(Please scan this QR code to view the Letter of Offer)

Letter of Offer
Dated: December 19, 2024
For Eligible Equity Shareholders only

DHANLAXMI BANK LIMITED

Our Bank was originally incorporated as '*The Dhanalakshmi Bank Limited*' on November 14, 1927, under the Indian Companies Act, 1913 and a certificate of incorporation was granted to our Bank by the Assistant Registrar of Joint Stock Companies, India. It became a scheduled commercial bank in 1977 under the Second Schedule of the Reserve Bank of India Act, 1934. Subsequently, the name of our Bank was changed to '*Dhanlaxmi Bank Limited*' pursuant to which a fresh certificate of incorporation was granted on August 10, 2010, by the Registrar of Companies Kerala & Lakshadweep at Kochi ("**RoC**").

Registered Office: Dhanalakshmi Building, Naickanal, Thrissur 680 001, Kerala, India;
Corporate Office: Punkunnam, Thrissur - 680 002, Kerala, India**;**
Contact Person: Venkatesh. H, Company Secretary and Compliance Officer;
Tel: 0487-2999711**; E-mail**: investors@dhanbank.co.in; **Website**: www.dhanbank.com;
Corporate Identity Number: L65191KL1927PLC000307

OUR BANK IS A PROFESSIONALLY MANAGED COMPANY AND DOES NOT HAVE A PROMOTER

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF DHANLAXMI BANK LIMITED (THE "BANK" OR THE "ISSUER") ONLY

ISSUE OF UP TO 14,16,86,767 EQUITY SHARES OF FACE VALUE OF ₹10 EACH OF OUR BANK (THE "RIGHTS EQUITY SHARES") FOR CASH AT A PRICE OF ₹21.00 PER RIGHTS EQUITY SHARE (INCLUDING A PREMIUM OF ₹11.00 PER RIGHTS EQUITY SHARE) AGGREGATING UP TO ₹297.54 CRORE* ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR BANK IN THE RATIO OF 14 RIGHTS EQUITY SHARES FOR EVERY 25 FULLY PAID-UP EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON FRIDAY, DECEMBER 27, 2024 ("RECORD DATE") (THE "ISSUE"). FOR FURTHER DETAILS, SEE "*Terms of the Issue*" ON PAGE 242.

**Assuming full subscription with respect to Rights Equity Shares*

WILFUL DEFAULTERS OR FRAUDULENT BORROWERS

Neither our Bank nor any of our Directors have been or are identified as Wilful Defaulters or Fraudulent Borrowers.

GENERAL RISKS

Investment 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 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 securities being offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (the "**SEBI**") nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer. Specific attention of investors is invited to the statement of "*Risk Factors*" on page 18 before making investment in this Issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer 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 Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**"), and together with BSE, the "**Stock Exchanges**"). Our Bank has received the "in-principle" approvals from BSE and NSE for listing the Rights Equity Shares to be allotted pursuant to the Issue through their letters dated December 4, 2024, and December 13, 2024**,** respectively. Our Bank will also make applications to BSE and NSE to obtain trading approvals for the Rights Entitlements as required under the SEBI ICDR Master Circular. For the purposes of the Issue, the Designated Stock Exchange is NSE.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
BOBCAPS TRUST | INNOVATION | EXCELLENCE	KFINTECH EXPERIENCE TRANSFORMATION
BOB CAPITAL MARKETS LIMITED 1704, B Wing, 17th Floor Parinee Crescenzo Plot No. C –38/39 G Block Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India **Tel**: +91 22 6138 9353 **E-mail**: dlb.rights@bobcaps.in **Investor Grievance ID**: investorgrievance@bobcaps.in **Website**: www.bobcaps.in **Contact person**: Nivedika Chavan **SEBI Registration No.**: INM000009926	**KFIN TECHNOLOGIES LIMITED** Selenium Tower B, Plot No.31 & 32 Financial District, Nanakramguda Serilingampally Hyderabad, Rangareddi - 500 032 Telangana, India **Tel:** +91 1800 309 4001/ + 91 40 6716 2222 **E-mail**: dhanlaxmi.rights@kfintech.com **Investor Grievance E-mail**: einward.ris@kfintech.com **Website**: www.kfintech.com **Contact Person**: M. Murali Krishna **SEBI Registration No.**: INR000000221

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR ON MARKET RENUNCIATION*	ISSUE CLOSES ON**
Wednesday, January 08, 2025	Thursday, January 23, 2025	Tuesday, January 28, 2025

**Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat accounts of the Renouncees on or prior to the Issue Closing Date.*

***Our Board or the Equity Issuance Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

This Letter of Offer uses certain definitions and abbreviations which, unless the context otherwise indicates or implies or unless otherwise specified, shall have the meaning as provided below.

References to any legislation, act, regulation, rule, guideline, policy, circular, notification or clarification will be deemed to include all amendments, supplements, reenactments and modifications thereto from time to time, and any reference to a statutory provision shall include any subordinate legislation made from time to time thereunder. The words and expressions used but not defined in this Letter of Offer will have the same meaning as assigned to such terms under the Companies Act, the SEBI Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act and the rules and regulations made thereunder, as applicable.

*The following list of capitalised terms used in this Letter of Offer is intended for the convenience of the reader/prospective investor only and is not exhaustive. However, terms used in "**Summary of Letter of Offer", "Statement of Special Tax Benefits", "Financial Statements", "Outstanding Litigations and Defaults"** and **"Terms of the Issue**" on pages 16, 56, 100, 230 and 242, respectively, shall, unless indicated otherwise, have the meanings ascribed to such terms in the respective sections.*

General Terms

Term	Description
"Bank", "Our Bank", "the Bank", or "Issuer"	Dhanlaxmi Bank Limited, a public limited company incorporated under the Indian Companies Act, 1913, whose registered office is situated at Dhanalakshmi Building, Naickanal, Thrissur 680 001, Kerala, India.

Bank Related Terms

Term	Description
"Articles of Association" or "Articles"	Articles of association of our Bank, as amended from time to time
Audit Committee	The audit committee of our Board
Audited Financial Statements	The audited standalone financial statements of the Bank as of and for the year ended March 31, 2024, which comprise the balance sheet, the profit and loss account, the cash flow statement, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, prepared in accordance with Indian GAAP, the Banking Regulation Act, the circulars and guidelines issued by the RBI from time to time, and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013
"Auditors" or "Statutory Auditors" or "Joint Statutory Auditors"	The current joint statutory auditors of our Bank, namely, M/s. Abraham & Jose, Chartered Accountants and M/s. Sagar and Associates
"Board of Directors", or "Board" or "our Board"	The board of directors of our Bank or any duly constituted committee thereof
Chief Financial Officer	The chief financial officer of our Bank, being Kavitha T. A.
Company Secretary and Compliance Officer	The company secretary and compliance officer of our Bank, being Venkatesh. H
Corporate Office	Corporate office of our Bank situated at Punkunnam Thrissur - 680 002, Kerala, India
Director(s)	The director(s) on our Board, as disclosed in "*Our Management*" on page 95
Equity Issuance Committee	The equity issuance committee of our Bank constituted through a Board resolution dated October 22, 2024 comprising of K.N. Madhusoodanan (Chairman and Non-Executive Independent Director), Ajith Kumar K.K (Managing Director and Chief Executive Officer), G. Rajagopalan Nair (Non-Executive Independent Director), Sreesankar Radhakrishnan (Non-Executive Independent Director), Nirmala Padmanabhan (Non-Executive Independent Director), Vardhini Kalyanaraman (Non-Executive Independent Director), and Jineesh Nath C.K (Non-Executive Non-Independent Director).

Term	Description
"Equity Shareholder(s)" or "Shareholder(s)"	A holder of Equity Shares
Equity Shares	Equity shares of face value of ₹10 each of our Bank
Group Companies	Group companies of our Bank as determined in terms of Regulation 2(1)(t) of SEBI ICDR Regulations
"Independent Director(s)" or "Non-Executive Independent Director(s)"	A non-executive & independent director as per the Companies Act, 2013 and the SEBI Listing Regulations. For details, see "*Our Management*" beginning on page 95
"Key Managerial Personnel" or "KMP"	Key managerial personnel of our Bank in terms of Regulation 2(1)(bb) of the SEBI ICDR Regulations, as disclosed in "*Our Management*" on page 95
Managing Director and Chief Executive Officer	The managing director and chief executive officer of our Bank, being Ajith Kumar K.K
Materiality Threshold	Materiality threshold adopted by our Board by way of its resolution dated November 29, 2024, in relation to the disclosure of outstanding civil litigation, where the amount involved is equal to or in excess of ₹ 2.38 crore (being 5% percent of the average of absolute value of profit after tax, as per the last three audited financial statements of our Bank) in conformity with the '*Policy on Disclosure of Material Events / Information'* framed in accordance with Regulation 30 of the SEBI Listing Regulations and adopted by our Board.
Memorandum of Association	Memorandum of association of our Bank, as amended from time to time
"Nomination and Remuneration Committee"	Nomination and remuneration committee of our Board of Directors.
RBI Additional Director(s)	Director(s) appointed by the RBI on the Board, in accordance with the powers conferred to it under Regulation 36AB of the Banking Regulation Act
Reformatted Audited Financial Statements	The reformatted audited standalone financial statements of the Bank as of and for the year ended March 31, 2024, (along with comparatives for the financial year ended March 31, 2023) which comprise the reformatted audited standalone balance sheet, the reformatted audited standalone profit and loss account, the reformatted audited standalone cash flow statement, and reformatted notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information, prepared in accordance with Indian GAAP, the Banking Regulation Act, the circulars and guidelines issued by the RBI from time to time, and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013
Reformatted Unaudited Financial Statements	The reformatted unaudited interim condensed standalone financial statements of the Bank as at and for the six-month period ended September 30, 2024, which comprise the reformatted unaudited interim condensed standalone balance sheet as at September 30, 2024, the reformatted unaudited interim condensed standalone profit and loss account and the reformatted unaudited interim condensed standalone cash flow statement and the reformatted unaudited interim condensed segment wise results for the six month period ended September 30, 2024, and summary of select explanatory notes. (along with comparative limited review standalone financial results of our Bank as at and for the six-months period ended September 30, 2023)
Registered Office	Registered office of our Bank situated at Dhanalakshmi Building, Naickanal, Thrissur 680 001, Kerala, India
"Senior Management Personnel" or "SMP"	Senior management personnel of our Bank determined in accordance with Regulation 2(1)(bbbb) of the SEBI ICDR Regulations, and as disclosed in "*Our Management*" on page 95
Unaudited Financial Statements	The unaudited standalone financial statements of the Bank as at and for the six-month period ended September 30, 2024, which comprise the unaudited balance sheet as at September 30, 2024, the unaudited profit and loss account and the unaudited cash flow statement for the six month period ended September 30, 2024, and summary of select explanatory notes

Issue Related Terms

Term	Description
"Abridged Letter of Offer" or "ALOF"	The abridged letter of offer to be sent to the Eligible Equity Shareholders of our Bank with respect to the Issue in accordance with the provisions of the SEBI ICDR Regulations and the Companies Act
Additional Rights Equity Shares	The Rights Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement
"Allotment" or "Allot" or "Allotted"	Allotment of Rights Equity Shares pursuant to the Issue
Allotment Accounts	The account(s) opened with the Banker to the Issue, into which the Application Money, with respect to successful Applicants will be transferred on the Transfer Date in accordance with Section 40(3) of the Companies Act, 2013
Allotment Account Bank(s)	Banks which are clearing members and registered with SEBI as bankers to an issue and with whom the Allotment Accounts will be opened, in this case being, Axis Bank Limited.
Allotment Advice	The note or advice or intimation of Allotment sent to each successful Applicant who has been or is to be Allotted the Rights Equity Shares pursuant to the Issue after approval of the Basis of Allotment by the Designated Stock Exchange
Allotment Date	Date on which the Allotment is made pursuant to the Issue
Allottee(s)	Person(s) to whom the Rights Equity Shares are Allotted pursuant to the Issue
"Applicant(s)" or "Investor(s)"	Eligible Equity Shareholder(s) and/or Renouncee(s) who are entitled to make an application for the Rights Equity Shares pursuant to the Issue in terms of this Letter of Offer
Application	Application made through submission of the Application Form or plain paper Application to the Designated Branch(es) of the SCSBs or online/ electronic application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process, to subscribe to the Rights Equity Shares at the Issue Price
Application Form	Unless the context otherwise requires, an application form used (including online application form available for submission of application through the website of SCSBs (if made available by such SCSBs) under the ASBA Process) by an Applicant to make an application for the Allotment of Rights Equity Shares in this Issue
Application Money	Aggregate amount payable at the time of Application, i.e. ₹ 21.00 per Rights Equity Share in respect of the Rights Equity Shares applied for in this Issue at the Issue Price
"Application Supported by Blocked Amount" or "ASBA"	Application (whether physical or electronic) used by Applicant(s) to make an application authorising the SCSB to block the Application Money in a specified bank account maintained with the SCSB
ASBA Account	An account maintained with SCSBs and as specified in the Application Form or plain paper Application, as the case may be, by the Applicant for blocking the amount mentioned in the Application Form or in the plain paper Application
ASBA Circulars	Collectively, SEBI circular bearing reference number SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009, SEBI circular bearing reference number CIR/CFD/DIL/1/2011 dated April 29, 2011, SEBI ICDR Master Circular (to the extent it pertains to the rights issue process) and any other circular issued by SEBI in this regard and any subsequent circulars or notifications issued by SEBI in this regard
Banker to the Issue	Collectively, Allotment Account Bank and the Refund Bank, being Axis Bank Limited
Banker to the Issue Agreement	Agreement dated December 19, 2024 entered into by and among our Bank, the Registrar to the Issue, the Lead Manager and the Banker to the Issue for among other things, collection of the Application Money from Applicants/Investors, transfer of funds to the Allotment Account and where applicable, refunds of the amounts collected from Applicants/Investors, on the terms and conditions thereof
BOBCAPS	BOB Capital Markets Limited
Basis of Allotment	The basis on which the Rights Equity Shares will be Allotted to successful Applicants in consultation with the Designated Stock Exchange in this Issue, as described in "*Terms of the Issue*" on page 242
Controlling Branches / Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on SEBI updated from time to time, or at such other website(s) as may be prescribed by the SEBI from time to time

Term	Description
Demat Suspense Account	A demat suspense escrow account (namely, 'Dhanlaxmi Bank Limited RE Unclaimed Suspense Account' opened with the Stock Holding Corporation of India Limited). For further details, please see "*Terms of the Issue*" on page 242
Demographic Details	Details of Investors including the Investor's address, PAN, DP ID, Client ID, bank account details and occupation, where applicable.
Depository(ies)	NSDL and CDSL or any other depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 as amended from time to time, read with the Depositories Act, 1996
Designated Branch(es)	Such branches of the SCSBs which shall collect the Applications, as the case may be, used by the Investors and a list of which is available on the website of SEBI and/or such other website(s) as may be prescribed by the SEBI from time to time
Designated Stock Exchange	NSE
Eligible Equity Shareholder(s)	Existing Equity Shareholders as at the Record Date. Please note that only those Equity Shareholders who have provided an Indian address to our Bank are eligible to participate in the Issue. For further details, please see "*Notice to Investors*" and "*Restrictions on Purchases and Resales*" on pages 11 and 273, respectively
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations
Fraudulent Borrower	Fraudulent Borrower(s) as defined under Regulations 2(1)(lll) of the SEBI ICDR Regulations
"Issue" or "Rights Issue"	This issue of up to 14,16,86,767 Equity Shares of face value of ₹10 each of our Bank for cash at a price of ₹21.00 (including a premium of ₹11.00 per Rights Equity Share) aggregating to ₹ 297.54 crore* on a rights basis to the Eligible Equity Shareholders of our Bank in the ratio of 14 Rights Equity Share for every 25 fully paid-up Equity Shares held by the Eligible Equity Shareholders on the Record Date **Assuming full subscription with respect to Rights Equity Shares. Subject to finalization of the Basis of Allotment.*
Issue Agreement	Issue agreement dated December 19, 2024 between our Bank and the Lead Manager, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Closing Date	Tuesday, January 28, 2025
Issue Materials	Collectively, the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and any other material relating to the Issue
Issue Opening Date	Wednesday, January 8, 2025
Issue Period	The period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which Applicants/Investors can submit their Application, in accordance with the SEBI ICDR Regulations
Issue Price	₹ 21.00 per Equity Share
Issue Proceeds	The gross proceeds raised through the Issue
Issue Size	The issue of up to 14,16,86,767 Rights Equity Shares aggregating up to ₹ 297.54 crore* **Assuming full subscription with respect to Rights Equity Shares. Subject to finalization of the Basis of Allotment.*
Lead Manager	BOB Capital Markets Limited
"Letter of Offer" or "LOF"	This letter of offer dated December 19, 2024 filed with the Stock Exchanges and SEBI
Listing Agreement	The uniform listing agreements entered into between our Bank and the Stock Exchanges in terms of the SEBI Listing Regulations
Multiple Application Forms	More than one application form submitted by an Eligible Equity Shareholder/Renouncee in respect of the same Rights Entitlement available in their demat account. However, additional applications in relation to Additional Rights Equity Shares with/without using additional Rights Entitlements will not be treated as multiple applications
Net Proceeds	Issue Proceeds less the Issue related expenses. For further details, please see "*Objects of the Issue*" on page 53
Off Market Renunciation	The renouncement of Rights Entitlements undertaken by the Investor by transferring them through off market transfer through a depository participant in accordance with the SEBI ICDR Master Circular, circulars issued by the Depositories from time to time and other applicable laws.

Term	Description
	Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date i.e. Tuesday, January 28, 2025
On Market Renunciation	The renouncement of Rights Entitlements undertaken by the Investor by trading them over the secondary market platform of the Stock Exchanges through a registered stock broker in accordance with the SEBI ICDR Master Circular, circulars issued by the Stock Exchanges from time to time and other applicable laws, on or before Thursday, January 23, 2025
Record Date	Designated date for the purpose of determining the Equity Shareholders eligible to apply for Rights Equity Shares in the Issue, being Friday, December 27, 2024
Refund Bank	The Banker to the Issue with whom the refund account will be opened, in this case being Axis Bank Limited
Registrar Agreement	Agreement dated December 19, 2024 between our Bank and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to this Issue
Registrar to the Issue / Registrar	KFIN Technologies Limited
Renouncee(s)	Person(s) who has/have acquired Rights Entitlements from the Eligible Equity Shareholders on renunciation in accordance with the SEBI ICDR Master Circular
Renunciation Period	The period during which the Investors can renounce or transfer their Rights Entitlements which shall commence from the Issue Opening Date. Such period shall close on Thursday, January 23, 2025 in case of On Market Renunciation. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date
Rights Entitlement(s)	Number of Rights Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to the number of Equity Shares held by the Eligible Equity Shareholder on the Record Date, in this case being 14 Rights Equity Shares for every 25 Equity Shares held by an Eligible Equity Shareholder
Rights Equity Shares	Fully paid-up Equity Shares of our Bank to be Allotted pursuant to this Issue, on Allotment
Rights Entitlement Letter	Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The Rights Entitlements are also accessible on the website of our Bank
SCSB(s)	Self-certified syndicate banks registered with SEBI, which acts as a banker to the Issue, and which offers the facility of ASBA. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34
Stock Exchanges	Stock exchanges where the Equity Shares are presently listed, being, BSE and NSE
Transfer Date	The date on which the Application Money blocked in the ASBA Account will be transferred to the Allotment Account(s) in respect of successful Applications, upon finalisation of the Basis of Allotment, in consultation with the Designated Stock Exchange
Wilful Defaulter	Wilful defaulter as defined under Regulation 2(1)(lll) of the SEBI ICDR Regulations
Working Days	In terms of Regulation 2(1)(mmm) of SEBI ICDR Regulations, working day means all days on which commercial banks in Mumbai are open for business. Further, in respect of Issue Period, working day means all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, the time period between the Issue Closing Date and the listing of Equity Shares on the Stock Exchanges, working day means all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Business and Industry Related Terms

Term/Abbreviation	Description/ Full Form
ANBC	Adjusted net bank credit
ATM	Automated teller machine
BCP	Business continuity planning
BG	Bank Guarantee
CASA	Current accounts and savings accounts
CASA Ratio	CASA deposits as a percentage of total deposits, as of the relevant date

Term/Abbreviation	Description/ Full Form
CBS	Core banking solution
CCMS Plus	Customer care management software
CIMS	Centralized information management systems
CIRP	Corporate insolvency resolution process
CMS	Cash management system
CRAR	Capital to risk weighted assets ratio
CRR	Cash reserve ratio
FCNR Account	Foreign currency non-resident account
Gross NPA Ratio	Gross NPA as a percentage of gross advances, as of the relevant date
IMF	International Monetary Fund
IMPS	Immediate Payment Service
IRDAI	Insurance Regulatory and Development Authority of India
LC	Letters of Credit
LCR	Liquidity coverage ratio
MPC	Monetary Policy Committee of India
MSME	Medium, Small and Micro Enterprise
MUDRA	Micro Units Development and Refinance Agency
NABARD	National Bank for Agriculture and Rural Development
NEFT	National Electronic Funds Transfer
Net Interest Income	Interest earned minus interest expended, for the relevant period
Net Interest Margin	Net interest margin is the Net Interest Income, divided by the daily average of interest-earning assets, for the relevant period
NPA	Non-Performing Asset
NRE Account	Non-resident external account
NSFR	Net stable funding ratio
PSLC	Priority Sector Lending Certificates
ROA	Return on assets
ROE	Return on equity
RTGS	Real-Time Gross Settlement
SCB	Scheduled Commercial Banks
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
SME	Small and Micro Enterprise
UDGAM	Unclaimed Deposits-Gateway to Access Information
UPI	Unified Payments Interface

