer shall be duly stamped and executed both by the transferor and transferee and duly attested. The instrument of transfer of any share shall be in the prescribed form and in accordance with the requirements of sub-section (1) of Section 56 of the Act. The transferor shall be deemed to remain as the holder of such share until the name of the transferee shall have been entered in the Register in respect thereof.

The Board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of shares. Further, except in case of transmission or transposition of Equity Shares, requests for effecting transfer of Equity Shares shall not be processed unless the Equity Shares are held in dematerialized form with a depository.

Any transfer of shares which results in a Person (by himself or acting in concert with any other Person) acquiring 5% (five per cent) or more of the paid-up Equity Share capital or voting rights of the Bank shall be made with prior approval of RBI. No person/ group of persons shall acquire or agree to acquire directly or indirectly by himself or acting in concert with any other person, any shares of the Bank or voting rights therein, in contravention of the provisions of the 1949 Act or the Guidelines.

If the Board of Directors refuses to register a transfer of any shares, they shall, within 15 days from the date on which the transfer was lodged with the Bank, send to the transferee and the transferor notice of the refusal.

The legal heir, nominee, executors or administrators of a deceased Member shall be the only persons recognised by the Bank as having any title to his share except in cases of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be so recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Bank shall not be bound to recognise such executor or administrator, unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a competent court in India. Provided nevertheless that in cases, which the Board in its discretion considers to be special cases and in such cases only, it shall be lawful for the Board to dispense with the production of probates or letters of administration or such other legal representations upon such terms as to indemnity, publication of notice or otherwise as the Board may deem fit.

Every transmission of a share shall be verified in such manner as the Board of Directors may require and the Bank may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Bank with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation of the Bank or the Board of Directors to accept any indemnity. The Bank shall ensure that transmission requests are processed for securities held in dematerialized mode and physical mode within seven days and twenty one days respectively, after receipt of the specified documents.

The provisions of these Articles shall mutatis mutandis apply to the transfer of debentures and other securities of the Bank or transmission thereof by operation of law.

Buyback

Subject to the provisions of Section 68 to 70 of the Act, provisions of 1949 Act and guidelines issued by the RBI from time to time, FEMA and any other Applicable Law for the time being in force, the Bank may purchase its own shares or specified securities in such manner as may be prescribed.

Borrowing powers

The Board may, from time to time by a resolution passed at a meeting of the Board, borrow money for the purposes of the Bank. Subject to the provisions of the Act, the 1949 Act and guidelines issued by the RBI from time to time, and these Articles, the Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. Provided that the Board of Directors shall not borrow money except with the approval of the Bank in General Meeting by Special Resolution, where money to be borrowed together with the money already borrowed by the Bank, apart from temporary loans obtained in its ordinary course of business and except as otherwise provided hereafter, shall exceed the aggregate of the paid-up capital of the Bank and its free reserves or limits as set under the Act.

Provided that nothing contained herein above shall apply to: (i) any sums of money borrowed by the Bank from any other banking companies or from the RBI, or any other scheduled banks established by or under any law for the time being in force; and (ii) acceptance by the Bank in the ordinary course of business of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

Issue of Bonus Shares

The Bank may issue fully paid-up bonus shares to its Members in accordance with the provisions of Section 63 of the Act, 1949 Act and Applicable Laws subject to such terms and conditions as may be prescribed from time to time.

General Meetings

All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.

Meetings of Directors

The Directors may meet together at a Board for the dispatch of business from time to time, and at least 4 such meetings shall be held in every year with a time gap of not more than 120 days. The Directors may adjourn and otherwise regulate their meetings and proceedings as they may think fit. Notice of every meeting of the Board of Directors shall be given in writing to every Director at his usual address in India and, in the case of any Director residing abroad, such notice shall also be given by fax to such Director’s fax number abroad. A notice of the Board meeting may also be served electronically.

Subject to Section 174 of the Act, the quorum for a meeting of the Board of Directors shall be 1/3rd of its total strength, or 2 Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to 2/3rd of the total strength of the number of the remaining Directors, that is to say, the number of Directors who are not interested and present at the meeting being not less than 2, shall be the quorum during such time. Subject to the Act, participation of the Directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum. If a meeting of the Board cannot be held for want of quorum, then the meeting shall stand adjourned to such day, time and place as the Director or Directors present at the meeting may fix.

A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all authority, powers and discretions which by or under the Act or the Articles of the Bank are for the time being vested in or exercisable by the Board of Directors generally.

The Board of Directors may constitute such committees of Directors as may be required under the Act or 1949 Act or other Applicable Laws as may be applicable from time to time. The Directors may subject to the provisions of the Act and the 1949 Act, delegate any of their powers to committees consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors.

The Bank shall cause minutes of the proceedings of every meeting of the Board of Directors and of every committee of the Board to be recorded in accordance with the relevant provisions of Section 118 of the Act, within 30 days of the conclusion of every such meeting and the minutes shall contain the matters specified in the said section.

The Bank shall maintain such registers, books and documents as may be required under the Act and 1949 Act.

Managing Directors

Subject to the provisions of the Act and the previous approval of the RBI if required under the 1949 Act, a Managing Director may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit and may be removed by means of a resolution of the Board. Further, the Bank may appoint such number of Directors as the Managing Director as it deems fit, subject to the requisite approval from the RBI and other Applicable Laws.

A Managing Director whose term of office has come to an end, either by reason of his resignation or by reason of expiry of the period of his office, shall, subject to the approval of the RBI, continue in office until his successor assumes office. Further, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation under the Act or these Articles but he shall, subject to the provisions of any contracts between him and the Bank, be subject to the same provisions as to resignation and removal as the other Directors of the Bank and he shall ipso facto immediately cease to be a Managing Director if he ceases to hold the office of Director for any cause.

Appointment of Directors

(a) Until otherwise determined by the General Meeting, the number of Directors on the Board of the Bank shall not be less than 3 (three) or more than 15 (fifteen). Majority of the Board of Directors shall include persons with professional and other experience as required under the 1949 Act. The Bank shall appoint such number of Independent Directors and woman Director as may be required under the Act, 1949 Act or any other Applicable Law for the time being in force. Subject to Sections 152, 160 and other applicable provisions of the Act and 1949 Act, one third of the total number of Directors of the Bank may be non-retiring Directors.

(b) If it is provided by any trust deed, securing or otherwise, in connection with any issue of debentures of the Bank, that any person or persons shall have powers to nominate a Director of the Bank, then in the case of any and every such issue of debentures, the person or persons having such power may exercise, such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as a "Debenture Director". A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place.

Extra-ordinary general meeting

The Board may, whenever it thinks fit, call an Extra- Ordinary General Meeting.

Votes of Members

Subject to the provisions of the Act, votes may be given either personally or by an attorney or by Proxy or, in the case of a body corporate, by a representative duly authorised under Section 113 of the Act. A Member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, (i) on a show of hands, every Member present in person shall have one vote; and (ii) on a poll, the voting rights of Members shall be in proportion to his share in paid-up equity share capital. Provided however that the voting rights shall be subject to the restrictions imposed under Section 12 of the 1949 Act.

A body corporate (whether a company within the meaning of the Act or not) may if it is duly authorised by a resolution of its Directors or other governing body, appoint a person to act as its representative at any meeting in accordance with the provisions of section 113 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director of such body corporate or by a Member of its governing body and certified by him as being a true copy of the resolution shall on production at the meeting be accepted by the Bank as sufficient evidence of the validity of his appointment.

Any Member of the Bank entitled to attend and vote at a meeting of the Bank shall be entitled to appoint any other person (whether a Member or not) as his Proxy to attend and vote instead of himself, but a Proxy so appointed shall not have any right to speak at the meeting.

No Member shall be entitled to vote at any General Meeting either personally or by Proxy or as Proxy for another Member or be reckoned in a quorum while any call or other sum shall be due and payable to the Bank in respect of any of the shares of such Member or in respect of any shares on which the Bank has or had exercised any right of lien.

Dividend

No dividend shall be declared or paid by the Bank for any Financial Year, unless requirement of Sections 15, 17 and other applicable provisions, if any, of the 1949 Act are complied with.

Subject to the provisions of Section 123 of the Act, the Board may from time to time pay interim dividends as they deem fit and justified by the profits of the Bank.