Conventional and General Terms or Abbreviations

Term/Abbreviation	Description/ Full Form
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the SEBI AIF Regulations
AS or Accounting Standards	Accounting standards, as prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013, in so far as they apply to our Bank
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
Category I AIF	AIFs who are registered as “Category I Alternative Investment Funds” under the SEBI AIF Regulations
Category I FPIs	FPIs who are registered as “Category I foreign portfolio investors” under the SEBI FPI Regulations
Category II AIF	AIFs who are registered as “Category II Alternative Investment Funds” under the SEBI AIF Regulations
CBDT	Central Board of Direct Taxes, Government of India
CDSL	Central Depository Services (India) Limited
Central Government	Central Government of India

Term/Abbreviation	Description/ Full Form
CIN	Corporate Identity Number
Client ID	The client identification number maintained with one of the Depositories in relation to the demat account
Companies Act or Companies Act, 2013	The Companies Act, 2013, read with the rules, regulations, clarifications and modifications notified thereunder
DIN	Director Identification Number
DP ID	Depository Participant Identity
"DP" or "Depository Participant"	Depository participant as defined under the Depositories Act
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry (formerly Department of Industrial Policy and Promotion), Government of India
ECB	External Commercial Borrowings
ECB Master Directions	Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 issued by the RBI, as amended from time to time
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non-Resident Account
FDI	Foreign direct investment
FDI Circular 2020	Consolidated FDI Policy Circular of 2020
FDI Policy	Consolidated Foreign Direct Investment Policy notified by DPIIT through notification dated October 28, 2020 issued by DPIIT, effective from October 15, 2020
FEMA	The Foreign Exchange Management Act, 1999
FEMA Borrowing and Lending Regulations	The Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time
FEMA Reporting Master Directions	The Master Direction on Reporting under the FEMA dated January 1, 2016, as amended from time to time
FEMA Rules	The Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended from time to time
"Financial Year" or "Fiscal Year" or "Fiscal" or "FY	Period of 12 months ending March 31 of that particular year
FPI	Foreign portfolio investors as defined under the SEBI FPI Regulations
FVCI	Foreign Venture Capital Investors registered under the SEBI FVCI Regulations
GAAP	Generally Accepted Accounting Principles in India
GDP	Gross domestic product
GIR	General Index Register
GOI	Government of India
Government	Central Government and/ or the State Government, as applicable
GST	Goods and services tax
HFC	Housing Finance Company
IBC	The Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards
Income-tax Act	Income Tax Act, 1961
India	Republic of India
Indian GAAP	Indian Generally Accepted Accounting Principles (GAAP) as applicable to the respective entities in accordance with the regulations under which they operate and in relation to our Bank, as applicable to banking companies in India.
ISIN	International Securities Identification Number
IST	Indian Standard Time
IT	Information Technology
KYC	Know Your Customer
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
NACH	National Automated Clearing House

Term/Abbreviation	Description/ Full Form
NAV	Net Asset Value per Equity Share at a particular date computed based on total equity divided by number of Equity Shares
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act, 1934
NEFT	National Electronic Fund Transfer
Net Worth	Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and share premium, after deducting the aggregate value of deferred taxes (net), intangible assets and MAT Credit as per the audited / unaudited balance sheet, as the case may be, but does not include reserves created out of revaluation of assets.
NRI	A person resident outside India, who is a citizen of India and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCBs or 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
OCI	Overseas Citizen of India
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
Regulation S	Regulation S under the Securities Act
RoC	Registrar of Companies, Kerala at Ernakulum
RoCE	Return on capital employed
ROE	Return on equity
“Rs.” “₹” or “Rupees” or “INR”	Indian Rupee
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI BTI Regulations	Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
SEBI ICDR Master Circular	SEBI master circular bearing number SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 dated November 11, 2024
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as repealed and replaced by the SEBI AIF Regulations
Securities Act	U.S. Securities Act of 1933, as amended

Term/Abbreviation	Description/ Full Form
State Government	Government of a State of India
Stock Exchanges	BSE and NSE
STT	Securities Transaction Tax
TAN	Tax deduction account number
TDS	Tax deductible at source
Trademarks Act	Trade Marks Act, 1999
“US” or “U.S.” or “USA” or “United States”	The United States of America and its territories and possessions, including any state of the United States of America, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands and the District of Columbia
“USD” or “U.S.$” or “US$” or “$”	United States Dollar, the official currency of the United States
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations

NOTICE TO INVESTORS

The distribution of this Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and any other offering material for the Issue (collectively, the "**Issue Materials**") and the issue of Rights Entitlements and Rights Equity Shares to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer or any other Issue Materials may come are required to inform themselves about and observe such restrictions. For details, see "*Restrictions on Purchases and Resales*" on page 273.

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders (being the Equity Shareholders as on the Record Date), however, the Issue Materials will be sent/ dispatched only to the Eligible Equity Shareholders who have provided an Indian address to our Bank. In case such Eligible Equity Shareholders have provided their valid e-mail address to us, the Issue Materials will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Issue Material will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them. Those overseas shareholders who do not update our records with their Indian address or the address of their duly authorised representative in India, prior to the date on which we propose to dispatch the Issue Materials, shall not be sent the Issue Materials.

Investors can also access this Letter of Offer, the Abridged Letter of Offer and the Application Form from the websites of our Bank, the Registrar, the Lead Manager, and the Stock Exchanges.

Our Bank, the Lead Manager, and the Registrar will not be liable for non-dispatch of physical copies of Issue Materials (including this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form) in the event the Issue Materials have been sent on the registered e-mail addresses of such Eligible Equity Shareholders or if there are electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in transit.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer is being filed with SEBI and the Stock Exchanges. In particular, the Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States and may not be offered or sold in the United States, except in a transaction not subject to, or exempt from, the registration requirements of the Securities Act and applicable state securities laws. The Rights Equity Shares are being offered and sold by our Bank only to persons outside the United States in offshore transactions as defined in and in reliance on Regulation S under the Securities Act ("**Regulation S**"). Accordingly, the Rights Entitlements and the Rights Equity Shares may not be offered or sold, directly or indirectly, and the Issue Materials may not be distributed, in whole or in part, in (i) the United States or (ii) any jurisdiction other than India except in accordance with legal requirements applicable in such jurisdiction. Receipt of the Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in (i) the United States or (ii) any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed, in part or full. Accordingly, persons receiving a copy of the Issue Materials should not distribute or send the Issue Materials in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Bank or its affiliates or the Lead Manager or its affiliates to any filing or registration requirement (other than in India). If Issue Material is received by any person in any such jurisdiction or the United States, they must not seek to subscribe to the Rights Equity Shares. For more details, see "*Restrictions on Purchases and Resales*" beginning on page 273.

Any person who purchases or renounces the Rights Entitlement or makes an application to acquire the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that such person is outside the United States and is authorized to acquire the Rights Entitlements or Rights Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Bank or our affiliates or the Lead Manager or its affiliates to make any filing or registration (other than in India). In addition, each purchaser of Rights Entitlements and the Rights Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in the "*Restrictions on Purchases and Resales*" section beginning on page 273.

Our Bank, in consultation with the Lead Manager, reserves the right to treat as invalid any Application Form which: (i) appears to our Bank or its agents to have been executed in, electronically transmitted from or dispatched from the United States or jurisdictions where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is outside the United States and such person is eligible to subscribe for the Rights Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with the Issue; or (iii) where either a registered Indian address is not provided or where our Bank believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Bank shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

Neither the receipt of this Letter of Offer nor any sale of Rights Equity Shares hereunder, shall, under any circumstances, create any implication that there has been no change in our Bank's affairs from the date hereof or the date of such information or that the information contained herein is correct as at any time subsequent to the date of this Letter of Offer or the date of such information.

The contents of this Letter of Offer should not be construed as legal, tax, business, financial or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Rights Equity Shares or Rights Entitlements. Prospective Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of the Rights Equity Shares or the Rights Entitlements. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares or Rights Entitlements. In addition, neither our Bank nor the Lead Manager or its affiliates are making any representation to any offeree or purchaser of the Rights Equity Shares regarding the legality of an investment in the Rights Entitlements or the Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations. Investors are advised to make their independent investigations and ensure that the number of Rights Equity Shares applied for do not exceed the applicable limits under laws or regulations.

The Rights Entitlements and the Rights Equity Shares have not been approved or disapproved by any regulatory authority, nor has any regulatory authority passed upon or endorsed the merits of the offering of the Rights Entitlements, the Rights Equity Shares or the accuracy or adequacy of this Letter of Offer. Any representation to the contrary is a criminal offence in certain jurisdictions.

This Letter of Offer is, and any other Issue Materials will be, supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Letter of Offer to (i) the 'US' or "USA" or 'U.S.' or the 'United States' are to the United States of America, its territories and possessions, any state of the United States, and the District of Columbia; (ii) 'India' are to the Republic of India and its territories and possessions; and (iii) the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, Central or State, as applicable.

Unless otherwise specified, any time mentioned in this Letter of Offer is in Indian Standard Time ("**IST**"). Unless indicated otherwise, all references to a year in this Letter of Offer are to a calendar year. Unless stated otherwise, all references to page numbers in this Letter of Offer are to the page numbers of this Letter of Offer.

Please note:

- One billion is equal to 1,000,000,000 or 10,000 lakhs
- One million is equal to 1,000,000 or 10 lakhs;
- One crore is equal to 10 million or 100 lakhs; and
- One lakh is equal to 100,000.

Financial Data

Unless stated otherwise, or unless the context requires otherwise, the financial information in relation to Fiscals 2023 and 2024 included in this Letter of Offer is derived from our Reformatted Audited Financial Statements. All financial information in related to six-month periods ended September 30, 2023, and September 30, 2024 has been derived from our Reformatted Unaudited Financial Statements, as applicable. For more information on the Bank's financial performance, please see the section titled "*Financial Statements*" on page 100.

Our Reformatted Audited Financial Statements and Reformatted Unaudited Financial Statements are prepared in accordance with Indian GAAP, and the provisions of the Banking Regulation Act, read with relevant guidelines and directions issued by the RBI and the Companies Act. There are significant differences between Indian GAAP, Ind AS, U.S. GAAP and IFRS.

The MCA (defined hereinafter) has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release was issued by MCA on January 18, 2016 outlining the roadmap for implementation of Indian Accounting Standards ("**Ind AS**") converged with International Financial Reporting Standards ("**IFRS**") for banks. Banks in India were required to comply with the Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. On April 5, 2018, the RBI announced deferment of implementation date by one year for scheduled commercial banks. Subsequently, the RBI, through its notification dated March 22, 2019, decided to further defer the implementation of Ind AS until further notice for all scheduled commercial banks. Further, there may be regulatory guidelines and clarifications in some critical areas of Ind AS application, which the Bank will need to suitably incorporate in its implementation project as and when those are issued. The Ind AS financial information that we may be required to prepare when applicable to us in the future will therefore not be comparable to the financial information we currently prepare.

Our Bank's financial year commences on April 1 of each calendar year and ends on March 31 of the following calendar year. Unless otherwise stated, references in this Letter of Offer to a particular 'Financial Year' or 'Fiscal Year' or 'Fiscal' are to the financial year ended March 31. Our Bank publishes its financial statements in Indian Rupees. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures. Unless stated otherwise, throughout this Letter of Offer, all figures have been expressed in Rupees, in crore.

Non-GAAP Measures

We use certain supplemental non-GAAP measures included in this Letter of Offer such as return on equity, return on assets, cost of deposit ratio, cost of funds ratio, CASA, CASA Ratio, Net Interest Income, and Net Interest Margin to evaluate our ongoing operations and for internal planning and forecasting purposes. These 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 companies and are not measures of operating performance or liquidity defined by Indian GAAP and may not be comparable to similarly titled measures presented by other companies.

These non-GAAP measures are supplemental measures that are not required by, or presented in accordance with, Ind AS, IFRS or US GAAP. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from or as a substitute for analysis of our historical financial performance, as reported and presented in our financial information presented in accordance with Indian GAAP. Therefore, these non-GAAP financial measures should not be viewed as substitutes for performance or profitability measures under Ind AS or as indicators of our operating performance, cash flows, liquidity or profitability.

Currency of Presentation

All references to:

- 'INR', '₹', 'Indian Rupees' and 'Rupees' are to the legal currency of the Republic of India; and
- 'U.S.$', 'USD', '$' and 'U.S. dollars' are to the legal currency of the United States of America.

Conversion Rates for Foreign Currency:

This Letter of Offer contains conversions 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.

Set out below is information with respect to the exchange rate between Rupee and other currencies, as at the dates indicated.

S. No.	Currency	Exchange Rate (₹)			
		As at March 31,		As at September 30,	
		2024*	2023	2024	2023
1	1 USD	83.37	82.21	83.66	83.05

Source: www.fbil.org.in

**In the event that any of the above mentioned dates was a public holiday, the previous calendar day not being a public holiday has been considered.*

FORWARD LOOKING STATEMENTS

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

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

- Our business is particularly vulnerable to interest rate risk, and any volatility in interest rates could adversely affect our Net Interest Margin, the value of our fixed income portfolio, income from treasury operations and our financial condition and results of operations;

- A deterioration in the performance of any of the sectors to which our Bank has significant exposure may adversely impact our Bank's business;

- Our Bank's loan portfolio contains significant advances to the agricultural sector, which may subject our Bank to higher delinquency rates;

- If we are not able to control or reduce the level of non-performing assets in our portfolio or any increase in our non-performing asset portfolio, the Reserve Bank of India mandated provisioning requirements could adversely affect our business, financial conditions and results of operations; and

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

Additional factors that could cause actual results, performance or achievements to differ materially including, but are not limited to, those discussed in "***Risk Factors***", "***Our Business***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on pages 18, 77, and 200, respectively. The forward-looking statements contained in this Letter of Offer are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of our Bank. Whilst our Bank believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as at the date of this Letter of Offer or the respective dates indicated in this Letter of Offer, and our Bank undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialise, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Bank could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Bank are expressly qualified in their entirety by reference to these cautionary statements. In accordance with SEBI and Stock Exchange requirements, our Bank and the Lead Manager will ensure that the Eligible Equity Shareholders are informed of material developments until the time of the grant of listing and trading permissions for the Rights Equity Shares by the Stock Exchange.

SUMMARY OF LETTER OF OFFER

The following is a general summary of certain disclosures and terms of the Issue included in this Letter of Offer and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this Letter of Offer or all details relevant to the 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 Letter of Offer, including "*Risk Factors*", "*Objects of the Issue*", "*Our Business*", "*Reformatted Audited Financial Statements*" and "*Outstanding Litigation and Defaults*" on pages 18, 53,77, 100, and 230, respectively.

Primary Business of our Bank

We are a private sector bank, established in 1927 in Thrissur, Kerala, with over 97 years of service. We offer banking and financial services through numerous branches, ATMs, and business correspondents across multiple states and union territories, serving a customer base of approximately 0.16 crore as of September 30, 2024.

For details, see "*Our Business*" on page 77.

Objects of the Issue

We intend to apply the Net Proceeds for augmenting our Bank's Tier I capital base to meet our future capital requirements which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with Basel III regulations and/or other RBI guidelines. The details of the Net Proceeds are summarised in the table below:

Particulars	Estimated amount (up to)
	(in ₹ crore)
Issue Proceeds*	297.54
Less: Estimated Issue related expenses**	7.98
Net Proceeds**	289.56

** Assuming full subscription and Allotment with respect to the Rights Equity Shares.*
*** Estimated and subject to change. Please see "Objects of the Issue - Estimated Issue related expenses" on page 54.*

For further details, please see "*Objects of the Issue*" on page 53 of this Letter of Offer.

Intention and extent of participation by our Promoters and Promoter Group with respect to (i) their rights entitlement; and (ii) their intention to subscribe over and above their right entitlement.

Our Bank is a professionally managed company and does not have a promoter in terms of the SEBI ICDR Regulations or the Companies Act, 2013.

Summary of outstanding litigation and defaults

A summary of outstanding legal proceedings involving our Bank as at the date of this Letter of Offer is set forth in the table below:

Nature of cases	Number of cases	Amount involved*
		(*in ₹ crore*)
Litigations involving our Bank		
By Our Bank		
Civil proceedings where the amount involved is equivalent to or in excess of ₹ 2.38 crore ("**Materiality Threshold**")	28	308.85
Other proceedings involving our Bank which, if they result in an adverse outcome would materially and adversely affect the operations or the financial position of our Bank	NIL	NIL
Against our Bank		
Proceedings involving issues of moral turpitude or criminal liability	1	NIL
Proceedings before regulatory authorities involving material violations of the statutory regulations	NIL	NIL
Matters involving economic offences where proceedings have been initiated	NIL	NIL

Nature of cases	Number of cases	Amount involved*
		(*in ₹ crore*)
Civil proceedings where the amount involved is equivalent or in excess of the Materiality Threshold	NIL	NIL
Tax proceedings	52	764.73
Other proceedings involving our Bank which, if they result in an adverse outcome would materially and adversely affect the operations or the financial position of our Bank	NIL	NIL
Total	**81**	**1,073.58**

**To the extent quantifiable*

For further details, please see "*Outstanding Litigation and Defaults*" starting on page 230.

Risk Factors

For details, please see "*Risk Factors*" on page 18. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue.

Contingent liabilities

For details regarding our contingent liabilities as per Accounting Standard (AS) 29 for the years ended March 31, 2023, and March 31, 2024, please see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingent Liabilities*" on pages 100 and 227, respectively.

Related party transactions

For details regarding our related party transactions entered into by our Bank in the years ended March 31, 2023, and March 31, 2024, as per the requirements under Related Party Disclosures (Accounting Standard – 18) please see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Related party transactions*" on pages 100 and 227, respectively.

Issue of Equity Shares for consideration other than cash

Our Bank has not made any issuances of Equity Shares for consideration other than cash in the last one year immediately preceding the date of filing this Letter of Offer.

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Letter of Offer before making any investment decision relating to our Equity Shares. You should therefore carefully consider this section, read together with "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 77 and 200, respectively, as well as all of the other information contained in this Letter of Offer, including the financial statements prepared in accordance with Indian GAAP and included in this Letter of Offer.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline, and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of us and the terms of this Issue, including the merits and risks involved.

Unless otherwise indicated or the context requires, the financial information for Fiscal 2024 and Fiscal 2023 is derived from our Reformatted Audited Financial Statements, and the financial information for six-month periods ended September 30, 2024 and September 30, 2023 is derived from our Reformatted Unaudited Financial Statements, as included in this Letter of Offer.

Certain non-GAAP measures are presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardized terms and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

Risks Relating to our Business

1. ***Our business is particularly vulnerable to interest rate risk, and any volatility in interest rates could adversely affect our Net Interest Margin, the value of our fixed income portfolio, income from treasury operations and our financial condition and results of operations.***

Our financial performance is significantly influenced by net interest income, as interest earned is our primary revenue source. For the six months period ended September 30 2024 and September 30, 2023 and Fiscal 2024 and Fiscal 2023, interest income represented 88.32%, 88.67%, 88.78% and 93.50% of our total income, respectively. Net interest income represents the excess of interest earned from interest-earning assets (such as performing loans and investments) over the interest paid on interest bearing customer deposits and borrowings. Changes in market interest rates affects the interest rates offered by our Bank on interest-earning assets as well as on interest-bearing liabilities. These changes can also affect the value of our investments. If we are unable to increase rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets, an increase in interest rates could result in an increase in interest expense relative to interest earned. In the event of such increase in interest rates, our Net Interest Margin could be adversely affected as the interest paid by us on our deposits could increase at a rate higher than the interest received by us on our advances and other investments.

Further, an increase in interest rates could negatively affect demand for our loans and credit substitutes and we may not be able to achieve our volume growth. Set forth below are details of the Bank's Net Interest Income, and Net Interest Margin, for each of the corresponding periods:

Particulars	**As of and for six-month periods ended September 30**		**Fiscal**	
	2024	**2023**	**2024**	**2023**
	(₹ in crore, except percentages)			
Net Interest Income	220.71	239.59	458.45	475.75
Net Interest margin (%)	3.02	3.41	3.22	3.60

Any decrease in the interest rates applicable to our assets, without a corresponding decrease in the interest rates applicable to our liabilities or any increase in the interest rates applicable to our liabilities without a corresponding increase in the interest rates applicable to our assets, will result in a decline in our Net Interest Income and consequently reduce our Net Interest Margin. Interest rates are highly sensitive to many external factors beyond our control, including growth rates in the economy, inflation, money supply, the RBI's monetary policies, deregulation of the financial sector in India and domestic and international economic and political conditions. 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. Revisions in deposit interest rates, or introduction of higher interest rates, by banks with whom we compete may also lead to revisions in our deposit rates to remain competitive and this could adversely impact our cost of funds. Furthermore, in the event of rising interest rates, our borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay their loans with us if they are able to switch to more competitively priced loans offered by other banks, finance companies, and financial institutions etc. In addition, increases in interest rates could adversely affect the rate of growth of the Indian economy, which may decrease the demand for loans and other products that we offer and adversely affect the ability of borrowers to service their debt. In the event of falling interest rates, we may face more challenges in retaining our customers if we are unable to offer competitive rates as compared to other banks in the market. Any inability on our part to retain customers as a result of changing interest rates may adversely affect our business, result of operations and financial condition.

2. ***A deterioration in the performance of any of the sectors to which the Bank has significant exposure may adversely impact the Bank's business.***

As of September 30, 2024, our Bank's largest outstanding exposures were to the retail, agriculture and financial intermediation sectors. The outstanding amounts for these sectors as of September 30, 2024, September 30, 2023, March 31, 2024, and March 31, 2023, along with their respective percentages of our total advances, are provided below:

Date	**Retail**		**Agriculture**		**Financial Intermediation**		**Total Advances (in ₹ crore)**
	(in ₹ crore)	**% of Total Advances**	**(in ₹ crore)**	**% of Total Advances**	**(in ₹ crore)**	**% of Total Advances**	
September 30, 2024	2,990.96	27.15	2,736.81	24.84	2,082.36	18.90	11,018.35
September 30, 2023	2,605.71	25.27	2,138.21	20.74	2,622.90	25.44	10,310.55
March 31, 2024	2,598.27	24.99	2,360.90	22.71	2,175.84	20.93	10,396.90
March 31, 2023	2,184.06	22.16	2,547.35	25.85	2,301.70	23.36	9,853.73

The global and domestic trends in these sectors may have a bearing on the Bank's financial position. Any significant deterioration in the performance of a particular sector, driven by events outside the Bank's control, such as economic conditions or regulatory action or policy announcements by GOI or State Government authorities, would adversely impact the ability of borrowers in that sector to service their debt obligations to the Bank. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industrial sectors could increase the level of NPAs and restructured assets, and adversely affect the Bank's business and future financial performance.

Particulars	**As of and for six-month periods ended September 30**		**Fiscal**	
	2024	**2023**	**2024**	**2023**
Total deposits by top 10 depositors (in ₹ crore)	2,880.13	2,912.88	2.991.27	2,855.99
Total deposits by top 10 depositors, as a percentage of total deposits (%)	19.69	21.08	20.93	21.39

We cannot assure you that there will not be any untimely withdrawal or non-renewal of deposits from these depositors. In the event of such withdrawal or non-renewal, our business, results of operations and financial conditions may be adversely affected.

3. ***Our Bank's loan portfolio contains significant advances to the agricultural sector, which may subject our Bank to higher delinquency rates.***

Our Bank has made significant advances related to the agricultural sector. The agricultural sector enjoys Government policy support. Agricultural production in India is heavily dependent on weather cycles and experiences economic growth or contraction, accordingly, creating inherent risks in agricultural lending. Our Bank's advances to the agricultural sector as of September 30, 2024, September 30, 2023, March 31, 2024 and March 31, 2023, are as follows:

Date	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
Advances to Agricultural Sector (in ₹ crore)	2,558.41	3,040.24	3,220.95	2,717.19
Percentage of ANBC (%)	24.22	32.49	31.63	31.16

Deterioration in the performance of the agricultural sector may lead to an increase in delinquency and adversely affect the Bank's business and financial condition. In addition, the market may perceive the exposure of banks to the agricultural sector to be of higher risk. This may negatively affect the risk- adjusted returns of Bank, its credit rating and future financial performance. The Bank is required by regulation to extend at least 18.00% of its ANBC, or Credit Equivalent of Off-balance Sheet Exposure or CEOBE, whichever is higher, of the preceding fiscal year to the agriculture sector. Alternatively, in the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other funds, as decided by the RBI from time to time. The tenor of deposits with the RIDF and similar funds is mandated by RBI and adjusted from time to time. Presently, such deposits have a maturity of up to seven years and carry interest rates lower than market rates. If the Bank fails to meet priority sector loan targets and is further forced to place funds in long-term, low-interest accounts, it may adversely affect our financial performance.

4. ***If we are not able to control or reduce the level of non-performing assets in our portfolio or any increase in our non-performing asset portfolio, the Reserve Bank of India mandated provisioning requirements could adversely affect our business, financial conditions and results of operations.***

Our NPAs are dependent on several factors, including macroeconomic conditions, 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, high levels of debt involved in financing of projects, and significant borrowings by companies in India at relatively high interest rates, and any such significant increase in NPAs may have a material adverse effect on our financial condition and results of operations. Set forth below are our gross and net NPAs as of the corresponding dates:

Particulars	As of and for six month periods ended September 30		Fiscal	
	2024	2023	2024	2023
Gross NPAs (in ₹ crore)	421.26	552.89	421.21	511.15
Gross NPAs, as a percentage of gross advances (%)	3.82	5.36	4.05	5.19
Net NPAs (in ₹ crore)	120.32	127.34	126.47	109.20
Net NPAs, as a percentage of net advances (%)	1.12	1.29	1.25	1.16

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. We cannot assure you that the NPAs reported by our Bank in the future will be as assessed by any regulatory authority, and that our Bank will not be subject to increased provisioning requirements. Any future increases in provisions mandated by the RBI or other regulatory changes or increase in provisioning requirements as a result of divergences identified by the RBI, could therefore lead to an adverse impact on our business, future financial performance and the trading price of the Equity Shares. Additionally, if the systems and process established by our Bank to identify NPAs fail or are unable to identify the NPAs correctly and in a timely manner, our financial position could be adversely affected.

Our provision coverage as a percentage of NPAs (including accounts technically written off) as of the dates indicated below is as follows:

Particulars	September 30,	September 30,	March 31, 2024	March 31, 2023

	2024	2023		
Provision Coverage (%)	88.80	89.11	88.32	90.61

There can be no assurance that there will be no deterioration in the provisioning coverage as a percentage of gross NPAs or otherwise or that the percentage of NPAs that we will be able to recover will be similar to our past NPA recovery experience.

5. ***We face asset liability mismatch, which could adversely affect our liquidity and, consequently, our financial condition, results of operations and cash flows.***

We face liquidity risks due to mismatches in the maturity of our assets and liabilities. Liquidity risk is the risk that our Bank either does not have available sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including overreliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While our Bank implements liquidity management processes to seek to mitigate and control this risk, unforeseen systemic market factors make it difficult to completely eliminate it.

We meet our funding requirements through short-term and long-term deposits from retail and wholesale depositors. However, a significant portion of our assets (such as loans) have maturities with longer terms than our liabilities (such as deposits). The following table sets forth the Bank's structural liquidity gap position for its operations as of September 30, 2024, March 31, 2024 and March 31, 2023:

(₹ in crore, except percentages)

	As of September 30, 2024				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
Liquidity gap	2,269.28	2,693.41	(5,296.39)	333.69	0.00
Cumulative liquidity gap	2,269.28	4,962.69	(333.70)	0.00	0.00
Cumulative liabilities	2,226.57	4,761.09	15,360.17	16,754.20	16,754.20
Cumulative liquidity gap as a % of cumulative liabilities	101.92%	104.23%	(2.17%)	0.00%	-

(₹ in crore, except percentages)

	As of March 31, 2024				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
Liquidity gap	2,418.31	2,255.13	(5,128.00)	454.56	0.00
Cumulative liquidity gap	2,418.31	4,673.44	(454.56)	0.00	0.00
Cumulative liabilities	2,044.95	4,909.10	15,335.68	16,632.11	16,632.10
Cumulative liquidity gap as a % of cumulative liabilities	118.26%	95.20%	(2.96%)	0.00%	-

(₹ in crore, except percentages)

	As of March 31, 2023				
	Up to 3 Months	Over 3 Months to 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total
Liquidity gap	2,010.75	2,466.38	(4,726.71)	249.59	(0.00)
Cumulative liquidity gap	2,010.75	4,477.13	(249.58)	0.00	0.00
Cumulative liabilities	1,927.77	3,953.46	14,117.24	15,514.24	15,514.24
Cumulative liquidity gap as a % of cumulative liabilities	104.30%	113.25%	(1.77%)	0.00%	-

We may face asset and liability mismatches and we cannot assure you that we will always be successful in maintaining a positive asset-liability gap. The Bank's cumulative mismatches (as a percentage of cumulative cash outflows for September 30, 2024, March 31, 2024 and March 31, 2023 in various time buckets are as set out below:

	Next Day (in %)	2-7 Days (in %)	8-14 days (in %)	15-30 days (in %)
March 31, 2023	1,234.21%	145.35%	105.03%	77.10%
March 31, 2024	973.71%	263.87%	121.94%	116.68%
September 30, 2024	563.97%	175.28%	115.38%	107.93%

	Next Day (in %)	2-7 Days (in %)	8-14 days (in %)	15-30 days (in %)
Regulatory ceiling for net cumulative negative mismatches	(5.00%)	(10.00%)	(15.00%)	(20.00%)

We may rely on funding options with a short-term maturity period for extending long-term loans, which may lead to negative asset-liability gap. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers. Further, asset liability mismatches may also result in liquidity crunch or liquidity surplus situations and depending upon the interest rate movement, such situations may adversely affect our Net Interest Income. If we are unable to manage our assets and liabilities in a timely and cost-effective manner, it may lead to mismatch in our assets and liabilities, leading to a liquidity risk which may have a material adverse effect on our operations and profitability.

If a substantial number of our depositors do not roll over their funds upon maturity, our liquidity position could be adversely affected. We may be required to pay higher interest rates in order to attract and/or retain other deposits. Even if we pay higher interest rates, we may be unable to attract a sufficient number of new deposits. If we are required to pay higher interest rates or are unable to attract a sufficient number of new deposits, the business, results of operations and financial condition could be adversely affected. Despite the Bank having an Asset Liability Management Committee responsible for market and asset liability risk management, any inability to obtain additional borrowings or renew our existing credit facilities for matching tenures of our loan portfolio in a timely and cost-effective manner, if at all, this may lead to mismatches between our assets and liabilities, which could adversely affect our financial condition, results of operations and cash flows.

6. ***We are required to maintain minimum cash reserve ratio ("CRR") and statutory liquidity ratio ("SLR") in accordance with RBI guidelines, and any increase in these requirements could adversely affect our business.***

Under RBI regulations, we are subject to a CRR requirement. The CRR is a bank's balance held in an interest-free current account with the RBI calculated as a specified percentage of its net demand and time liabilities, excluding interbank deposits. The CRR currently applicable to banks in India is 4.5%, and our Banks' CRR as of September 30, 2024 was 4.74%. In addition, under the Banking Regulation Act, all banks operating in India are required to maintain an SLR. The SLR is a specified percentage of a bank's net demand and time liabilities required to be maintained by way of liquid assets such as cash, gold or approved unencumbered securities. Approved securities consist of unencumbered Government securities and other securities as may be approved from time to time by the RBI and, which earn lower levels of interest as compared to advances to customers or investments made in other securities. Our Bank's SLR as of September 30, 2024 was 21.19% as against the regulatory requirement of 18.00%. Further, the RBI may increase the CRR and SLR requirements as a monetary policy measure. Any substantial increases in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. If we are unable to meet the statutory reserve requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

We earn interest on such government securities at rates which are less favorable than those which we typically receive in respect of our retail and corporate loan portfolio and this adversely impacts our Net Interest Income and Net Interest Margin. In addition, the market and accounting value of such securities could be adversely affected by overall rising interest rates. To reduce the risk of interest rate fluctuations, the Bank has classified a large majority of its Government securities as "held to maturity." However, the concentration of securities in such classification can limit gains in our treasury operations. The RBI has issued the Master Direction on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 on September 12, 2023. These directions have been applicable to the Bank from April 01, 2024.

7. ***We are subject to capital adequacy norms and are required to maintain a capital-to-risk asset ratio ("CRAR") at the minimum level required by RBI for domestic banks. Any failure to maintain adequate capital due to changes in regulations, a lack of access to capital markets, or otherwise, could materially and adversely affect our business, financial condition and results of operations***

We are subject to regulations relating to the capital adequacy of banks, which determines the CRAR, or the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio. The RBI requires banks in India to maintain a minimum CRAR of 11.50% (including capital conservation buffer). In addition, in accordance with the RBI Basel III Capital Regulations ("**Basel III**"), the Bank is required to maintain a minimum common equity Tier I ("**CET-I**") capital ratio of 8.00% (including a capital conservation buffer of 2.50%), and a minimum Tier I CRAR of 9.50% (including a capital conservation buffer of 2.50%) of its risk weighted assets. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from, or curtail, some of our current business operations

In accordance with the Basel III norms, as of September 30, 2024, the Bank's CET-I, Tier I CRAR and CRAR were 12.10%, 12.10% and 13.06%, respectively. We are exposed to the risk of the RBI increasing the applicable risk weight for different asset classes from time to time. Although we have implemented and followed a policy of maintaining a minimum capital adequacy ratio as stipulated in the Basel III issued by the RBI, there can be no assurance that we will be able to maintain this ratio in the future. Implementation of Basel III or other such capital adequacy requirements imposed by RBI may result in the incurrence of substantial compliance and monitoring costs, and any breach of applicable laws and regulations will adversely affect our reputation, business operations and financial conditions. In addition, if additional or more stringent guidance on capital adequacy norms are imposed, we may be required to raise or maintain additional capital in a manner which could materially and adversely affect our business, financial condition and results of operations.

8. ***A major part of our Bank's branches is concentrated in southern states of India, making us vulnerable to risks associated with having geographically concentrated operations.***

Our Bank's branches are primarily concentrated in the southern states of India. As of September 30, 2024, our Bank has a total of 261 branches, with 83.52% of our Bank's branches are distributed in southern states of India, namely, Kerala, Tamil Nadu, Andhra Pradesh, Karnataka and Telangana. As of September 30, 2024, 84.54% of our Bank's domestic advances and 91.84% of domestic deposits were contributed by the southern states of India.

Our concentration in southern India exposes us to any adverse economic or political circumstances in that region as compared to other public and private sector banks that have a more diversified national presence. Due to this concentration in southern India, the success and profitability of our operations may be disproportionately exposed to regional factors. These factors include, among others: (i) changes in population, income levels, and deposits in southern India, (ii) the continued attraction of business ventures to southern India, (iii) general economic conditions in southern India, (iv) laws and regulations in southern India, (v) increased competition in southern India, and (vi) other developments including political unrest, floods and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with greater geographic diversity. Any one of these events may require us to close branches, temporarily shut down operations, or lower lending levels, and may result in a material adverse change in our business, financial condition, results of operations and cash flows.

Additionally, while we continue to expand our operation outside of southern India, we face risks with our operations in geographic areas in which we do not possess the same level of familiarity with the economy, consumer base and commercial operations. In addition, our competitors may already have established operations in such areas and we may find it difficult to attract customers in such new areas. We may not be able to successfully manage the risks of such an expansion, which could have an adverse effect on our business, financial conditions and results of operations.

9. ***Non-compliance with RBI inspection/ observations may have an adverse effect on our business, financial condition or results of operation. Any regulatory investigations, fines, sanctions, relating to our operations could negatively affect our business and financial results, or cause serious reputational harm to our businesses.***

We are subject to periodic inspections by RBI under the Banking Regulation Act. During these inspections, the RBI reviews our compliance with various regulatory requirements and assess the risk associated with our operations. During such inspections in the past, the RBI has raised certain observations regarding our business and operations, which are included in the final inspection report. The RBI requires us to take certain corrective actions to address these findings to its satisfaction. In its recent inspection report and risk assessment report, the RBI has noted certain deficiencies, including among others: (i) the Bank's CRAR was marginally above the regulatory requirement, (ii) inadequate succession planning for managing director and chief executive officer, and SMP/KMP, (iii) inadequate supervisory capital position of our Bank. While we have undertaken steps to comply with these observations and have informed the RBI regarding the status of our compliance, there can be no assurance that the RBI will consider such steps to be adequate and treat the observations as being duly complied with. Further, in Fiscal 2024, the RBI imposed a penalty of ₹1.20 crore on the Bank for violations identified during the statutory inspection of the Bank with respect to the financial position as of March 31, 2022. The violations included granting loans against gold for non-agricultural purposes exceeding 75% of their value and applying incorrect interest rates on senior citizen term deposits, among others. The penalty was remitted to the RBI on January 17, 2024. In the event we are not able to comply with any observations made by the RBI in future, we could be subject to similar penalties and supervisory actions which may have a material adverse effect on our reputation, financial condition and results of operations. Further, any regulatory investigations, fines, sanctions, relating to our operations could negatively affect our business and financial results, or cause serious reputational harm to our businesses.

10. Our Bank has contingent liabilities which could materially and adversely affect our business, results of operations and financial condition.

As on September 30, 2024, we had contingent liability of ₹735.50 crore which has not been provided in our financial statements and which could affect our financial position. Further details of contingent liabilities and commitments are as follows-

S. No.	Details	Amount (₹ in crore) as of September 30, 2024
1.	Claims against the bank not acknowledged as debts	38.73
2.	Liabilities on account of outstanding forward exchange contracts	198.65
3.	Guarantees given on behalf of constituents in India	362.00
4.	Acceptance endorsements and other obligations	3.01
5.	Amount transferred to DEA Funds	92.37
6.	Disputed Tax liability	21.49
7.	Estimated amount of contracts remaining to be executed on capital account and not provided for	19.25
	Total	**735.50**

If these contingent liabilities were to fully materialize or materialize at a level higher than we expect, it may materially and adversely impact our business, results of operations and financial condition. If we are unable to recover payment from our customers in respect of the commitments that we are called upon to fulfil, our business, results of operations and financial condition may be materially and adversely impacted.

11. We are subject to the directed lending requirements of the Reserve Bank of India, and any shortfall in meeting these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability.

Under the directed lending norms of the RBI, the RBI requires that every bank extend at least 40.00% of its adjusted net bank credit or the credit equivalent amount of off-balance sheet exposure, whichever is higher, to "priority sectors" such as agriculture, MSMEs, export credit, education, social infrastructure, renewable energy and as determined by the RBI. Of this, banks have targets or sub-targets for lending to key segments or sectors, such as agriculture, micro-enterprises and advances to weaker sections. Our Bank's priority sector loan portfolio contains significant advances to the MSME and agriculture sector. Set forth below are certain details regarding our priority sector credit, loans to micro-enterprises and loans to the agriculture sector:

Particulars	As of and for six month periods ended September 30		Fiscal	
	2024	2023	2024	2023
Priority sector credit (in ₹ crore)	*5,148.52	5,456.46	6,586.01	5,282.39
Priority sector credit, as a percentage of Bank's adjusted net bank credit (%)	48.74	58.31	64.68	60.57
Loans to micro-enterprises (in ₹ crore)	500.08	493.18	**1,376.62	***658.69
Loans to micro-enterprises, as a percentage of Bank's adjusted net bank credit (%)	4.73	5.27	13.52	7.55
Loans to agriculture sector (in ₹ crore)	*2,558.41	3,040.24	3,232.31	2,717.19
Loans to agriculture sector, as a percentage of Bank's adjusted net bank credit	24.22	32.49	31.74	31.16

**Sold PSLC of ₹980.00 crore under Agriculture (₹580.00 crore Agriculture and ₹400.00 crore under small and marginal farmers category).*
***Purchased PSLC of ₹860.00 crore under micro enterprises category.*
****Purchased PSLC of ₹75.00 crore under micro enterprises category.*

Any revision in the definition or classification of segments eligible for priority sector lending could impact our ability to meet priority sector lending requirements. Further, in the event we are required to increase our exposure to the agricultural sector pursuant to GoI mandated directed lending, it may adversely affect our future financial performance.

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

During six month periods ended September 30 2024 and September 30, 2023 and Fiscal 2024 and Fiscal 2023, our treasury operations contributed 17.99%, 17.52%, 18.26% and 17.28%, respectively, of our total income. Our income from treasury operations comprises interest and dividend income from investments, profit from sale of investments and income from our foreign exchange operations. Our income from our treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Although we have operational controls and procedures in place for our treasury operations, such as counterparty limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not incur losses in the course of our proprietary trading. Any such losses could adversely affect our business, financial condition and results of operations.

13. Our inability to maintain or grow our current account savings account ratio may result in higher cost of deposits and impact our financial condition.

We have traditionally had CASA deposits due to our large retail customer base spread across India. In September 30 2024 and September 30, 2023 and Fiscal 2024 and Fiscal 2023, the share of domestic CASA deposits was 32.53%, 31.94%, 31.52% and 32.76% of our Bank's total domestic deposits. Any decline in CASA share on total deposit could adversely impact the profitability of our Bank. Our liquidity position will also be adversely affected if a significant portion of our depositors do not roll over deposited funds upon maturity or do so for a shorter maturity than that of our assets. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches. Further, though retail deposits constitute a huge portion of our deposit base, we also accept high value deposits depending on the funding requirements. Accordingly, we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our profits and have a material adverse effect on our business, liquidity, financial condition and results of operations.

We intend to grow our CASA ratio, in order to reduce cost of funds and improve our core deposits. Our strategy is to improve our CASA ratio and growing CASA book through deeper engagement with existing relationships. 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. We may not be able to maintain our CASA deposits and ratio owing to the increased competition from other banks and lending institutions. If we fail to maintain or grow our CASA ratio, our financial condition and cash flows may be materially and adversely affected.

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

Our principal activity is providing financing to borrowers, including individuals, SMEs and MSMEs. The credit risk of our borrowers may be higher than in other economies due to the higher uncertainty in our regulatory, political and economic environment and the inability of our borrowers to adapt to global technological advancements. We believe, India's system for gathering and publishing statistical information relating to the Indian economy generally or specific economic sectors within it, or corporate or financial information relating to companies or other economic enterprises may not be as comprehensive as those of countries with established market economies. Although India has credit information companies, adequate information regarding loan servicing histories, particularly in respect of individuals and small businesses, is limited. In the event that the reports of such credit information companies are not up-to-date, we may not be able to accurately assess the credit-worthiness of our borrower which may increase our risk of exposure to default by borrower. As our lending operations are primarily limited to India, we may be exposed to a greater potential for loss compared to banks with lending operations in more developed countries.

We rely on information furnished by customers and counterparties while determining whether to extend credit or to enter into other transactions with such customers and counterparties. We typically rely on financial statements, other financial information and certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors provided. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our business, results of operations and financial condition could be adversely affected by relying on financial statements that do not comply with generally accepted accounting principles or with other information that is materially misleading. We also rely on credit ratings and bureau scores assigned to our customers. Our business, results of operations and financial condition could be negatively impacted by such reliance on information that is inaccurate or materially misleading. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

The availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on our loan and decreasing the likelihood that we would be able to enforce any security in respect of such a loan or that the relevant collateral will have a value commensurate to such a loan. The absence of reliable information, including audited financial statements, recognized debt rating reports and credit histories relating to our present and prospective corporate borrowers or other customers makes the assessment of credit risk, including the valuation of collateral, more difficult, especially for individuals and small businesses. Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our nonperforming and restructured assets, which could materially and adversely affect our business, results of operations and financial condition.