The Bank may in General Meeting subject to Sections 123 and other applicable provisions of the Act and 1949 Act, declare dividends, to be paid to Members according to their respective right but no dividend shall exceed the amount recommended by the Board of Directors. No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits or otherwise than in accordance with the provisions of Sections 123 of the Act or any other law for the time being in force and no dividend shall carry interest as against the Bank unless required by law. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such shares shall rank for dividend accordingly.

Unpaid or Unclaimed Dividend

Unclaimed / unpaid dividend shall not be forfeited by the Board. However, if it remains unclaimed / unpaid for a period beyond that specified under the Act, the same shall be transferred to the Investor Education and Protection Fund.

Where a dividend has been declared by the Bank but has not been paid or claimed within 30 days from the date of the declaration, the Bank shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid / unclaimed to a special account to be opened by the Bank in that behalf in any Scheduled Bank to be called "Unpaid Dividend Account of Ujjivan Small Finance Bank Limited." and all the other provisions of Sections 123 and 124 of the Act in respect of any such unpaid dividend or any part thereof shall be applicable, observed, performed and complied with.

No dividend shall be payable except in cash; Provided that nothing in this Article shall be deemed to prohibit the capitalisation of profits of the Bank for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the Members of the Bank.

No dividend shall bear interest against the Bank.

Winding Up

Subject to the provisions of 1949 Act and Chapter XX of the Act and the rules made thereunder:

(1) If the Bank shall be wound up, the liquidator may, with the sanction of a shareholders resolution as necessary and any other sanction required by the Act, divide amongst the Members, in specie or kind, the whole or any part of the assets of the Bank, whether they shall consist of property of the same kind or not.

(2) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as among the Members or different classes of Members.

(3) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Every officer or agent for the time being of the Bank shall be indemnified out of the funds of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the Court or the Tribunal.

Subject to the provisions of Section 197 of the Act, no Director, Managing Director & CEO or whole time Director or other officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any respect of other act for conformity or for any loss or expenses happening to the Bank through the insufficiency or deficiency of title to any property acquired by order of the Directors in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, company or corporation with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission or default or oversight on his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus/ Prospectus which will be delivered to the RoC for registration. Copies of the contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all Working Days from date of the Red Herring Prospectus until the Bid/ Issue Closing Date.

A. Material Contracts for the Issue

a) Issue Agreement dated August 14, 2019 between our Bank and the BRLMs.

b) Registrar Agreement dated August 14, 2019 between our Bank and the Registrar to the Issue.

c) Cash Escrow and Sponsor Bank Agreement dated [●] between our Bank, the Registrar to the Issue, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s), Sponsor Bank, Public Issue Bank and the Refund Bank(s).

d) Syndicate Agreement dated [●] between our Bank, the BRLMs, the Registrar to the Issue and Syndicate Members.

e) Underwriting Agreement dated [●] between our Bank and the Underwriters.

B. Material Documents

a) Certified copies of the updated Memorandum and Articles of Association of our Bank as amended from time to time.

b) Certificate of incorporation dated July 4, 2016 issued by the RoC to our Bank, in the name of Ujjivan Small Finance Bank.

c) RBI In-Principle Approval.

d) RBI Final Approval.

e) RBI letter bearing no. DBS. ARS. No. 497/08.58.005/2019-20 dated July 17, 2019 approving the appointment of MSKA & Associates, Chartered Accountants as the statutory auditors of our Bank for the Fiscal 2019-20.

f) RBI letter bearing no. DBR. Appt. No. 8855/29.44.007/2016-17 dated January 30, 2017 read with RBI letter bearing no. DBR. Appt. No. 5637/29.44.007/2017-18 dated December 15, 2017, approving the appointment of Samit Kumar Ghosh as the the Managing Director and Chief Executive Officer of our Bank until November 30, 2019.

g) RBI letter bearing no. DBR. Appt. No. 8855/29.44.007/2016-17 dated January 30, 2017, approving the appointment of Sunil Vinayak Patel as the Part-Time Chairman of our Bank for a period of three years from the date of his taking charge.

h) Business transfer agreement dated January 12, 2017 entered into between UFSL and our Bank and the addendum agreement dated February 9, 2017 to the Business Transfer Agreement.