15. ***Majority of our offices, branches and ATMs are located on premises taken by us on lease basis. We may not be able to renew these agreements for our branches upon acceptable terms or at all which could have an adverse effect on our business and results of operations.***

Our registered office and corporate office are situated on property owned by us. However, a majority of our offices, branches and ATMs are located on premises taken by us on lease basis from third parties. 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 branches and incur additional costs in such relocation. We may also face the risk of being evicted in the event that our landlords or leaseholders allege a breach on our part of any terms under these lease agreements. 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, 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 branches, we cannot assure you that we will be able to identify such space at commercially reasonable terms or at all.

16. ***Our business and financial performance are dependent on maintaining and building a successful branch network. An inability to maintain, increase our coverage and any inability to use these branches productively, may have an adverse impact on our growth and profitability.***

We have a diverse branch network across India. As of September 30, 2024, our Bank's distribution network in India included 261 branches across 14 States and 2 Union Territories in India. Our number of branches has increased from 253 as of March 31, 2023 to 261 as of March 31, 2024. Our business and financial performance are dependent on maintaining our extensive network of branches. Our newly opened branches 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 branches within a reasonable period as envisaged by us, our profitability may be affected. Our branch expansion plans may have an adverse effect on the capital outlay which in turn may adversely affect our business, results of operations and financial condition. There will also be increased expenditure as a result of our strategy to expand into new geographies, including those planned for our branch network expansion, and newer businesses, such as retail assets and, where our brand is not well known in the market. As a consequence of our large and diverse branch network, we may be subject to additional risks inherent with an extensive network, including but not limited to higher technology costs, upgrading, expanding and securing our technology platform in such branches, 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 branches with our existing branch network. Any of these reasons may result in our failure to manage a large branch presence, which may adversely affect our business, results of operations and financial condition. For further information on our Bank's business, see "*Our Business*" on page 77.

17. ***We have concentrations of deposits from and loans to certain customers, which exposes us to risk of premature withdrawal of deposits by these depositors and defaults by these borrowers that could materially and adversely affect our business, financial condition and results of operations.***

As of September 30, 2024, March 31, 2024, March 31, 2023 and, our deposits from the 1, 10, and 20 largest depositors accounted for the following percentages and amounts of our total deposits:

Particulars	As on September 30, 2024		As on March 31, 2024		As on March 31, 2023	
	Amount (in crore)	Percentage of Total Deposits (%)	Amount (in crore)	Percentage of Total Deposits (%)	Amount (in crore)	Percentage of Total Deposits (%)
Top 1	2,268.25	15.50	2,314.51	16.20	2,052.40	15.37
Top 10	2,880.13	19.69	2,991.27	20.93	2,855.99	21.39
Top 20	3,077.75	21.04	3,179.70	22.25	3,027.15	22.67

As of September 30, 2024, March 31, 2024, March 31, 2023, and, our borrowings from the 1, 10, and 20 largest borrowers accounted for the following percentages and amounts of our total borrowings:

Particulars	As on September 30, 2024		As on March 31, 2024		As on March 31, 2023	
	Amount (in crore)	Percentage of Total Advances (%)	Amount (in crore)	Percentage of Total Advances (%)	Amount (in crore)	Percentage of Total Advances (%)
Top 1	110.66	1.01	129.91	1.25	135.77	1.38
Top 10	995.15	9.03	982.43	9.45	1,060.17	10.76
Top 20	1559.90	14.16	1556.67	14.98	1,729.18	17.55

If any of the borrowers were to become non-performing, our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardized. In the event that any of the above risks materialise, our financial condition and results of operations may be adversely affected.

18. ***Our auditors have referred to certain emphasis of matters in their reports on the audited financial statements, which could subject us to additional liabilities, due to which our reputation and financial condition may be adversely affected*.**

Our auditors have referred to certain emphasis of matters in their reports on the Audited Financial Statements. Details of the same are as follows:

Audited Financial Statements

1. *We draw attention to Note No. 14(i) of Schedule 18 to the financial statements regarding amortization of the additional liability on account of the revision in family pension, amounting to ₹14.29 crore. As stated therein, the bank has charged an amount of ₹1.43 crore and ₹8.57 crore to the profit and loss account for the quarter and financial year ended March 31, 2024, respectively. With this, the entire amount of the family pension stands amortized.*

2. *We draw attention to Note No. 1.2(a) of Schedule 18 to the financial statements regarding the treatment of application software as an intangible asset and its deduction in the computation of net worth until September 30, 2023. However, during the quarter ended December 31, 2023, the bank changed its approach and treated the application software as a fixed asset, consequently not deducting it in the computation of net worth from the quarter ended December 31, 2023 onwards. The consequential positive impact on the Capital to Risk Weighted Assets Ratio for the quarter ended December 31, 2023, and the quarter/ year ended March 31, 2024, is 41 basis points.*

For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Auditor observations and matters of emphasis*" on page 227. There can be no assurance that any similar emphasis of matters will not form part of our financial statements for the future fiscal periods, which could subject us to additional liabilities due to which our reputation and financial condition may be adversely affected.

19. ***Our 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 licences, permits and approvals to operate our business which require us to comply with certain terms and conditions in the ordinary course of our business. Inability to obtain these licences/permits/approvals or non-compliance of the terms and conditions mentioned therein may attract penalties and strictures from the regulatory authorities if the irregularities pointed out by the inspecting officials of the concerned authorities are not rectified within the time allowed by them and in extreme cases, it 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 and could also adversely affect our financial performance and reputation. Our license from the RBI requires 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.

In addition, our branches in some states may be required to be registered under the relevant shops and establishments laws of the concerned states within whose territorial jurisdiction, our branch is located, unless otherwise exempt under such enactments. Inability to obtain these licences/permits/approvals or non-compliance of the terms and conditions mentioned therein may attract penalties and strictures from the authorities if the irregularities pointed out by the inspecting officials of the concerned authority is not rectified within the time allowed by them and in extreme cases, it 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 and could also adversely affect our financial performance and reputation.

20. Our funding requirements and the proposed deployment of Net Proceeds have not been appraised by any bank or financial institution or any other independent agency and our management will have broad discretion over the use of the Net Proceeds.

We intend to utilize the Net Proceeds of the Offer as set forth in "*Objects of the Issue*" beginning on page 53. The funding requirements mentioned as a part of the objects of the Issue are based on internal management estimates in view and have not been appraised by any bank or financial institution. This is based on current conditions and is subject to change in light of changes in external circumstances, costs, business initiatives, other financial conditions or business strategies and since we have not presently entered into any definitive agreements for the use of Net Proceeds.

21. Increasing regulatory focus on personal information protection could impact our business and expose us to increased liability.

Regulators in various jurisdictions are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. In India, the Digital Personal Data Protection Act, 2023 ("**Data Protection Act**") has been enacted for implementing organisational and technical measures in processing personal data laying down norms for cross-border transfer of personal data to ensure the accountability of entities processing personal data. The Data Protection Act introduced stricter data protection norms for an entity such as ours and may impact our processes. The Data Protection Act is introduced to maintain the highest level of security and protection for all such information regarding our various customer. The RBI has also issued a circular dated April 6, 2018 on the procedure of storage of payment systems data to ensure that data relating to payment systems that we operate are stored only in India.

We cannot assure you that we will be able to continue to be compliant with evolving regulatory norms on personal information protection. Any failure, or perceived failure, by us to comply with any applicable regulatory requirements, including but not limited to privacy, data protection, information security, or consumer protection-related privacy laws and regulations, could result in proceedings or actions against us by governmental entities or individuals who may subject us to fines, penalties, and/ or judgments which may adversely affect our business and reputation.

22. If we are unable to sustain or manage our growth, our business, results of operations, cash flows and financial condition may be adversely affected.

We have had a sustained business growth in the last two fiscal years. Our total deposits have grown from ₹ 13,351.65 crore as of March 31, 2023, to ₹ 14,290.31 crore as of March 31, 2024, and have further grown from ₹ 13,817.22 crore as of September 30, 2023, to ₹ 14,631.48 crore as of September 30, 2024. Our total net advances have grown from ₹ 9,451.52 crores as of March 31, 2023, to ₹ 10,102.16 crores as of March 31, 2024, and have further grown from ₹9,885.30 crore crore as of September 30, 2023, to ₹ 10,717.42 crore as of September 30, 2024. In order to manage our growth effectively, we must implement, upgrade and improve our operational systems, processes, procedures and controls on a timely basis. If we fail to implement these systems, processes, procedures and controls on a timely basis, or at all, we may not be able to meet our regulatory requirements, customers' needs, hire and retain new employees or operate our business effectively. Our inability to manage our expansion effectively, or within budget estimates may place strains on our internal resources, financial, accounting and operating systems and our management, and could have an adverse effect on our business, credit ratings and results of operations.

Further, we are embarking on a growth strategy that involves steps to focus on technological advancements for enhancing customer satisfaction and business growth, strategic geographical expansion and market penetration in Tier 2 and 3 cities in Southern India, strengthening risk management, and optimizing branch potential for business growth. For further details, see "*Our Business – Our Business Strategies*" on page 81. We may need additional capital to fund our growth strategies.

Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to curtail or withdraw from some of our current business operations. There can also be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

23. We are exposed to fluctuations in foreign exchange rates which could adversely affect our business, future financial performance and trading price of the Equity Shares.

We are exposed to exchange rate risk in our foreign exchange transactions and related derivative transactions, as a financial intermediary as well as foreign currency borrowings. As of September 30, 2024, our Bank's credit exposure on account of outstanding gross forward exchange contracts amounted to ₹ 198.65 crore. As of September 30, 2024 and September 30, 2023 and as of March 31, 2024 and 2023, our Bank had no foreign currency borrowings.

We hedge our own risk to undertake various foreign exchange transactions and for proprietary trading which are exposed to various kinds of risks, such as, amongst others, credit risk, market risk and exchange rate risk. In order to mitigate such risks, we have adopted a market risk management policy and treasury policy to mitigate risks arising out of customer transactions and proprietary trading through various risk limits such as counterparty bank exposure limits, country wise exposure limits, customer limits, overnight limits, intraday limits, stop loss limits, aggregate gap limits and value-at-risk limits. Volatility in foreign exchange rates may be further accentuated due to other global and domestic macroeconomic developments and as a result, may materially and adversely affect our business, future financial performance and the trading price of the Equity Shares.

Some of our borrowers also enter into derivative contracts to manage their foreign exchange risk exposures. Our derivative transactions are subject to regular monitoring by our risk management committee and to ensure compliance with limits prescribed by RBI. Some of our customers have incurred mark-to-market or crystallized losses on their foreign exchange contracts. The failure of our borrowers to manage their exposures to foreign exchange, derivative risk, adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers and our business volumes and profitability. Defaults by our customers on their derivative contracts and their subsequent classification as NPAs may have an adverse impact on our profitability, business and the price of the Equity Shares.

24. The banking industry in India is subject to extensive regulation and significant changes in the banking regulations may adversely affect our business and our future financial performance.

Banks in India are subject to detailed regulation and supervision by the RBI. The RBI sets guidelines on matters related to our business including cash reserve ratios, statutory liquidity ratios, capital adequacy ratio, priority sector lending, recognition and provisioning for NPAs, export credit, market risk and branch licensing. As we operate under licences or registrations obtained from appropriate regulators, such as RBI, SEBI, IRDAI, we are subject to actions that may be taken by such regulators in the event of any noncompliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements and other areas. In addition, banks are generally subject to changes in Indian laws, regulations, Government policies and accounting principles. In addition, we may be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses, those that reduce our profits through a limit on fees or interest rates that we may charge our customers or those affecting foreign investment in the banking industry – as well as to changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles.

Further, exposures of SCBs to NBFCs, excluding core investment companies, are risk weighted as per the ratings assigned by accredited external credit assessment institutions ("**ECAI**"). On a review, it has been decided to increase the risk weights on such exposures of SCBs by 25% (over and above the risk weight associated with the given external rating) in all cases where the extant risk weight as per external rating of NBFCs is below 100%. For this purpose, loans to HFCs, and loans to NBFCs which are eligible for classification as priority sector in terms of the extant instructions shall be excluded. We are subject to cash reserve and the statutory liquidity ratios requirements, capital adequacy ratio requirements, priority sector lending requirements, among others, and failure to comply with these requirements may expose us to penalties and regulatory action.

The regulatory and policy environment in which we operate is evolving and subject to change. There can be no assurance that the Government of India may not implement new regulations and policies which will require us to obtain approvals and licences from the Government of India and other regulatory bodies. Any such changes and the related uncertainties with respect to the implementation of the new regulations may have an adverse effect on our business, financial condition and results of operations. In addition, we may have to incur expenditure to comply with the requirements of any new regulations, which may also affect our results of operations.

25. Volatility in the market price of gold may adversely affect our financial condition, cash flows and results of operations.

We extend gold loans secured mostly by gold jewellery. A sustained decrease in the market price of gold could cause a corresponding decrease in new gold loans in our loan portfolio and, as a result, our interest income. In addition, customers may not repay their loans and the gold jewellery securing the loans may have decreased significantly in value, resulting in losses which we may not be able to support. The impact on our financial position and results of operations of a hypothetical decrease in gold values cannot be reasonably estimated because the market and competitive response to changes in gold values is not pre-determinable.

26. We may not be able to realise the full value of our pledged gold jewellery in case of a default, which exposes us to a potential loss.

We may not be able to realise the full value of our pledged gold, due to, among other things, defects in the quality of gold or wastage that may occur when melting gold jewellery into gold bars. We also prepare gold verification report to appraise the value of gold ornaments/ jewellery/ coins prior to disbursement of the gold loan. However, we cannot assure that methods followed by us are full proof and the impurity levels in the gold can be accurately assessed.

In the case of a default, amongst others we may auction the pledged gold in accordance with our auction policy. We cannot assure you that we will be able to auction such pledged gold jewellery at prices sufficient to cover the amounts under default. Moreover, there may be delays associated with the auction process or other processes undertaken by us to recover the amount due to us. Any such failure to recover the expected value of pledged gold could expose us to a potential loss and which could adversely affect our financial condition and results of operations

27. Any non-compliance with mandatory AML and KYC policies could expose us to additional liability and harm our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable anti money laundering (“AML”) and know your client (“KYC”) regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

Although, we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report, including the Ministry of Finance, Department of Revenue, Financial Intelligence Unit – India. In the past, the RBI has levied penalties on us for violations of the following regulations: 'Loans and Advances – Statutory and Other Restrictions', 'Reserve Bank of India Know Your Customer (KYC) Directions, 2016', and 'Reserve Bank of India (Interest Rate on Deposits) Directions, 2016. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements. Further, the RBI made observations in certain of its past inspection reports that there were deficiencies in capturing key customer information in our KYC database.

28. We are involved in certain legal and other proceedings which, if determined against us, could have a material adverse impact on our business, results of operations and financial condition.

We are involved in various legal proceedings in the ordinary course of our business. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/ other judicial authorities. These matters generally arise because we seek to recover dues from borrowers. Details of the same are as follows:

Nature of cases	Number of cases	Amount involved*
		(in ₹ *crore*)
Litigations involving our Bank		
By Our Bank		

Nature of cases	Number of cases	Amount involved*
		(in ₹ *crore*)
Civil proceedings where the amount involved is equivalent to or in excess of ₹ 2.38 crore ("**Materiality Threshold**")	28	308.85
Other proceedings involving our Bank which, if they result in an adverse outcome would materially and adversely affect the operations or the financial position of our Bank	NIL	NIL
Against our Bank		
Proceedings involving issues of moral turpitude or criminal liability	1	NIL
Proceedings before regulatory authorities involving material violations of the statutory regulations	NIL	NIL
Matters involving economic offences where proceedings have been initiated	NIL	NIL
Civil proceedings where the amount involved is equivalent or in excess of the Materiality Threshold	NIL	NIL
Tax proceedings	52	764.73
Other proceedings involving our Bank which, if they result in an adverse outcome would materially and adversely affect the operations or the financial position of our Bank	NIL	NIL
Total	**81**	**1073.58**

* *To the extent quantifiable.*

Although it is our policy to make provisions for probable loss, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. We can give no assurance that these legal proceedings will be decided in our favour and we may incur significant expenses and expend substantial management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If there are any rulings against us by the appellate courts or tribunals, we may face losses and may have to make provisions in our financial statements, which could increase our expenses and our liabilities. If such claims are determined against us, there could be a material adverse effect on our reputation, business, results of operations and financial condition, which could adversely affect the trading price of our Equity Shares. As on September 30, 2024, the Bank has no complaints on account of fraud. If our provisioning is inadequate relative to actual losses on final judgment, such additional losses could have an adverse impact on our business, results of operations and financial condition. For further information on litigations, see "*Outstanding Litigation and Defaults*" on page 230.

29. The effects of the adoption of Indian Accounting Standards ("Ind AS") are uncertain and any failure to successfully adopt Ind AS could adversely affect our business, financial conditions and results of operations.

The Bank currently prepares its annual and interim financial statements in accordance with Indian GAAP. The Ministry of Corporate Affairs ("**MCA**"), in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS converged with IFRS for scheduled commercial banks. However, the RBI, in its circular dated March 22, 2019, deferred the implementation of Ind AS by scheduled commercial banks until further notice. The adoption of Ind AS would change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realizable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognizing allowances for expected loan losses in the future that may be higher than under the current Indian GAAP. The mark-to-market requirements required under Ind AS may also impact our revenues and profitability. We have made no attempt to quantify the impact of the differences between Indian GAAP and Ind AS. However, it is possible that our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under Ind AS than under Indian GAAP.

If we are required to report in Ind AS, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, we will have to modify our internal control framework and adopt new internal controls to report under Ind AS. These new internal controls will require, amongst others, a transition to more model-based evaluation of certain items, as well as staff who are adequately knowledgeable with Ind AS. As advised by RBI, the Bank has furnished Proforma Ind AS financial statements to the RBI on a half-yearly basis with the corresponding comparative financial statements as per the current framework. If we are required to report in Ind AS, we may encounter difficulties in implementation of effective internal controls in a timely manner.

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

We operate in a competitive industry. Private sector banks, other public sector banks and foreign banks are our main competitors, followed closely by NBFCs, small finance banks, payment banks, insurance companies, asset management companies, development financial institutions, mutual funds and investment banks. Amalgamated public sector banks have increased their financial strength, management capabilities, resources, operational experience, customer base and distribution channels and, as such, their ability to compete with the Bank.

The Bank also faces competition from private sector banks in India, some of which have larger customer bases and greater financial resources. In addition, new entrants into the financial services industry, including companies in the financial technology sector, may further intensify competition in the business environments in which the Bank operates, especially in the digital business environment. As a result, the Bank may be forced to adapt its business to compete more effectively. For example, non-bank financial companies, particularly international technology companies, including large e-commerce players, have recently been increasing their presence in the financial sector in India and offering payment platforms and select services to customers, which increase competitive pressures on the Bank.

Further, technology innovations in mobility and digitisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. Innovations in the payments system and increasing use of mobile banking are leading to the emergence of new platforms for cashless payments. This can also lead to new types of banks expanding their presence in other financial products, such as insurance and mutual funds. These trends in technology could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. Due to these and other competitive pressures, we may be unable to successfully execute our growth strategy, which could adversely affect our business, financial condition and results of operations.

31. Any downgrade in the Bank's debt credit ratings could affect our ability to access cost effective funding, thereby adversely affect our business, results of operations and financial condition.

The pricing on our issuances of debt will be negatively impacted by any downgrade or potential downgrade in our credit ratings, which could increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis. Set forth below are details of our credit rating as on the date of the Letter of Offer:

Rating Agency	Amount rated (in ₹ crore)	Name of Instrument	Credit Rating
CARE Ratings Limited	150	Tier II Bonds	CARE BB+; Stable

Our credit ratings have been downgraded in the past. Any downgrade in credit rating further 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. In addition, any downgrade of our credit ratings could result in additional terms and conditions being included in any financing or refinancing arrangements in the future. We cannot guarantee that our ratings will not change, or that any other rating agency will not downgrade India's credit rating.

32. We may experience delays in enforcing our collateral when borrowers default on their obligations or the value of the collateral provided by borrowers against advances may decrease, exposing us to a potential loss.

The value of the assets that have been pledged to us as collateral could decline or significantly fluctuate due to factors beyond our control, including deterioration in global and regional economic conditions or of asset values, or as a result of adverse changes in the credit quality of our borrowers and counterparties. As of the dates indicated below, the percentage of our Bank's advances that were secured as per the RBI guidelines is as follows:

Particulars	September 30, 2024	September 30, 2023	March 31, 2024	March 31, 2023
Secured Advances (%)	95.98	96.77	96.09	96.48

These advances were secured by collateral, including property, real estate assets, plant, equipment, gold ornaments, current assets, and pledges or charges on fixed assets, inventory receivables, bank deposits, or financial assets such as marketable securities and guarantees provided by our borrowers. 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. 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 situations where the advances are secured by highly depreciating fixed assets such as, vehicles and agricultural equipment, etc.

We may not be able to realize the full value of the collateral, in the event our borrowers default on the repayment of loans, due to various reasons, including a possible decline in the realizable value of the collateral, defective title or pledge of faulty items as security, prolonged legal proceedings and fraudulent actions by borrowers, defects or deficiencies in the perfection of collateral (including due to the inability to obtain approvals that may be required from third parties), errors in assessing the value of the collateral, an illiquid market for the sale of the collateral, current legislative provisioning coverage or changes thereto, future judicial pronouncements, borrowers and guarantors not being traceable, or we may not be able to foreclose on collateral at all. The SARFAESI Act, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, Insolvency and Bankruptcy Code, 2016, together with the Banking Regulation (Amendment) Ordinance, 2017 promulgated an ordinance dated May 4, 2017 amending the Banking Regulation Act, through which the RBI has been given extensive powers for the recovery of bad loans and resolution of stressed assets. The RBI has also strengthened the ability of lenders to recover NPAs by granting lenders greater rights to enforce security and recover amounts owed from secured borrowers. While we believe that the SARFAESI Act has contributed to our enforcement efforts, there can be no assurance that the legislation will continue to be effective in resolving NPAs. A failure to recover the expected value of collateral security could expose us to potential losses and may adversely affect our business, results of operations and financial condition.

The fluctuations in the prices of gold and real estate may impact our recovery amount during the enforcement of security resulting in write-offs in our loan amount. Any decline in the value of the collateral securing our loans, any inability to obtain additional collateral or our inability to realize the value of collateral may require us to increase our write-offs for credit and other losses. In such a scenario our losses will increase, and our net profit will decline. 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. The amounts we receive upon sale of the secured assets, in the event of a default with respect to any of these loans, may be insufficient to recover the outstanding principal and interest on the loan. Our profitability could be adversely affected, if we are required to re-value the assets securing a loan to satisfy the debt during a period of reduced asset values or to increase our allowance for loan losses and could have a material adverse effect on our business, results of operations and financial condition.

33. Our success depends largely on our management team and skilled personnel. Any inability to attract and retain talented professionals may negatively affect us.

Our business is evolving as we expand our operations and our product lines. Our growth and continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals.

We believe our employees are a significant source of our competitive advantage and are thus a key element of our growth strategy. As of September 30, 2024, our total employee strength was 1,724 comprising 1,719 regular employees and 5 contractual employees. With the increase in competition for qualified personnel, we continue to face challenge to recruit a sufficient number of suitably skilled personnel, particularly as we continue to grow. In the event we are not able to attract talented employees, or are unable to motivate and retain our existing employees, the future of our business and operations may be affected.

The successful implementation of our strategy depends on the availability of skilled management, at our Corporate Office, Registered Office, and at each of our branches and on our ability to attract and train technologically sound, young professionals. We may not be able to pay wages which may be paid by private sector banks, which could adversely affect our ability to hire qualified employees. If we or one of our branches or other functions fail to staff their operations appropriately, or lose one or more of our key senior executives or qualified young professionals and fail to replace them in a satisfactory and timely manner, our business, and operations, including our control and operational risks, may be adversely affected.

34. The Bank's risk management policies and procedures may leave the Bank exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Bank is exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risks, including fraud, and legal risks. The effectiveness of its risk management is limited by the quality and timeliness of available data and other factors outside of its control. We have a well-defined risk management governance framework for management of ALM credit, market, liquidity and operational risk, among others. 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 effectively mitigate 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 do so in the future. See "*Our Business – Risk Management Framework*" on page 92. 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 behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than those indicated by the historical measures. Management of operations, legal and regulatory risks require, 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. An inability to develop and implement effective risk management policies may materially and adversely affect our business, results of operations and financial condition.

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

We intend to continue to periodically test and update our risk management framework. 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.

In the past, we have experienced acts of fraud and misconduct (as defined under the applicable RBI guidelines) committed by or involving our customers, as well as by our employees. For instance, in Fiscal 2024, we reported 6 incidents of fraud to the RBI, involving an aggregate amount of ₹ 4.11 crore, and made a provision of ₹ 4.11 crore for such frauds. Further, during the six months period ended September 30, 2024, the Bank had identified certain irregularities in the nature of fraud in 7 incidents, and the loss is determined at ₹ 3.11 crore. The Bank has provided for the entire amount of ₹ 3.11 crore during the six months period ended September 30, 2024.

35. ***Our ability to pay dividends in the future will depend upon our earnings, financial condition and capital requirements and directions.***

We may not declare or pay dividends in the future. Our ability to pay dividends, if declared, will depend upon a number of factors, including our future earnings, financial condition, capital requirements, compliance with regulatory requirements, and the results of operations.

While we do not have a formal board approved dividend policy, any future dividend payments will also depend on our ability to meet the RBI mandated CRAR and net NPA parameters, along with other factors considered relevant by our Board and our shareholders. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time.

We cannot assure you that we will generate sufficient income to cover our operating expenses and shall be able to pay dividends. In addition, dividends that we have paid in the past may not be reflective of the dividends that we may pay in a future period. Our future dividend policy will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors.

36. ***We may face labour disruptions and employee misconduct that could adversely affect our business, results of operations and financial condition.***

We are exposed to the risk of strikes and other industrial actions. Our Bank's employees may be members of the trade unions. We have also in the past had instances of strikes and work stoppages on account of our employees' unions participating in all India strikes. While we believe that we have a strong working relationship with the unions / associations, there can be no assurance that our Bank will continue to have such a relationship in the future. If the employees' union calls for a work stoppage or other similar action, we may be forced to suspend all or part of our operations until the dispute is resolved. If any such work stoppage or disruption was to occur, possibly for a significant period of time, our business, results of operations and financial condition would be adversely affected.

There is also likelihood for employee misconduct which could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm, including harm to our brand. It is not always possible to deter misconduct by employees and the precautions we take and the systems we have put in place to prevent and deter such activities may not be effective in all cases. Any instances of such misconduct or fraud could adversely affect our reputation, business, results of operations and financial condition.

37. We offer unsecured loan to customers that are subject to greater credit risk than our secured loan portfolio.

Our loan products include unsecured term loans, demand loans and loans against immovables. As of September 30, 2024, September 30, 2023, March 31, 2024 and March 31, 2023, our Bank's unsecured loans amounted to ₹430.40 crore, ₹319.20 crore, ₹394.89 crore and ₹332.35 crore, which represented 4.02%, 3.23%, 3.91% and 3.52% respectively, of our Bank's net advances. Our unsecured loans are subject to greater credit risk than our secured loan portfolio because they may not be supported by realizable collateral. Although we typically obtain direct debit instructions or post-dated cheques from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any expansion in our unsecured loan portfolio could require us to increase our provision for credit losses, which could adversely affect our business, results of operations and financial condition.

38. Our Bank may not be successful in implementing its growth strategies.

The Bank selectively expands into new business and financial services product offerings as opportunities arise. This strategy exposes the Bank to a number of risks and challenges, including, the possible failure to identify appropriate opportunities and offer attractive new products, failure to comply with new market and regulatory standards, and the need for hiring and retraining skilled personnel, among others, each of which would have a potential adverse impact on the Bank's profitability. In addition, the Bank may face increased costs in connection with its growth strategy. The Bank's growth strategy in the future may also involve diversification of products, increasing the digital reach, focusing on fresh customer acquisition and retention and strategic business arrangements with other parties. For further information on our Bank's business strategies, see "*Our Business-Our Business Strategies*" on page 81.

These arrangements may contribute less than expected to business growth and the Bank's profitability or may be unsuccessful. These difficulties could disrupt the Bank's ongoing business, distract its management and employees, and increase its expenses.

39. The increasing adoption of digital technologies, as well as legal or regulatory changes may affect the Bank's retail banking strategies and may adversely impact the competitive advantages the Bank derives from the Bank's physical branch network.

The Bank has expended significant efforts in establishing a physical branch network and other retail distribution assets. Advances in technology such as digital and mobile banking, self-service technologies, proximity or remote payment technologies, as well as changing consumer preferences for these other methods of delivering banking services, could decrease the value of the Bank's physical branch network and the competitive advantage that the Bank derives from such assets. As a result, the Bank may need to re-evaluate the Bank's retail banking strategy and potentially restructure the Bank's physical branch network in the future. This may also require us to invest significantly in building new technology platforms or other alternative strategies in order to continue competing effectively. These actions may lead to losses on these assets or may adversely impact the carrying value of such assets or increase the Bank's expenditures.

Any technological advancement in the way customers prefer to execute their banking services may change the way banking has been perceived and carried out. Technological innovation such as mobile wallets, mobile operator banking, payment banks, internet banking through smart phones, etc. could disrupt the banking industry as a whole. There can be no assurance that we will be able to adapt our systems quickly and efficiently to such changing environment. Even if we are able to maintain, upgrade or replace our existing systems or innovate or customise and develop new technologies and systems, we may not be as quick or efficient as our competitors in upgrading or replacing our systems. Our failure to adapt to such technological advancements quickly and effectively could affect the performance and features of our products and services and could reduce our attractiveness to existing and potential customers.

40. 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, results of operations and financial condition.

We offer online banking services to our customers. Our online banking channel includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. We are therefore 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. Any cyber security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability. The RBI on June 2, 2016 issued Cyber Security Framework vide circular no. DBS. CO/CSITE/BC.11/33.01.001/2015-16 which provides a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents (whether successful or attempts) 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.

As technology is currently in a phase of rapid evolution and the methods used for cyber-attacks are changing frequently or, in some cases, are not recognized until an actual attack, we may not be able to anticipate or to implement effective preventive measures against all such security breaches. Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile-payment and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. There may be areas in the system that have not been properly protected from security breaches and other attacks. We employ security systems, including sophisticated threat management systems and password encryption, designed to minimize the risk of security breaches. 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 these security measures will be adequate or successful. Failed security measures could have a material adverse effect on our business, results of operations and financial condition. Our business operations are based on a high volume of transactions. Although we take measures to safeguard against systems related and other fraud, there can be no assurance that we will be able to prevent fraud. Our reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

41. A portion of our total income is derived from non-banking activities and fee-based services. Our financial performance may be materially and adversely affected by an inability to generate and sustain such income.

We have, over the years, expanded our operations from undertaking banking activities to providing certain non-banking and fee and commission-based services. Our fees from commissions, exchanges and brokerage services increased from ₹ 6.39 crore in Fiscal 2023 to ₹ 6.97 crore in Fiscal 2024, which accounted for 0.56% and 0.51% of our total income in Fiscals 2023 and 2024, respectively. Our fees from commissions, exchanges and brokerage services increased from ₹ 3.56 crore in the six months ended September 30, 2023 to ₹ 3.71 crore in the six months ended September 30, 2024. Our non-banking activities mainly include depository services, treasury operations, and the distribution of third-party products such as insurance and mutual funds.

We also earn fee-based income from corporate agency services, which include marketing and distribution of insurance products. Fee-based income is also earned as part of our foreign exchange business. From time to time we hold assets on our balance sheet which may subject to market risk and credit risk. There can be no assurance that we will be able to sustain current levels of income from, or effectively manage the risks associated with, these businesses in the future.

New initiatives, products and services that we may introduce, will 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 adversely affect our business, financial condition and results of operations

42. We are dependent on our brand recognition. Negative publicity could damage our reputation and adversely impact our business and financial results.

Reputation risk is the risk of the loss arising from the adverse perception of the image of our Bank by our customers, counterparties, investors or regulators. This is particularly relevant as our business involves ensuring customers that we are credible and can offer basic, secure services expected by the customers. With the market becoming increasingly competitive, we believe that maintaining and enhancing our brand will become more important for our business. Further, reputational risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. We believe our name commands brand recognition due to its long presence in the markets in which we operate and therefore maintaining and enhancing the brand is important for retaining our competitive advantage. Reputational risk, or the risk to our business from negative publicity, is inherent in our business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Any negative public opinion about the industry in which we operate could adversely affect our ability to attract and retain customers, and may expose us to litigation and regulatory action.

Further, creating and maintaining public awareness of our name is crucial to our business and we accordingly invest in various marketing and advertising campaigns. If these campaigns are poorly executed, or our customers lose confidence in us for any reason, it could harm our ability to attract and retain customers. There can be no assurances that we will be able to sustain effective marketing, advertising and branding initiatives in the future. Maintaining and enhancing our name may require us to make substantial investments in financial services industry which may not be successful. A public perception that we do not provide satisfactory services to customers, even if factually incorrect or based on isolated incident or based on the aggregate effect of individually insignificant incidents, could damage our reputation, undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers. While we have not experienced such instances of negative publicity yet, such instances could adversely impact our business, cash flows, financial condition and results of operations.

Negative publicity can result from our actual or alleged conduct in a number of activities, including lending practices, foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organizations in response to that conduct. We distribute several third-party products, including life insurance, health insurance, general insurance and mortgages. Any failure on the part of such third parties, including any failure to comply with applicable regulatory norms, any regulatory action taken against such parties or any adverse publicity relating to such party could, in turn, result in negative publicity about us and adversely impact our brand and reputation.

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

We have in the course of our business entered into, and will continue to enter into, transactions with our related parties. For further details, see "*Financial Statements*" on page 100. We cannot assure you that we will receive similar terms in our related party transactions in the future and that we could not have achieved more favourable terms had such transactions been entered into with unrelated parties. The transactions we have entered into and any further transactions that we may have with our related parties could potentially involve conflicts of interest which may be detrimental to the Bank. While we believe that all such transactions have been conducted on the arm's length basis and in compliance with applicable laws, it is difficult to ascertain whether more favorable terms would have been achieved had such transactions been entered with unrelated parties. We cannot assure you that there will not be any disputes or disagreements in the future. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our business and financial results, including because of potential conflicts of interest or otherwise.

44. The microfinance business poses unique risks. Our customer base in our microfinance business could have a higher risk of default compared to our other borrowers and any such failure to repay the loans could negatively impact our business, financial condition, and results of operations.

Typically, microfinance customers are individuals living in rural and urban India with limited sources of income, savings and credit histories. These individuals may not be able to provide us with any collateral or security for their borrowings. We may extend loan repayment moratoriums to microfinance customers affected by natural disasters, which could adversely impact our results of operations. Moreover, we typically seek non-traditional guarantees for microfinance loans, which may generally include informal individual, and group guarantees rather than tangible assets. As a result, the microfinance business products, particularly loans, may create a higher degree of risk than loans secured with physical collateral. As a result, the customer base in the microfinance business could have a higher risk of default than borrowers with greater financial resources or with more established credit histories. Due to the circumstances of the microfinance customers, we may experience increased levels of non-performing loans and related provisions and write-offs that could negatively impact our business, financial condition, and results of operations.

45. Statistical and industry data in this Letter of Offer may be incomplete or unreliable.

Statistical and industry data used throughout this Letter of Offer has been obtained from various Government and industry publications. While we believe that the information contained has been obtained from sources that are reliable, but neither we nor the Lead Manager have independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result, data from other market sources may not be comparable. The extent to which the market and industry data presented in this Letter of Offer is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Letter of Offer. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

46. We may breach third-party intellectual property rights, which may lead to litigations being instituted against us.

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

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

47. We rely on third-party software and information technology solutions, which may not perform satisfactorily.

We, among other things, use third party software, platforms, services and data storage services, on cloud and on premises data centers. As our technology infrastructure, products and services expand and become increasingly complex, we face increasingly serious risks to the performance and security of our technology infrastructure, products and services that may be caused by these third-party developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software. We also need to continuously enhance our existing technology. We face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platforms, products and services, which would adversely affect our business and reputation.

For example, our Bank's current core banking application software is a centralized core banking solution that has been taken on license from an information technology company. As the software may be designed as a general solution for Indian banks, there may be functional requirements specific to us that are not adequately addressed. Consequently, we may have to rely on internal resources for developing alternate solutions. We could incur losses, including losses from errors or fraud if such internally developed customization proves to be inadequate. If the software is unable to take care of the new operational requirements prescribed by the regulators or if employees who have developed skills relating to such application software leave their employment with us, we may have to rely on third-party software, the cost of which may be significantly higher. In addition, there can be no assurance that the network infrastructure required for communication with the centralized system can be expanded in scale to meet any increase in the volume of our transactions

48. We rely extensively on our information technology systems and the telecommunications network in India, which require significant investment and expenditure for regular maintenance, upgrades and improvements.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services. We are heavily reliant on our technology systems in connection with financial controls, risk management and transaction processing. In addition, our delivery channels include ATMs, call centers and mobile applications. Our offline and online business channel networks are dependent on a dense, comprehensive telecommunications network in India. While deregulation and liberalization of telecommunications laws have prompted the steady improvement in local and long-distance telephone services, telephone network coverage and accessibility are still intermittent in many parts of India. Failure by the Indian telecommunications industry to improve network coverage to meet the demands of the rapidly growing economy may affect our ability to expand our customer base, acquire new customers or service existing customers by limiting access to our services and products. This may materially and adversely affect our business, financial condition and results of operations.

In addition, our digital platform provides both internet and mobile application-based banking services which includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. These services are highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data; therefore, ensuring system security and availability is of paramount importance. The size and complexity of our computer systems may also make them potentially vulnerable to breakdowns, system integration problems, malicious intrusion and computer viruses. Our data processing systems may fail to operate adequately, or at all, as a result of events that are beyond our control, including a disruption of electrical or communications services in markets in which we primarily operate.

We use our information systems and the internet to deliver services to, and perform transactions on behalf of, our customers and we may need to regularly upgrade our systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that it remains competitive. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. There is no warranty under some of our information technology license agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. Further, 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, which could result in breaches of applicable data security laws and resultant imposition of monetary penalties. Security measures could be breached by third-party actions, intrusion into our software by hackers due to software flaws or due to employee error and malfeasance. In addition, we may be required under applicable regulations to notify individuals of data security breaches involving their personal data. Any such security breaches or compromises of technology systems in the future could result in institution of legal proceedings against us and potential imposition of penalties, which may have an adverse effect on our business, results of operations and reputation. There can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. In the event we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition and results of operations.

49. We may be unable to sufficiently obtain, maintain, protect, or enforce our intellectual property and other proprietary rights.

Any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others, including third party distributors of our products, 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. 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. As of the date of this Letter of Offer, we have 1 registered trademark. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses. In addition, we may also become subject to infringement claims. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favor.

Failure to register or renew the registration of any of our registered intellectual properties may affect our right to use such intellectual properties in future or allow others to use our products and designs as available in the public domain, without our consent. Furthermore, 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 and results of operations.

50. Our insurance coverage could prove inadequate to satisfy potential claims. If we were to 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 financial condition and results of operations.

Our operations are subject to various risks inherent in the banking industry, as well as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, public liability, bankers' indemnity and electronic equipment. We maintain insurance for our operations in India through third party insurers in India. None of our insurance policies are assigned in favor of any third party. We have taken out insurance within a range of coverage consistent with industry practice in India to cover certain risks associated with our business. We cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. Even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are subject to annual review, and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our financial condition and results of operations.

51. General economic and market conditions in India and globally could have an adverse effect on our business, financial condition, cash flows, results of operations and prospects.

We generate revenues from our treasury operations, which include investments in equities, commercial paper, mutual funds, certificates of deposit, and other money market instruments to manage short-term liquidity. Additionally, we generate revenue from the distribution of third-party financial products such as mutual funds and insurance products. Accordingly, our business is dependent on economic and political conditions in India and other countries, and the securities markets in India. Global economic and political conditions that may affect the Indian securities markets include macroeconomic and monetary policies, industry-specific trends, mergers and acquisitions activity, legislation and regulations relating to the financial and securities industries, household savings rate, investment in alternative financial instruments, upward and downward trends in the market, business and financial sectors, volatility in security prices, perceived lack of attractiveness of the Indian capital markets, inflation, and currency and interest rate fluctuations. Any adverse impact of general economic or political conditions could materially adversely affect our business, financial condition, cash flows, results of operations and prospects.

Risks Relating to the Equity Shares and the Issue

52. The Rights Entitlement of Eligible Equity Shareholders holding Equity Shares in physical form may lapse in case they fail to furnish the details of their demat account to the Registrar.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Bank shall credit the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form.

Our Bank has opened a separate demat suspense escrow account (namely, 'Dhanlaxmi Bank Limited RE Unclaimed Suspense Account' opened with the Stock Holding Corporation of India Limited) ("**Demat Suspense Account**") and would credit Rights Entitlements on the basis of the Equity Shares: (a) held by Eligible Equity Shareholders which are held in physical form as on Record Date; or (b) which are held in the account of the Investor Education and Protection Fund ("**IEPF**") authority; or (c) of the Eligible Equity Shareholder whose demat accounts are frozen or where the Equity Shares are lying in the unclaimed suspense account / demat suspense account (including those pursuant to Regulation 39 of the SEBI LODR Regulations) or details of which are unavailable with our Bank or with the Registrar on the Record Date or where Equity Shares have been kept in abeyance or where entitlement certificate has been issued or where instruction has been issued for stopping issue or transfer or where letter of confirmation lying in escrow account; or (d) such other cases where our Bank is unable to credit Rights Entitlements for any other reasons.

Our Bank shall credit the Rights Entitlements to the Demat Suspense Account on the basis of information available with our Bank and to serve the interest of relevant Eligible Equity Shareholders to provide them with a reasonable opportunity to participate in the Issue. The credit of the Rights Entitlements to the Demat Suspense Account by our Bank does not create any right in favour of the relevant Eligible Equity Shareholders for transfer of Rights Entitlement to their demat account or to receive any Equity Shares in the Issue. With respect to the Rights Entitlements credited to the Demat Suspense Account, the Eligible Equity Shareholders are required to provide relevant details (such as applicable regulatory approvals, self-attested PAN and client master sheet of demat account, details/ records confirming the legal and beneficial ownership of their respective Equity Shares, etc.) to our Bank or the Registrar no later than two clear Working Days prior to the Issue Closing Date, i.e., Thursday, January 23, 2025 by to enable credit of their Rights Entitlements by way of transfer from the Demat Suspense Account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. In the event that the Eligible Equity Shareholders are not able to provide relevant details to our Bank or the Registrar by the end of two clear Working Days prior to the Issue Closing Date, Rights Entitlements credited to the Demat Suspense Account shall lapse and extinguish in due course and such Eligible Equity Shareholder shall not have any claim against our Bank and our Bank shall not be liable to any such Eligible Equity Shareholder in any form or manner and such lapsing of Rights Entitlement may dilute and adverse impact the interest of certain Eligible Equity Shareholders. For details, please see "*Terms of the Issue*" on page 242.

53. Failure to exercise or sell the Rights Entitlements will cause the Rights Entitlements to lapse without compensation and result in a dilution of shareholding.