i) Agreement dated February 10, 2017 entered into between UFSL and our Bank in connection with the Business Transfer Agreement.

j) Licensing agreement dated August 22, 2017 entered into between UFSL and our Bank in connection with the licensing of certain trademarks to our Bank.

k) Assignment agreement dated January 28, 2017 entered into between UFSL and our Bank in connection with the transfer of the loan portfolio of UFSL to our Bank.

l) Resolutions of the Board of Directors dated July 30, 2019, authorising the Issue and other related matters.

m) Shareholders' resolution dated August 3, 2019, in relation to this Issue and other related matters.

n) Board and shareholders resolutions dated July 26, 2016 and July 27, 2016, respectively, approving the appointment of Samit Kumar Ghosh as our Managing Director.

o) Board and shareholders resolutions dated May 28, 2019 and July 12, 2019, respectively, approving the appointment of Nitin Chugh as our Managing Director and Chief Executive Officer with effect from December 1, 2019.

p) RBI letter bearing no. DBR. Appt. No. 9611/29.44.007/2018-19 dated May 14, 2019, approving the appointment of Nitin Chugh as the Managing Director and Chief Executive Officer of our Bank for a period of three years with effect from December 1, 2019.

q) Letter dated April 22, 2019 written by our Bank to RBI seeking in-principle approval to understand a merger of UFSL and our Bank and RBI letter dated June 6, 2019 stating that it would examine the proposal for merger of UFSL and our Bank.

r) Copies of the annual reports of our Bank for the Fiscals 2019, 2018 and 2017.

s) The examination report of the Statutory Auditor, on our Bank's Restated Financial Statements, included in this Draft Red Herring Prospectus along with the Restated Financial Statements.

t) The statement of special tax benefits dated August 14, 2019 from the Statutory Auditors.

u) Written consent of the Directors, the BRLMs, the Syndicate Members, Domestic Legal Counsel to our Bank, Legal Counsel to the BRLMs as to Indian Law, International Legal Counsel to the BRLMs, Registrar to the Issue, Escrow Collection Bank(s), Public Issue Account Bank(s), Refund Bank(s), Sponsor Bank, Company Secretary and Compliance Officer as referred to in their specific capacities.

v) Written consent dated August 14, 2019 of the Statutory Auditor, MSKA & Associates, Chartered Accountants to include their name as required under Section 26(5) of the Companies Act, 2013 in this Red Herring Prospectus and as an "expert" as defined under Section 2(38) of the Companies Act, 2013.

w) Report titled '*Industry Report – Small Finance Bank (SFBs)*' dated July 2019, issued by CRISIL Limited

x) Board resolution dated August 14, 2019 approving the Draft Red Herring Prospectus.

y) Due diligence certificate dated August 14, 2019, addressed to SEBI from the BRLMs.

z) In principle listing approvals dated [•] and [•], issued by BSE and NSE, respectively.

aa) SEBI observation letter dated [•].

bb) Tripartite agreement dated January 22, 2019 between our Bank, NSDL and the Registrar to the Issue.

cc) Tripartite agreement dated January 14, 2019, between our Bank, CDSL and the Registrar to the Issue.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Bank or if required by the other parties, without notice to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act and the guidelines/regulations issued by the Government of India or the guidelines/regulations issued by the Securities and Exchange Board of India, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, the SCRR, the SEBI Act or rules made or guidelines or regulations issued there under, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY DIRECTORS OF OUR BANK

Sunil Vinayak Patel
Part-Time Chairman and Independent Director

Samit Kumar Ghosh
Managing Director and Chief Executive Officer

Jayanta Kumar Basu
Non-Executive Director

Vandana Viswanathan
Non-Executive Director

Chitra Kartik Alai
Non-Executive Nominee Director

Sachin Bansal
Independent Director

Luis Miranda
Independent Director

Biswamohan Mahapatra
Independent Director

Prabal Kumar Sen
Independent Director

Nandlal Laxminarayan Sarda
Independent Director

Mona Kachhwaha
Independent Director

Mahadev Lakshminarayanan
Independent Director

SIGNED BY CHIEF FINANCIAL OFFICER

Upma Goel

Place: Bengaluru

Date: August 14, 2019