Rights Entitlements that are not exercised prior to the end of the Issue Closing Date will expire and become null and void, and Eligible Equity Shareholders will not receive any consideration for them. The proportionate ownership and voting interest in our Bank of Eligible Equity Shareholders who fail (or are not able) to exercise their Rights Entitlements will be diluted. Even if you elect to sell your unexercised Rights Entitlements, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the equity share capital of our Bank that may be caused as a result of the Issue. Renouncees may not be able to apply in case of failure of completion of renunciation through off-market transfer in such a manner that the Rights Entitlements are credited to the DEMAT account of the Renouncees prior to the Issue Closing Date. Further in case the Rights Entitlements do not get credited in time, in case of On Market Renunciation, such Renouncee will not be able to apply in this Issue with respect to such Rights Entitlements. For details, see "*Terms of the Issue*" on page 242.

54. Applicants to this Issue are not allowed to withdraw their Applications after the Issue Closing Date.

In terms of the SEBI ICDR Regulations, Applicants in this Issue are not allowed to withdraw their Applications after the Issue Closing Date. The Allotment in this Issue and the credit of such Rights Equity Shares to the Applicant's demat account with its depository participant shall be completed within such period as prescribed under the applicable laws. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation, cash flows or financial condition, or other events affecting the Applicant's decision to invest in the Rights Equity Shares, would not arise between the Issue Closing Date and the date of Allotment in this Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of our Equity Shares. The Applicants shall not have the right to withdraw their applications in the event of any such occurrence. We cannot assure you that the market price of our Equity Shares will not decline below the Issue Price. To the extent the market price for our Equity Shares declines below the Issue Price after the Issue Closing Date, the shareholder will be required to purchase Rights Equity Shares at a price that will be higher than the actual market price for the Equity Shares at that time. Should that occur, the shareholder will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the Applicants' ability to sell our Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

55. We cannot guarantee that our Equity Shares issued pursuant to the Issue will be listed on the Stock Exchanges in a timely manner, or at all.

In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to this Issue will not be granted until after the Equity Shares have been issued and Allotted. Approval for listing and trading will require all relevant documents authorising the issuing of the Equity Shares to be submitted. There could be a failure or delay in obtaining these approvals from the Stock Exchanges, which in turn could delay the listing of our Equity Shares on the Stock Exchanges. Any failure or delay in obtaining these approvals would restrict an investor's ability to dispose of the Equity Shares.

56. Any downgrade in India's sovereign debt rating by international rating agencies could adversely impact our ability to raise additional foreign currency financing, interest rates and other commercial terms at which such financing is available.

Our Banks' foreign currency debt ratings are tied to India's sovereign debt rating, meaning any downgrade in India's international debt credit rating also affects their ratings. The ability to secure additional foreign currency financing, along with the interest rates and other commercial terms for such financing, could be negatively impacted by any downgrade in the assessments of India's sovereign debt by international rating agencies. This could significantly harm the Bank's operations, cash flows, and financial condition.

Although, the current scenario is signalling towards an upgrade in near future after S&P Global Ratings revised its outlook on India to positive from stable on May 29, 2024. The positive outlook on India is predicated on the account of India's robust economic growth in recent years, pronounced improvement in the quality of government spending, and political commitment to fiscal consolidation. This could have a triggering effect as well with other rating agencies to follow up in coming months. Therefore, all those factors of debt financing mentioned above could reverse and impact positively our business, financial condition, results of operations and cash flows.

57. No market for the Rights Entitlements may develop and the price of the Rights Entitlements may be volatile.

No assurance can be given that an active trading market for the Rights Entitlements will develop on the Stock Exchanges during the Renunciation Period or that there will be sufficient liquidity in Rights Entitlements trading during this period. The trading price of the Rights Entitlements will not only depend on supply and demand for the Rights Entitlements, which may be affected by factors unrelated to the trading in the Equity Shares, but also on the quoted price of the Equity Shares, amongst others. Factors affecting the volatility of the price of the Equity Shares, as described herein, may magnify the volatility of the trading price of the Rights Entitlements, and a decline in the price of the Equity Shares will have an adverse impact on the trading price of the Rights Entitlements. Since the trading of the Rights Equity Shares will be on a separate segment compared to the Equity Shares on the floor of the Stock Exchanges, the trading of Rights Equity Shares may not track the trading of Equity Shares.

58. After this Issue, the price of our Equity Shares may be volatile.

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

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares will trade in the market subsequent to this Issue.

59. Any future issuance of the Equity Shares by us or sales of the Equity Shares by any of our significant shareholders dilute your shareholding and could adversely affect the trading price of the Equity Shares.

The future issuance of shares by us, including a primary offering of shares, convertible securities or securities linked to shares, or the disposal of shares by any of our major shareholders, or the perception that such issuance or sales may occur, may lead to the dilution of your shareholding in our Bank and could significantly affect the trading price of the Equity Shares. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares.

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

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. A securities transaction tax ("STT") is levied both at the time of transfer and acquisition of the equity shares (unless exempted under a prescribed notification), and the STT is collected by an Indian stock exchange on which the equity shares are sold. Any capital gain realized on the sale of listed equity shares on a recognised stock exchange held for more than 12 months immediately preceding the date of transfer will be subject to long term capital gains in India at the specified rates depending on certain factors, such as whether the sale is undertaken on or off the recognised stock exchanges, the quantum of gains, and any available treaty relief.

The Government of India announced the union budget for Financial Year 2024-2025, following which the Finance Bill, 2024 ("**Finance Bill**") was introduced in the Lok Sabha on February 1, 2024. Subsequently, the Finance Bill received the assent from the President of India and became the Finance Act, 2024, with effect from April 1, 2024 as amended by the Finance Act (No.2), ("**Finance Act**"). Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning, investing or trading in the Equity Shares.

The Finance Act has amended certain sections of the Income Tax Act, 1961, with effect from July 23, 2024. Accordingly, long term capital gains exceeding the exempted limit of ₹1,25,000 arising from the sale of listed equity shares on the stock exchange are subject to tax at the rate of 12.5% (plus applicable surcharge and cess). Unrealized capital gains earned on listed equity shares up to January 31, 2018 continue to be tax-exempted in such cases. Further, STT will be levied and collected by an Indian stock exchange if the equity shares are sold on a stock exchange.

Further, any capital gains realized on the sale of listed equity shares held for a period of 12 months or less immediately preceding the date of transfer will be subject to short term capital gains tax in India. Short-term capital gains, arising from the sale of such equity shares on a stock exchange would be subject to tax at the rate of 15% (plus applicable surcharge and cess) for transfers taking place before July 23, 2024.

However, per the Finance Act, short-term capital gains will be taxed at 20% for transfers taking place after July 23, 2024. The Finance Act, 2019 amended the Indian Stamp Act, 1899 with effect from July 1, 2020. It 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, is specified at 0.015% (on a delivery basis) and 0.003% (on a non-delivery basis) of the consideration amount.

Capital gains arising from the sale of the Equity Shares will not be chargeable to tax in India in cases where relief from such taxation in India is provided under a treaty between India and the country of which the seller is resident read with the Multilateral Instrument, if and to the extent applicable, and the seller is entitled to avail benefits thereunder. Generally, 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 realised upon the sale of the Equity Shares. The Bank may or may not grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source pursuant to any corporate action including dividends.

We cannot predict whether any amendments made pursuant to the Finance Act would have an adverse effect on our business, results of operations, financial condition and cash flows. Unfavorable changes in or interpretations of existing laws, rules and regulations, or the promulgation of new laws, rules and regulations including foreign investment and stamp duty laws governing our business and operations could result in us being deemed to be in contravention of such laws and may require us to apply for additional approvals.

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

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements and does not fall under any of the specified exceptions, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or a tax clearance certificate from the income tax authority. We cannot assure you that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all.

In addition, foreign investment, including FDI and investments by FIIs, foreign portfolio investors ("FPIs") and qualified foreign investors, in private sector banks in India is restricted to 74.0%. As per the RBI, purchases by a single FPI, FII or sub-account of a registered FII is restricted to below 10.0% of our paid-up capital. Further, at all times, at least 26% of the paid-up share capital of the private sector banks shall be held by resident Indians. The RBI monitors such limits on a regular basis. Once the foreign investment of a bank reaches a trigger limit of 2.0% below the prescribed limit, the RBI cautions non-resident investors and authorised dealers not to further transact in equity shares of such bank without prior approval of the RBI. This may restrict or delay an investor's ability to sell Equity Shares. Further, upon aggregate foreign shareholding in Indian companies reaching the ceiling, the RBI prohibits further purchase of equity shares by non-resident investors on the stock exchanges. These foreign investment restrictions may adversely affect the liquidity and free transferability of the Equity Shares and could result in an adverse effect on the price of the Equity Shares.

62. Investors will be subject to market risks until the Equity Shares credited to the investor's demat account are listed and permitted to trade.

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Rights Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Rights Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

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

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

64. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles, the instructions issued by the RBI and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights 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 one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

65. Our Bank will not distribute the Letter of Offer and other Issue related materials to overseas shareholders who have not provided an address in India for service of documents.

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders who are Equity Shareholders as on the Record Date, however, the Issue Materials will be sent/ dispatched only to such Eligible Equity Shareholders who have provided an Indian address to our Bank and only such Eligible Equity Shareholders are permitted to participate in the Issue. The Equity Shareholders who have not provided an Indian address to our Bank will not be eligible to participate in the Issue and accordingly, their shareholding as a percentage of the paid-up capital of our Bank post Issue will stand reduced to the extent of non-participation. We will not distribute the Issue Material to the shareholders who have not provided an address in India for service of documents. The Issue Material will not be distributed to addresses outside India on account of restrictions that apply to circulation of such materials in various overseas jurisdictions. In the case that Eligible Equity Shareholders have provided their valid e-mail address, this Letter of Offer will be sent only to their valid e-mail address and in the case that such Eligible Equity Shareholders have not provided their e-mail address, then this Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

However, the Companies Act, 2013 requires companies to serve documents at any address which may be provided by the members as well as through e-mail. Presently, there is lack of clarity under the Companies Act, 2013 and the rules thereunder with respect to distribution of Issue Material in overseas jurisdictions where such distribution may be prohibited under the applicable laws of such jurisdiction. While our Bank will request its shareholders to provide an address in India for the purposes of distribution of Issue Material, our Bank cannot assure that the regulator would not adopt a different view with respect to compliance with the Companies Act, 2013 and may subject our Bank to fines or penalties.

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

The majority of our business, assets and employees are located in India, so our performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. Therefore, any downturn in the macroeconomic environment in India could adversely affect our business, financial condition, results of operations and cash flows. The Indian economy faces potential adverse impacts from a range of factors, including pandemics, epidemics, political and regulatory shifts, social unrest, religious or communal tensions, terrorist attacks, violence or conflicts like those in the Russia-Ukraine hostilities, or the Israel-Hamas conflict.

Despite geopolitical tensions, Indian and global stock markets have so far managed to stay stable. However, investors are closely monitoring the situation, especially for any signs that Iran might escalate the conflict. Traders are concerned about potential disruptions to crude oil supplies from the Middle East, which is the world's largest oil-producing region. For instance, if Iran escalates tensions, especially by using more destructive weapons or if other nations become involved, it could exacerbate concerns about disruptions in crude oil supplies. This situation could also impact banks, as financial institutions may face increased volatility and risk in the oil markets. Banks with significant exposure to oil and energy sectors might experience financial strain or market losses due to fluctuating oil prices and heightened geopolitical risks.

SECTION III: INTRODUCTION

THE ISSUE

The Issue has been authorised by way of resolution passed by our Board on October 22, 2024, pursuant to section 62(1)(a) of the Companies Act, 2013 and other applicable provisions. The terms and conditions of the Issue including the Rights Entitlement, Issue Price, Record Date, timing of the Issue and other related matters, have been approved by resolutions passed by our Board at the meeting held on December 19, 2024.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in "*Terms of the Issue*" on page 242.

Rights Equity Shares being offered by our Bank	Up to 14,16,86,767* Rights Equity Shares
Rights Entitlement for the Rights Equity Shares	14 Rights Equity Share for every 25 Equity Shares held on the Record Date
Record Date	Friday, December 27, 2024
Face Value per Equity Share	₹10 each
Issue Price	₹ 21.00 per Rights Equity Share (including a premium of ₹ 11.00 per Rights Equity Share).
Issue Size	Up to ₹ 297.54 crore*
Equity Shares issued, subscribed and paid up and outstanding prior to the Issue	25,30,12,084 Equity Shares issued, subscribed and paid-up. For details, please see "*Capital Structure*" on page 51
Equity Shares outstanding after the Issue (assuming full subscription for and Allotment of the Rights Equity Shares) and made fully paid up	39,46,98,851 Equity Shares
ISIN for Equity Shares	ISIN for Equity Shares: INE680A01011 BSE Code: 532180 NSE Code: DHANBANK
ISIN for Rights Entitlements	INE680A20011
Terms of the Issue	For further information, please see "*Terms of the Issue*" on page 242
Use of Net Proceeds	For further information, please see "*Objects of the Issue*" on page 242
Terms of payment	The full amount of the Issue Price being ₹ 21.00 will be payable on application.

**Assuming full subscription in the Issue. Subject to finalisation of Basis of Allotment.*

For details in relation to fractional entitlements, please see "*Terms of the Issue—Basis for this Issue and terms of this Issue—Fractional Entitlements*" on page 260.

GENERAL INFORMATION

Our Bank was originally incorporated as '*The Dhanalakshmi Bank Limited*' on November 14, 1927, under the erstwhile Indian Companies Act, 1913 and a certificate of incorporation was granted to our Bank by the Assistant Registrar of Joint Stock Companies, India. It became a scheduled commercial bank in 1977 under the Second Schedule of the RBI Act. Subsequently, the name of our Bank was changed to '*Dhanlaxmi Bank Limited*' pursuant to which a fresh certificate of incorporation was granted on August 10, 2010, by the RoC.

Changes in the registered office of our Bank:

There has been no change in the address of the registered office of our Bank since the date of incorporation.

Registered Office of our Bank

Dhanlaxmi Bank Limited,
Dhanalakshmi Building, Naickanal,
Thrissur 680 001
Kerala, India

Corporate Office of the Bank

Dhanlaxmi Bank Limited
Punkunnam Thrissur 680 002
Kerala, India

Corporate Identity Number: L65191KL1927PLC000307

Registration Number: 307

Address of the RoC

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

Registrar of Companies, Kerala at Ernakulam

Office of The Registrar of Companies,
Ministry of Company Affairs,
Government of India,
Corporate Bhawan,
BMC Road, Thrikkakara,
Kochi - 682 021
Kerala, India

Company Secretary and Compliance Officer

Venkatesh. H is the company secretary and compliance officer of our Bank. His details are as follows:

Venkatesh. H
Company Secretary and Compliance Officer,
Dhanlaxmi Bank Limited,
Registered Office, Naickanal Thrissur – 680 001
Kerala, India
Tel: 0487-2999711/ 0487-7107124
E-mail: venkatesh.h@dhanbank.co.in

Lead Manager to the Issue

BOB Capital Markets Limited
1704, B Wing, 17th Floor,
Parinee Crescenzo Plot No. C –38/39,
G Block Bandra Kurla Complex Bandra (East)
Mumbai 400 051

Maharashtra, India
Tel: +91 22 6138 9353
Website: www.bobcaps.in
E-mail: dlb.rights@bobcaps.in
Investor Grievance ID: investorgrievance@bobcaps.in
Contact person: Nivedika Chavan
SEBI registration no.: INM000009926

Legal Advisor to the Bank as to Indian Law

M/s. Crawford Bayley & Co.
4th Floor, State Bank Buildings
N.G.N. Vaidya Marg, Fort, Mumbai 400 023
Maharashtra **-** 400 023, India
Tel: +91 22 2266 3353

Joint Statutory Auditors of our Bank

M/s. Sagar and Associates
H No. 6-3244/5, Sarada Devi Street,
Prem Nagar, Hyderabad -500 004
Tel: 040-23395588
E-mail: sagarandassociates@yahoo.co.in
Firm registration number: 003510S
Peer review certificate: 014586

M/s. Abraham & Jose, Chartered Accountants
Mission Quarters Road, Thrissur 680 001, Kerala
Tel: 0487 -2423225
E-mail: aajcathrissur@gmail.com
Firm registration number: FRN 000010S
Peer review certificate: 016466

Banker to the Issue
Axis Bank Limited
Wholesale Banking Products,
Axis House I Wadia International Center
P.B. Marg Worli, Mumbai – 400 025
Tel: 022 24253672
E-mail: Vishal.Lade@axisbank.com
Website: www.axisbank.com
Contact Person: Vishal M Lade
SEBI registration no.: INBI00000017

Registrar to the Issue
M/s. KFin Technologies Limited
Selenium Tower B,
Plot No.31 & 32,
Financial District, Nanakramguda,
Serilingampally,
Hyderabad, Rangareddi - 500 032
Telangana, India
Tel: +91 1800 309 4001/ +91 40 6716 2222
E-mail: dhanlaxmi.rights@kfintech.com
Investor Grievance e-mail: einward.ris@kfintech.com
Contact person: M. Murali Krishna
Website: www.kfintech.com
SEBI registration no.: INR000000221

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue or post-Issue related matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the Applicant, contact number(s), e-mail address of the sole/ first holder, folio number or demat account, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application Forms, or the plain paper application, as the case may be, was submitted by the Investors along with a photocopy of the acknowledgement slip. For details on the ASBA process, please see "*Terms of the Issue*" on page 242.

Experts

Our Bank has received written consents dated December 19, 2024 from the Joint Statutory Auditors, M/s. Sagar and Associates and M/s. Abraham & Jose, Chartered Accountants to include their names as required under section 26(5) of the Companies Act, 2013 read with SEBI ICDR Regulations, in this Letter of Offer, and as an "expert" as defined under section 2(38) of the Companies Act, 2013 to the extent and in their capacity as our Joint Statutory Auditors, and in respect of their: (i) report dated December 19, 2024 on the Reformatted Audited Financial Statements and Reformatted Unaudited Financial Statements of our Bank; (ii) Reformatted Audited Financial Statements and Reformatted Unaudited Financial Statements; and (iii) report on the statement of special tax benefits dated December 19, 2024, provided by M/s. Sagar and Associates, and M/s. Abraham & Jose, Chartered Accountants.

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as the SCSBs for the ASBA process is provided on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time. For a list of branches of the SCSBs named by the respective SCSBs to receive the ASBA Forms from the Designated Intermediaries, please refer to the above-mentioned link.

Inter-se allocation of responsibilities

Since only one lead manager has been appointed for purposes of the Issue, there is no requirement of an inter-se allocation of responsibilities. The Lead Manager will be responsible for all the responsibilities related to coordination and other activities in relation to the Issue.

Credit Rating

As the Issue is of Rights Equity Shares, no credit rating required for the Issue.

Debenture Trustee

As the Issue is of Rights Equity Shares, the appointment of a debenture trustee is not required.

Issue Schedule

Last Date for credit of Rights Entitlements	Tuesday, January 7, 2025
Issue Opening Date	Wednesday, January 8, 2025
Last date for On Market Renunciation of Rights Entitlements #	Thursday, January 23, 2025
Issue Closing Date*	Tuesday, January 28, 2025
Finalisation of Basis of Allotment (on or about)	Monday, February 3, 2025
Date of Allotment (on or about)	Tuesday, February 4, 2025
Date of credit (on or about)	Wednesday, February 5, 2025
Date of listing (on or about)	Monday, February 10, 2025

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

* *Our Board or the Equity Issuance Committee will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

The above schedule is indicative and does not constitute any obligation on our Bank or the Lead Manager.

Please note that if Eligible Equity Shareholders are holding Equity Shares in physical form as at Record Date, and have not provided the details of their demat accounts to our Bank or to the Registrar, they are required to provide their demat account details to our Bank or the Registrar not later than two Working Days prior to the Issue Closing Date, *i.e.*, Thursday, January 23, 2025, to enable the credit of the Rights Entitlements by way of transfer from the Demat Suspense Account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, Monday, January 27, 2025. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (i.e. https://rights.kfintech.com/). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

Investors are advised to ensure that the Application Forms are submitted on or before the Issue Closing Date. Our Bank, the Lead Manager or the Registrar will not be liable for any loss on account of non-submission of Application Forms on or before the Issue Closing Date. Further, it is also encouraged that the applications are submitted well in advance before

Issue Closing Date. For details on submitting Application Forms, please see "*Terms of the Issue –Process of making an Application in the Issue*" on page 244.

The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar at https://rights.kfintech.com/ after keying in their respective details along with other security control measures implemented thereat. For further details, please see "*Terms of the Issue –Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" on page 256.

Please note that if no Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before Issue Closing Date, such Rights Entitlements shall get lapsed and shall be extinguished after the Issue Closing Date. No Rights Equity Shares for such lapsed Rights Entitlements will be credited, even if such Rights Entitlements were purchased from market and purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who have the Rights Entitlements credited in their demat account(s) are required to make an Application to apply for Rights Equity Shares offered under Rights Issue for subscribing to the Rights Equity Shares offered under the Issue.

Monitoring Agency

In terms of the proviso to Regulation 82 of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for the purposes of this Issue.

Appraising Entity

None of the purposes for which the Net Proceeds are proposed to be utilised have been financially appraised by any banks or financial institution or any other independent agency.

Book Building Process

Being a rights issue, the Issue shall not be made through the book building process.

Underwriting

This Issue is not underwritten.

Filing

This Letter of Offer is being filed with the Stock Exchanges as per the provisions of the SEBI ICDR Regulations. Further, the Letter of Offer will also be filed online with SEBI through the SEBI intermediary portal at www.siportal.sebi.gov.in, in terms of the SEBI ICDR Master Circular.

Minimum Subscription

The objects of the issue include augmenting our Bank's Tier I capital base to meet our capital requirements which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with Basel III regulations and/or other RBI guidelines. Furthermore, our bank is a professionally managed entity and does not have a promoter as defined by the SEBI ICDR Regulations or the Companies Act, 2013. Consequently, the minimum subscription requirement of 90% is not applicable to this Issue.

CAPITAL STRUCTURE

The equity share capital of our Bank as at the date of this Letter of Offer, the details of the Equity Shares proposed to be issued in the Issue, and the issued, subscribed and paid up share capital after the Issue, are set forth below:

(In ₹ crore, except share data)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A	**AUTHORISED SHARE CAPITAL**		
	50,00,00,000 Equity Shares	500.00	NA
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**		
	25,30,12,084 Equity Shares	253.01	1,258.46
C	**PRESENT ISSUE IN TERMS OF THIS LETTER OF OFFER**(1)		
	Up to 14,16,86,767 Rights Equity Shares, at a premium of ₹11.00 per Rights Equity Share, i.e., at a price of ₹21.00 per Rights Equity Share(1)(2)	141.69	297.54
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**		
	39,46,98,851 Equity Shares(2)(3)	394.70	1,556.00
E	**SECURITIES PREMIUM ACCOUNT**		
Before the Issue		₹ 1,005.45	
After the Issue(3)		1,161.30	

(1) *The Issue has been authorised by the Board pursuant to a resolution dated October 22, 2024. The terms of the Issue including the Record Date and Rights Entitlement ratio, have been approved by a resolution passed by our Board at its meeting held on December 19, 2024.*

(2) *Assuming full subscription for and Allotment of the Rights Equity Shares.*

(3) *Subject to finalisation of Basis of Allotment and Allotment.*

Notes to the Capital Structure

1. Our Bank is a professionally managed company and does not have a promoter in terms of the SEBI ICDR Regulations or the Companies Act, 2013. Therefore, the disclosures in relation to specified securities held, lock-in, pledge of and encumbrance on such specified securities held, acquisition of shares by the promoter and promoter group in the last one year immediately prior to the date of filing of the Letter of Offer, intention and extent of participation by promoter and promoter group in the Issue, are not applicable.

2. **Shareholding pattern of our Bank**

Shareholding Pattern of our Bank as per the last filing with the Stock Exchange in compliance with Regulation 31 of the SEBI Listing Regulations and subsequent amendments thereto.

a. The shareholding pattern of the Bank as on September 30, 2024, can be accessed on the websites of NSE at https://www.nseindia.com/get-quotes/equity?symbol=DHANBANK and BSE at https://www.bseindia.com/stock-share-price/dhanlaxmi-bank-limited/dhanbank/532180/shareholding-pattern/.

b. Statement showing holding of securities of persons belonging to the "Public" category as on September 30, 2024, including Equity Shareholders holding more than 1% of the total number of Equity Shares as on September 30, 2024, as well as details of shares which remain unclaimed for public can be accessed on the website of NSE at https://www.nseindia.com/get-quotes/equity?symbol=DHANBANK and on the website of BSE at https://www.bseindia.com/corporates/shpPublicShareholder.aspx?scripcd=532180&qtrid=123.01&QtrName=30-Sep-24.

3. **Details of outstanding instruments:**

There are no outstanding options or convertible securities, including any outstanding warrants or rights to convert debentures, loans or other instruments convertible into the Equity Shares as on the date of filing of this Letter of Offer.

4. The details of Shareholders belonging to the public and holding more than 1% of the paid-up capital of our Bank as on as on September 30, 2024, is as detailed below:

Sr. No.	Name of Shareholder	Number of Equity Shares on a fully diluted basis	Percentage of pre-Issue Equity Share capital held on a fully diluted basis
1.	B Ravindran Pillai	2,53,00,000	9.99
2.	Jineesh Nath C K	1,89,70,000	7.49
3.	Yusuffali Musaliam Veettil Abdul Kader	1,26,49,748	4.99
4.	Kapilkumar Wadhawan	1,26,49,700	4.99
5.	Unico Global Opportunities Fund Limited	66,14,432	2.61
6.	P Raja Mohan Rao	61,67,521	2.43
7.	Shital Raghu Kataria	58,26,482	2.30
8.	Antara India Evergreen Fund Ltd	44,50,000	1.75
9.	Mohanachandran Nair Balakrishna Pillai	40,46,000	1.59

5. The ex-rights price of the Equity Shares as per regulation 10(4)(b) of the SEBI Takeover Regulations is ₹ 31.50 (assuming full subscription of the Issue).

6. At any given time, there shall be only one denomination of the Equity Shares of our Bank.

7. All Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Letter of Offer. Further, the Rights Equity Shares allotted pursuant to the Issue, shall be fully paid up.

OBJECTS OF THE ISSUE

Our Bank intends to utilise the Net Proceeds from the Issue towards our Bank's Tier-I capital base to meet our capital requirements which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with Basel III regulations and/or other RBI guidelines.

The main objects and objects incidental or ancillary to the main objects as stated in the Memorandum of Association enable us to undertake (i) our existing activities; and (ii) the activities proposed to be funded through the Issue. Further, our objects as stated in the Memorandum of Association do not restrict us from undertaking the activities for which the funds are being raised by our Bank through this Issue.

Issue Proceeds

The details of the Net Proceeds are summarised in the table below:

Particulars	Estimated amount (up to)
	(₹ crore)
Issue Proceeds*	297.54
Less: Estimated Issue related expenses**	7.98
Net Proceeds**	289.56

** Assuming full subscription and Allotment with respect to the Rights Equity Shares.*
*** Estimated and subject to change. Please see "Estimated Issue related expenses" on page 54.*

Schedule of implementation and Deployment of funds

We propose to immediately deploy the Net Proceeds towards our Bank's Tier-I capital base to meet our capital requirements in Fiscal 2025 which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with Basel III regulations and/or other RBI guidelines.

Requirement of funds

We intend to apply the Net Proceeds for augmenting our Bank's Tier I capital base to meet our future capital requirements which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with Basel III regulations and/or other RBI guidelines. Basel III regulations require banks to strengthen their capital base and to increase both the quantity and quality of their capital and maintain a capital buffer to withstand economic stress.

As per the Master Circular - Basel III Capital Regulations dated April 1, 2024 ("**Master Circular - Basel III Capital Regulations**") of the RBI, we are required to maintain a minimum Pillar 1 total capital to risk weighted assets ratio ("**CRAR**") of 9.00%, minimum common equity tier 1 capital to risk weighted assets ratio ("**CET1 CRAR**") of 5.50%, tier 1 capital to risk weighted assets ratio ("**Tier 1 CRAR**") of 7.00%, along with capital conservation buffer ("**CCB**") of 2.50%. Further, we are also required to maintain adequate capital cushions for Pillar 2 risks like liquidity risk, credit concentration risk, settlement risk etc., which are not fully covered under the regulatory CRAR.

The Bank's CET1 CRAR, Tier 1 CRAR and CRAR, calculated pursuant to the Master Circular - Basel III Capital Regulations, as of the dates indicated, are as follows:

	Basel III - Fiscal		Basel III – September 30,	
	2024	2023	2024	2023
	(*₹ in crore, except percentages*)		(*₹ in crore, except percentages*)	
CET1 capital	253.01	253.01	253.01	253.01
Additional Tier 1 capital	-	-	-	-
Tier 1 capital	847.61	756.83	882.66	762.59
Tier 2 capital	100.51	127.01	70.40	120.89
Total capital	948.12	883.84	953.06	883.48
Total risk weighted assets and contingents	7,462.44	7,173.79	7,295.50	7,221.68
Capital ratios				
CET1 CRAR	11.36%	10.55%	12.10%	10.56%
Tier 1 CRAR	11.36%	10.55%	12.10%	10.56%

	Basel III - Fiscal		Basel III – September 30,	
	2024	2023	2024	2023
	(*₹ in crore, except percentages*)		(*₹ in crore, except percentages*)	
CRAR	12.71%	12.32%	13.06%	12.23%
Minimum capital ratios required by the RBI				
CET1 CRAR (including CCB)	8%	8%	8%	8%
Tier 1 CRAR (including CCB)	9.5%	9.5%	9.5%	9.5%
CRAR (including CCB)	11.50%	11.50%	11.50%	11.50%

Accordingly, subject to compliance with applicable laws, our Bank intends to utilize the Net Proceeds to augment its Bank's Tier 1 capital base to meet its future capital requirements, which are expected to increase out of growth in our assets, primarily loans/advances and investment portfolio, and to ensure compliance with regulatory requirements on capital adequacy, prescribed by the RBI from time to time.

Estimated Issue related expenses

The estimated Issue related expenses are as follows:

Sr. No.	Particulars	Amount	Percentage of total estimated Issue expenditure	Percentage of Issue Size
		(in ₹ crore)	*(%)*	*(%)*
1.	Fees payable to the Lead Manager	2.08	26.02	0.69
2.	Fees payable to the legal advisors, other professional service providers (includes Statutory Auditors, practising company secretary, etc.)	4.18	52.37	1.41
3.	Fee payable to the Registrar to the Issue	0.06	0.74	0.02
4.	Advertising, marketing and shareholder outreach expenses	0.59	7.39	0.20
5.	Fees payable to regulators, including Stock Exchanges, SEBI, depositories and other statutory fee	0.59	7.39	0.20
6.	Printing and stationery, distribution, postage etc.	0.24	2.96	0.08
7.	Other expenses (*including miscellaneous expenses, and stamp duty*)	0.25	3.13	0.08
Total estimated Issue related expenses#		**7.98**	**100.00**	**2.68**

\# *Includes applicable taxes. Subject to finalisation of Basis of Allotment. All Issue related expenses will be paid out of the Issue Proceeds at the time of receipt of the initial subscription amount to the Rights Equity Shares.*

Appraising entity

None of the objects of the Issue for which the Net Proceeds will be utilised has been appraised by any bank, financial institution or any other external agency.

Strategic or Financial Partners

There are no strategic or financial partners to the objects of the Issue.

Means of Finance

Our Bank proposes to meet the entire funding requirements for the proposed Object of the Issue from the Net Proceeds. Accordingly, our Bank is not required 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.

Bridge Financing Facilities

As at the date of this Letter of Offer, our Bank had not availed any bridge loans from any banks or financial institutions which are proposed to be repaid from the Net Proceeds.

Monitoring Utilization of Funds from the Issue

In terms of the proviso to Regulation 82 of the SEBI ICDR Regulations, 2018, our Bank is not required to appoint a monitoring agency for the purposes of this Issue.

Other confirmations

Except in the ordinary course of business, no part of the proceeds of the Issue will be paid by our Bank to our Directors, Key Managerial Personnel or Senior Management Personnel. Our Directors do not have any interest in the objects of the Issue.

There are no material existing or anticipated transactions in relation to utilization of Net Proceeds with our Directors, Key Managerial Personnel or Senior Management Personnel.

Our Bank does not require any material government and regulatory approvals in relation to the objects of the Issue.

STATEMENT OF SPECIAL TAX BENEFITS

Independent Auditors' Report on the Statement of Special Tax Benefits available to Dhanlaxmi Bank Limited ("The Bank ") and the shareholders of the Bank under direct and indirect tax laws in India

Date: December 19, 2024

To
The Board of Directors
Dhanlaxmi Bank Limited
Dhanalakshmi Bank Limited Building
Nakamal, Thrissur 680001
Kerala, India

(**BOB Capital Markets Limited**, the lead manager appointed in relation to the Issue (as defined below), referred to as the "**Lead Manager**")

Dear Sirs,

Sub: Statement of possible special tax benefits available to the Bank and its shareholders under the direct and indirect tax laws

We, M/s Sagar and Associates and M/s Abraham & Jose, Chartered Accountants, joint statutory auditors of the Bank, have been requested by the Bank to certify the special tax benefits available to the bank and its shareholders under the direct and indirect tax laws presently in force in India, in connection with the proposed offering of equity shares through a rights issue (the " **Issue** ") of the Bank.

The preparation of the statement showing the special tax benefits available to the Bank and its shareholders under the direct and indirect tax laws is the responsibility of the management of the Bank including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation of internal control relevant to the preparation of these statements.

We have conducted our examination in accordance with the "Guidance Note on Reports or Certificates for Special Purposes (Revised 2016)" (" **Guidance Note** ") issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have also complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

We hereby enclose the statement ("**the Annexure**") showing the current position of special tax benefits available to the Bank, and to its shareholders as per the provisions of the Indian direct and indirect tax laws including the Income-tax Act, 1961, the Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017 and respective State Goods and Services Tax Act, 2017 (collectively the "**GST Act**"), (collectively the "**Taxation Laws**") including the rules, regulations, circulars and notifications issued in connection with the Taxation Laws, as presently in force and applicable to the assessment year 2025-2026 relevant to the financial year 2024-25 for inclusion in the letter of offer ("**LOF**") for the Issue as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**ICDR Regulations**"). We have initialed the Annexure for identification purposes.

As on date of this certificate, the Bank does not have any material subsidiary, as identified pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

Several of these benefits are dependent on the Bank and/ or its shareholders fulfilling the conditions prescribed under the relevant provisions of the direct and indirect taxation laws including the Income-tax Act 1961. Hence, the ability of the Bank and/ or its shareholders to derive these direct and indirect tax benefits is dependent upon them fulfilling such conditions.

The benefits discussed in the enclosed Annexure are neither exhaustive nor conclusive. The contents stated in the Annexure are based on the information and explanations obtained from the Bank. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultants, with respect to the specific tax implications arising out of their participation in the Issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

We are neither suggesting nor are we advising the investors to invest or not to invest money based on this statement. Also, our confirmation is based on the existing provisions of law and our interpretation of the same, which are subject to change from time to time.

In respect of non-residents, the tax rates and the consequent taxation in India shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non - resident has fiscal domicile.

The contents of the enclosed Annexure are based on the representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

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

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

This statement is provided solely for the purpose of assisting the Bank in discharging its responsibilities under the ICDR Regulations. We hereby consent to be named an "expert" under the Companies Act, 2013, as amended, and our name may be disclosed as an expert to any applicable legal or regulatory authority insofar as may be required, in relation to the statements contained therein. We further confirm that we are not and have not been engaged or interested in the formation or promotion or management of the Bank. We consent to the inclusion (in part or full) of the above information in the letter of offer ("**LOF**") in relation to the Issue, the abridged LOF in relation to the Issue or any other Issue related material (collectively, the "**Issue Documents**"), and may be relied upon by the Bank, the Lead Manager(s) and the legal advisors to each of the Bank and the Lead Manager in relation to the Issue. We hereby consent to the submission of this certificate as may be necessary to the SEBI, the relevant registrar of companies, the relevant stock exchanges (the "**Stock Exchanges**") and any other regulatory authority and/ or for the records to be maintained by the Lead Manager and in accordance with applicable law.

The aforesaid information contained herein may be relied upon solely by the Lead Manager and legal counsel appointed pursuant to the Issue and may be submitted to the stock exchanges, the Securities and Exchange Board of India, and any other regulatory or statutory authority in respect of the Issue and for the records to be maintained by the Lead Manager in connection with the Issue. We hereby consent to

(i) The submission of this certificate as may be necessary to the SEBI, the Stock Exchanges and any other regulatory authority and/or for the records to be maintained by the Lead Manager and in accordance with applicable law; and
(ii) The disclosure of this certificate if required by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority; or in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

M/s Sagar and Associates
Firm Registration No: 003510S
B Srinivasa Rao
Partner
Membership No: 202352
Peer Certificate Review No: 014586
UDIN: 24029644BKDHKD7771

M/s Abraham & Jose, Chartered Accountants
Firm Registration No: 000010S
Mukesh K.P.
Partner
Membership No: 214773
Peer Certificate Review No: 016466
UDIN: 24214773BKBEJC5845

Annexure A

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

Outlined below are the possible special tax benefits available to Dhanlaxmi Bank Limited and its Shareholders under the Income-tax Act, 1961 (the "**Act**") as amended from time to time and as applicable for the Financial Year 2024-25 relevant to the assessment year 2025-26, presently in force in India.

I. Possible Special tax benefits available to the Bank

1. Deduction for bad and doubtful debts – Section 36(1)(vii) and Section 36(1)(viia)

The Bank, being a scheduled bank, is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the Act in computing its income under the head "Profits and gains of Business or Profession". The said deduction, which represents a timing difference for tax purposes, is available to the extent of 8.5% of the total income (computed before making any deduction under this section and Chapter VI -A) and 10% of the aggregate average advances made by rural branches of such bank, subject to the satisfaction of prescribed conditions.

However, subsequent claim of deduction of actual bad debts under section 36(1)(vii) of the Act shall be reduced to the extent of deduction already allowed under section 36(1)(viia) of the Act. Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent the amount recovered exceeds the difference between the amount of debt or part thereof and the amount of deduction allowed earlier.

2. Section 36(1)(viii) of the Act – Deduction in respect of Special Reserve

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

3. Section 43D of the Act – Interest on bad & Doubtful debts

Section 43D of the Act provides that interest on certain categories of bad and doubtful debts as specified in rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

4. Lower Corporate tax rate under Section 115BAA of the Act

As per section 115BAA of the Act inserted by the Taxation Laws (Amendment) Act, 2019 **("the Amendment Act, 2019**") w.e.f. assessment year 2020-21 an option is granted to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided the taxpayer does not avail specified exemptions/incentives and complies with other conditions specified in section 115BAA of the Act. Further, the taxpayer availing such option will not be required to pay Minimum Alternate Tax ("**MAT**") on its book profits under section 115JB. Also, if a company opts for section 115BAA of the Act, the tax credit (under section 115JAA of the Act), if any, which it is entitled to on account of MAT paid in earlier years, will no longer be available.

Further, it shall not be allowed to claim set-off of any brought forward loss arising to it on account of additional depreciation and other specified incentives. Proviso to section 115BAA (4) provides that once the Bank opts for paying tax as per section 115BAA of the Act, such option cannot be subsequently withdrawn for the same or any other year. The Bank has exercised the aforesaid option to be taxed at the reduced rate of 25.17% (including surcharge and cess).

5. Other Tax Benefits available to Bank:

a) Under section 35D, 1/5th of specified expenses incurred towards capital raising is eligible for deduction for a period of five years.

b) Pursuant to the amendment introduced by the Finance Act 2008, any payment of securities transaction tax in respect of securities transactions which are taxable under the head "profits and gains of business or profession" shall be allowed as deduction under section 36 (1) (xv) of the Act against such income.

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

There are no possible special tax benefits available to the Shareholders of the Bank for investing in the shares of the Bank. However, such shareholders shall be liable to concessional tax rates on certain incomes under the extant provisions of the Act, effective from July 23, 2024, as follows:

a). As per Section 112A of the Act, long-term capital gains arising from transfer of an equity share, or a unit of an equity- oriented fund or a unit of a business trust shall be taxed at 12.50% (without indexation) of such capital gains subject to fulfilment of prescribed conditions under the Act as well as per Notification No. 60/2018/F. No.370142/9/2017-TPL dated October 1, 2018. It is worthwhile to note that tax shall be levied where such capital gains exceed ₹125,000/-.

The benefit of concessional rate of tax under section 112A on long-term capital gains will not be available, where no securities transactions tax is paid. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or zero coupon bond would be charged to tax at the rate of 12.50% (plus applicable surcharge and education cess) without indexation.

b). In terms of the provisions of section 111A of the Act, short-term capital gains arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be chargeable to tax at the rate of 20% in the hands of the shareholders, provided, the transaction of sale of such equity share or unit is entered on or after the date on which chapter VII of the Finance (No.2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax under that chapter.

However, if the transaction is undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency, fulfillment of the condition in respect of securities transaction tax shall not apply.

The short-term capital gains not eligible for the concessional rate under section 111A of the Act, are chargeable to tax as per the relevant rate applicable to the shareholder plus applicable surcharge and education cess.

III. Possible Special tax benefits available to the Non-Resident Shareholders of the Bank

a) In respect of non-resident shareholders, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

b) Pursuant to the amendment introduced by the Finance Act 2008, any payment of securities transaction tax in respect of taxable securities transactions which are taxable under the head "profits and gains of business or profession" shall be allowed as deduction under section 36 (1) (xv) of the Act against such income.

c) A capital gain arising to FIIs or a specified fund on sale of shares is governed by section 115AD of the Act. As per section 115AD of the tax Act, long-term capital gains arising on transfer of shares purchased by FIIs upto ₹ 1,25,000/- is exempt and exceeding ₹ 1,25,000/- are taxable at the rate of 12.50% (plus applicable surcharge, education cess and secondary and higher education cess). As per section 115AD read with section 111A of the Act, short-term capital gains are however, taxable at the rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of section 48 of the Act will not apply.

d) In accordance with and subject to the provisions of section 115AD read with section 196D(2) of the Act, no deduction of tax at source is applicable in respect of capital gains arising from the transfer of the equity shares payable to foreign institutional investors.

SPECIAL TAX BENEFITS UNDER THE INDIRECT TAX LAWS

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, (collectively referred to as "**GST laws**").

A. SPECIAL TAX BENEFITS AVAILABLE TO THE BANK

As per the GST laws, any income earned out of extending deposits, loans, or advances in so far as the consideration is represented by way of interest or discount is exempted from payment of goods and service tax ("**GST**"). Thus, interest income earned by banks on deposits placed and loans and advances granted is exempted from payment of GST.

Further, in accordance with the provisions of the GST law, every registered person is required to reverse input tax credit attributable to the exempt income (arrived by determining the ratio of exempt income over total income). However, banks are given an option to reverse 50% of their total eligible input tax credit. Such option is available to the Bank separately for each registration and in each year.

The Bank has exercised the option of reversal of 50% of their total eligible input tax credit for all its registrations.

B. SPECIAL TAX BENEFITS TO SHAREHOLDERS OF THE BANK

As per the GST laws, shares, being in the nature of securities, are specifically excluded from the definition of goods and services contained in section 2(52) and 2(102) of the Central Goods and Services Tax Act, 2017 respectively. Consequently, the activity of sale of shares is not subject to the levy of GST. Similarly, income derived from shares (e.g., dividend) is not subject to the levy of GST under GST laws.

SECTION IV: ABOUT OUR BANK

INDUSTRY OVERVIEW

The information in this section includes extracts from publicly available documents from various sources and has not been prepared or independently verified by our Bank, the Lead Manager or any of their affiliates or advisers. Data in this section may have been re-classified by us for the purposes of presentation. The accuracy and completeness of the industry sources and publications referred to by us, and the underlying assumptions on which such sources and publications are based, are not guaranteed and their reliability cannot be assured. 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. Further, statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results to materially differ. Accordingly, prospective investors should not base their investment decision, or otherwise place undue reliance, on this information. If one source is used for an entire paragraph, the source for the information in that paragraph is given at the end of that paragraph.

Global Macroeconomic Outlook

Global growth is expected to remain stable yet underwhelming at 3.2 percent in 2024 and 2025. However, notable revisions have taken place beneath the surface, with upgrades to the forecast for the United States offsetting downgrades to those for other advanced economies—particularly the largest European countries. Likewise, in emerging market and developing economies, disruptions to production and shipping of commodities, especially oil—conflicts, civil unrest, and extreme weather events have led to downward revisions to the outlook for the Middle East and Central Asia and that for sub-Saharan Africa. These have been compensated for by upgrades to the forecast for emerging Asia, where surging demand for semiconductors and electronics, driven by significant investments in artificial intelligence, has bolstered growth. The latest forecast for global growth five years from now—at 3.1 percent—remains mediocre compared with the pre-pandemic average. Persistent structural headwinds—such as population aging and weak productivity—are holding back potential growth in many economies. *(Source: IMF World Economic Outlook, October 2024)*

Cyclical imbalances have eased since the beginning of the year, leading to a better alignment of economic activity with potential output in major economies. This adjustment is bringing inflation rates across countries closer together and on balance has contributed to lower global inflation. Global headline inflation is expected to fall from an annual average of 6.7 percent in 2023 to 5.8 percent in 2024 and 4.3 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. As global disinflation continues to progress, broadly in line with the baseline, bumps on the road to price stability are still possible. Goods prices have stabilized, but services price inflation remains elevated in many regions, pointing to the importance of understanding sectoral dynamics and of calibrating monetary policy accordingly. *(Source: IMF World Economic Outlook, October 2024)*

Global disinflation continued as oil and gas prices fell in August and early September amid robust supply and concerns of slowing demand. Partly because of geopolitical tensions, gold prices have reached record highs in October. *(Source: World Bank Global Monthly October 2024).*

Indian Economy

The global economy has remained resilient and is expected to maintain stable momentum over the rest of the year, amidst downside risks from intensifying geopolitical conflicts. In India, real gross domestic product (GDP) registered a growth of 6.7 per cent in Q1:2024-25, driven by private consumption and investment. Looking ahead, the agriculture sector is expected to perform well on the back of above normal rainfall and robust reservoir levels, while manufacturing and services activities remain steady. On the demand side, healthy kharif sowing, coupled with sustained momentum in consumer spending in the festival season, augur well for private consumption. Consumer and business confidence have improved. The investment outlook is supported by resilient non-food bank credit growth, elevated capacity utilisation, healthy balance sheets of banks and corporates, and the government's continued thrust on infrastructure spending. External demand is expected to get support from improving global trade volumes. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.2 per cent with Q2 at 7.0 per cent; Q3 at 7.4 per cent; and Q4 at 7.4 per cent. Real GDP growth for Q1:2025-26 is projected at 7.3 per cent. *(Source: Minutes of the Monetary Policy Committee Meeting of the RBI, October 7 to 9, 2024)*

Headline inflation declined sharply to 3.6 and 3.7 per cent in July and August respectively from 5.1 per cent in June. Food inflation, however, is expected to ease by Q4:2024-25 on better kharif arrivals and rising prospects of a good rabi season. Sowing of key kharif crops are higher than last year and the long-period average. Sufficient buffer stocks for cereals are available for ensuring food security. Adequate reservoir levels, the likelihood of a good winter and favorable soil moisture conditions augur well for the ensuing rabi season, though adverse weather events remain a risk. Firms polled in the Reserve Bank enterprise surveys expect input cost pressures to ease; however, the very recent upturn in key commodity prices, especially metals and crude oil needs to be closely monitored. Taking all these factors into consideration, CPI inflation for 2024-25 is projected at 4.5 per cent with Q2 at 4.1 per cent; Q3 at 4.8 per cent; and Q4 at 4.2 per cent. CPI inflation for Q1:2025-26 is projected at 4.3 per cent. *(Source: Minutes of the Monetary Policy Committee Meeting, October 7 to 9, 2024)*

Inflationary pressures moderated albeit unevenly during Fiscal 2024, reflecting the combined impact of calibrated monetary tightening, easing of input cost pressures and supply management measures. Headline inflation softened to 5.4% during Fiscal 2024 from 6.7% in the previous year, driven by the fall in core inflation (CPI excluding food and fuel) to 4.3% from 6.1%. *(Source: RBI, Annual Report 2023-2024)* Headline consumer price index (CPI) inflation moderated to 4.4 per cent in April-August 2024 from 5.2 per cent in H2:2023-24. Base effects continue to have an outsized role in monthly inflation prints. Consequently, the moderation in headline inflation has been uneven. Core inflation was on a steadily declining path– in May 2024, it fell to its lowest level of 3.1 per cent in the current series (since January 2012) before increasing in July-August. Food price inflation, on the other hand, remained elevated, averaging 6.9 per cent over the last five months (April-August 2024). *(Source: RBI Bulletin October 2024)*.

Growth Outlook

The global economy has remained resilient and is expected to maintain stable momentum over the rest of the year, amidst downside risks from intensifying geopolitical conflicts. In India, real gross domestic product (GDP) registered a growth of 6.7 per cent in Q1:2024-25, driven by private consumption and investment. Looking ahead, the agriculture sector is expected to perform well on the back of above normal rainfall and robust reservoir levels, while manufacturing and services activities remain steady. On the demand side, healthy kharif sowing, coupled with sustained momentum in consumer spending in the festival season, augur well for private consumption. Consumer and business confidence have improved. The investment outlook is supported by resilient non-food bank credit growth, elevated capacity utilisation, healthy balance sheets of banks and corporates, and the government's continued thrust on infrastructure spending. External demand is expected to get support from improving global trade volumes. Taking all these factors into consideration, real GDP growth for 2024-25 is projected at 7.2 per cent with Q2 at 7.0 per cent; Q3 at 7.4 per cent; and Q4 at 7.4 per cent. Real GDP growth for Q1:2025-26 is projected at 7.3 per cent. The risks are evenly balanced. (*Source: Reserve Bank of India, Resolution of the Monetary Policy Committee ("**MPC**") October 7 to October 9, 2024*). However, the growth in real GDP in Q2 was 5.4%, much lower than estimation of 7.0%. The lower growth was registered mainly due substantial deceleration in industrial growth from 7.4 per cent in Q1 to 2.1 per cent in Q2 due to subdued performance of manufacturing companies,6 contraction in mining activity and lower electricity demand. Consequently, the RBI reduced the cash reserve ratio (CRR) by 50 basis points from 4.5% to 4.0%. (*Source: Reserve Bank of India, Resolution of the Monetary Policy Committee ("**MPC**") December 4 to December 6, 2024*).

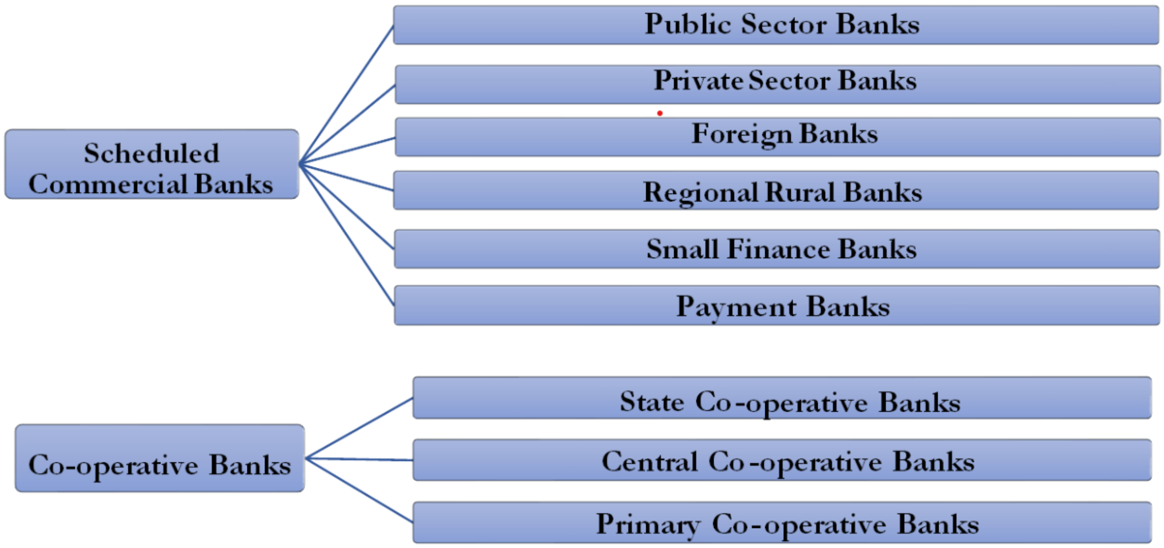
Indian Banking Authority

The RBI was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The central office of the RBI was initially established in Kolkata but was permanently moved to Mumbai in 1937. The central office is where the Governor sits and where policies are formulated. Though originally privately owned, since nationalization in 1949, the RBI has been fully owned by the Government of India ("**GoI**"). The RBI performs a supervisory function under the guidance of the Board for Financial Supervision. The Board was constituted in November 1994 as a committee of the Central Board of Directors of the RBI. *(Source: https://www.rbi.org.in/Scripts/AboutusDisplay.aspx)*

The banking system in India comprises commercial and cooperative banks, of which the former accounts for more than 90 per cent of banking system's assets. Besides a few foreign and Indian private banks, the commercial banks comprise nationalized banks (majority equity holding is with the Government). These banks, along with regional rural banks, constitute the public sector (stateowned) banking system in India. A diagrammatic structure of Indian banking, including cooperatives. Banking statistics in India is predominantly compiled and disseminated by the RBI and National Bank for Agriculture and Rural Development ("**NABARD**"). *(Source: https://www.mospi.gov.in/sites/default/files/publication_reports/financial_and_bank_0.pdf)*

The banking system in India, which evolved over several decades, is well established and has been serving the credit and banking needs of the economy. The banking ecosystem is providing impetus to economic growth and development of the country and catering to the specific and varied financial requirements of different customers and borrowers. Presently, 137 scheduled commercial banks are providing banking services in India. In addition, co-operative banks and local area banks are also providing banking services in various segments in different locations of the country. For the purpose of lending to specific sectors/segments, around 9,516 Non-Banking Financial Companies and 5 All India Financial Institutions are also catering to the needs of the borrowers. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Banks that are included in the Second Schedule of the Reserve Bank of India Act, 1934 are considered to be scheduled commercial banks. Other than public sector banks and regional rural banks, all other scheduled commercial banks are granted banking licenses by RBI under Banking Regulation Act, 1949. In addition, RBI also gives licenses to Co-operative Banks for providing banking services under Banking Regulation Act, 1949. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*



Scheduled Commercial Banks—

Scheduled Commercial banks includes public sector, private sector, foreign banks, Regional Rural Banks (RRB), Small Finance Banks and Payment Banks. Public Sector Banks are constituted under the State Bank of India Act, 1955 and Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. Presently, there are 12 public sector banks. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Foreign Banks is a bank that has its headquarters outside India but runs its offices as a private entity at any other locations in India. Such banks are under an obligation to operate under the regulations provided by the Reserve Bank of India as well as the rule prescribed by the parent organization located outside India. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Private Sector Banks are banking companies licensed to operate under Banking Regulation Act, 1949. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*. However, when most large banks in India were nationalized in 1969, PSB made up the largest portion of Indian banking system. The GOI's focus on PSB was maintained throughout the 1970s and 1980s. During that period, the existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In 1991, India's economic system underwent a series of reform following which in July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry of the private sector into the banking system.

Regional Rural Banks (RRB) are the banks established under the Regional Rural Banks Act, 1976 with the aim of ensuring sufficient institutional credit for agriculture and other rural sectors. The area of operation of RRBs is limited to the area notified by the Central Government. RRBs are owned jointly by the Government of India, the State Government and Sponsor Banks. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Small Finance Banks (SFB) licensed under Banking Regulation Act, 1949 and created with an objective of furthering financial inclusion by primarily undertaking basic banking activities to un-served and underserved sections including small business units, small and marginal farmers, micro and small enterprises and other underserved sections. Payment Banks are public limited companies licensed under Banking Regulation Act, 1949, with specific licensing conditions restricting its activities mainly to acceptance of demand deposits and provision of payments and remittance services. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Co-operative Banks

Co-operative Banks means State Co-operative Banks, Central Co-operative Banks and Primary Co-operative Banks. Primary Co-operative Banks are also known as Urban Cooperative Banks and over the years, it has registered a significant growth in number, size and volume of business handled. State Cooperative Banks are the highest-level cooperative banks in each of the states. They raise funds and assist in their proper allocation among various sectors. Individual borrowers receive funds from state cooperative banks via central cooperative banks and primary credit societies. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Co-operative Banks are registered under State Co-operative Societies Act of the State concerned or the Multi State Cooperative Societies Act, 2002 and its banking business is licensed and regulated by Reserve Bank of India. These banks are the financial entities that belong to its members, who are also the owners as well as the customers of their bank. Cooperative banks primarily support the agricultural activities, some small-scale industries and self-employed workers. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

In addition to Scheduled Commercial Banks and co-operative banks, All India Financial Institutions and Non- Banking Financial Companies also plays an important role in promoting inclusive growth in the country. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

All India Financial Institutions —

Financial Institutions plays an important role in the Indian financial system as they provide medium to long term finance to different sectors of the economy. These institutions have been set up to meet the growing demands of particular sectors, such as export, import, rural, housing and small industries. These institutions have been playing a crucial role in channelizing credit to these sectors and addressing the challenges / issues faced by them. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Export-Import Banks of India, Small Industries Development Bank of India, National Bank for Agriculture and Rural Development, National Housing Bank and National Bank for Financing Infrastructure and Development, are operating as All India Financial Institutions in India. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Non-Banking Financial Companies (NBFCs)

NBFCs is are playing an important role in sustaining consumption demand as well as capital formation in small and medium industrial segment of the country. The reach and last mile advantages of NBFCs have empowered them with agility and innovation with cutting edge technology in providing formal financial services to under banked and unserved sections of the society. *(Source: https://financialservices.gov.in/beta/en/banking-overview)*

Depending upon the line of activity, NBFCs are categorised into different types such as asset finance company, loan company, infrastructure finance company, securitisation/asset reconstruction companies, investment company, (systemically important) core investment company, infrastructure debt fund – NBFC, NBFC – micro finance institution, NBFC – factors, mortgage guarantee companies, NBFC – non-operative financial holding company. *(Source: RBI, Discussion Paper on Wholesale & Long-Term Finance Banks, April 2017)*

Housing Finance Companies

Housing finance companies are specialised institutions which extend housing credit, along with SCBs. Effective August 9, 2019 Housing finance companies are being regulated as a category of NBFCs, after the transfer of regulation of HFCs to the Reserve Bank by amendment of the National Housing Bank Act, 1987.

Furthermore, with a view of harmonising the regulations between HFCs and NBFCs in a phased manner, HFCs have undergone several legislative/regulatory changes. As of September 2024, there were 94 HFCs, of which only 12 were deposit taking entities. *(Source: NHB, List of HFCs in India, available, accessed in September 2024)*

Microfinance Institutions

Microfinance institutions form a distinct sub-group of non-banking financial companies. They focus on providing access to small-scale financial services, especially to the poor, and play an important role in delivering credit to people at the bottom of the economic pyramid. Microfinance institutions differ from other financial service providers as they do not depend on grants or subsidies to provide unsecured loans to borrowers with low incomes and no access to the mainstream banking system. They encompass a host of financial institutions engaged in advancing loans to low-income groups. The essential features of microfinance loans are that they are of small amounts, have short tenures, are extended without collateral, and require a frequency of loan repayments that is greater than that for traditional commercial loans. These loans are generally taken for income-generating activities but are also provided for consumption, housing and other purposes. *(Source: RBI Bulletin, Microfinance: Reaching out to the Bottom of the Pyramid dated September 11, 2020)*

Regional Rural Banks

Regional rural banks were formed under the Regional Rural Bank Act, 1976 with a view towards developing the rural economy by providing, for the purpose of developing agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto. *(Source: Banking, Regional Rural Banks, Department of Financial Services)* In Fiscal 2022, ₹ 10,890 crore was allocated for the recapitalisation of RRBs to help in greater adoption of technology, accompanied by operational and governance reforms *(Source: Key Statistics & Financial Statements Of Regional Rural Banks, March 31, 2023, NABARD)*

As of March 2023, there were 43 RRBs sponsored by 12 SCBs, with 21,995 branches, and operations extending to 30.5 crore deposit accounts and 2.9 crore loan accounts *(Source: https://www.nabard.org/auth/writereaddata/WhatsNew/0109235107final-key-statistics-of-rrbs-2022-23.pdf, accessed in September 2024)*

Long-Term Lending Institutions

Long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and expanding and modernising existing facilities. These institutions provided fund-based and non-fund-based assistance to industries in the form of loans, underwriting and direct subscription to shares, debentures and guarantees.

Long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industries, the reform process required such institutions to expand the scope of their business activities, including into fee-based activities like investment banking and advisory services and into short-term lending activities including corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group in 1998, a working group was created in 1999 to harmonise the role and operations of long-term lending institutions and banks. The RBI, in its mid-term review of monetary and credit policy for Fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms applicable to banks. In April 2001, the RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving a path for conversion of a long-term lending institution into a universal bank. (*Source: RBI Report of the working group for harmonising the role & operations of DFIs and Banks – May 1998*)

Small Finance Banks

The objective of small finance banks is to further financial inclusion by providing savings vehicles and supplying credit to small business units, small and marginal farmers, micro and small industries and other unorganized sector entities through high technology-low cost operations. The RBI granted in-principle approvals to ten small finance banks in

September 2015 pursuant to which all ten small finance banks have started operations. *(Source: Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector and RBI – RBI grants "In-principle" Approval to 10 Applicants for Small Finance Banks)*

Payment Banks

The RBI has liberalised the licensing regime for banks in India and intends to issue licences on an ongoing basis, subject to meeting the RBI's criteria. The RBI is supportive of creating more specialised banks and granting differentiated banking licences, e.g., for payment banks and small finance banks. The RBI also plans to create wholesale and long-term finance banks in the near future. In November 2014, the RBI released guidelines for licensing payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. (*Source: RBI Press Release dated August 19, 2015)*. As of September 2024, there are six (6) payments banks in India *(Source: RBI. List of Payment Banks, accessed in September 2024)*

Recent Developments in the Banking Sector

The RBI from time to time also comes out with regulations and guidelines for the above mentioned institutions to ensure overall effectiveness and supervision of the banking system:

- The RBI in November 2023 had come out with a notification wherein it increased the risk weights on consumer loans and NBFCs by 25 percentage points (from 100% to 125%). For AAA-rated loans to NBFCs, the risk weight has been increased to 45% from the existing 20% (25 percentage point increase). These guidelines are applicable to Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) and Non-Banking Financial Companies (including HFCs). *(Source : RBI Circular Regulatory measures towards consumer credit and bank credit to NBFCs)*

- The Reserve Bank recently came out with draft guidelines on the financing of Projects under Implementation. The existing prescribed provisions for standard Project assets is 0.40% which the RBI has proposed to increase to 5%. This is expected to substantially increase the provisioning requirements for banks in India. These guidelines are applicable to all Commercial Banks (including Small Finance Banks but excluding Payments Banks), Local Area Banks and Regional Rural Banks, all Primary (Urban) Co-operative Banks, all All-India Financial Institutions, and all Non-Banking Financial Companies. *(Source : RBI Circular Draft Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances – Projects Under Implementation, Directions, 2024)*

- RBI in its notification dated June 7, 2024 revised the definition of bulk deposits for all Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks. The term "Bulk Deposit" would now mean:

  i. Single Rupee term deposits of Rupees three crore and above (earlier Rupees two crore) for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks.
  ii. Single Rupee term deposits of Rupees one crore and above for Regional Rural Banks and Local Area Banks. *(Source : RBI notification)*

Other Financial Institutions

Specialised Financial Institutions

In addition to the long-term lending institutions, there are various specialised financial institutions which cater to the specific needs of different sectors. These include the National Bank for Agriculture and Rural Development ("**NABARD**"), the Export-Import Bank of India ("**EXIM Bank**"), the Small Industries Development Bank of India ("**SIDBI**"), Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, the NHB, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited, the Industrial Investment Bank of India, the North Eastern Development Finance Corporation and the India Infrastructure Finance Company. *(Source: Report on Trend and Progress of Banking in India, 2003-2004). To provide financial support to the diversified growth of Industries across the sectors Industrial Finance Corporation of India as a statutory organisation was set up in 1948.* To support the long-term infrastructure financing in India, the Government set-up the National Bank for Financing Infrastructure and Development ("**NaBFID**") in 2021. *(Source: RBI Press Release dated March 9, 2022)*

State Financial Institutions

State financial corporations ("**SFCs**") operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. State financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industries. At the state level, there are also state industrial development corporations, which primarily finance medium-sized and large enterprises. *(Source: Report on Trend and Progress of Banking in India, 2003-2004)*

Insurance Companies

The General Insurance Corporation of India, a re-insurance company, the Life Insurance Corporation of India and other public sector general insurance companies provide long-term financial assistance to the industrial sector.
The insurance sector in India is regulated by the Insurance Regulatory Development Authority of India ("**IRDAI**"). In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which amended the Insurance Act, 1938 and opened up the Indian insurance sector for foreign and private investors. The Insurance Act, 1938 was further amended by the Insurance Law (Amendment) Act, 2015 which raised permitted foreign equity participation in new insurance companies from 26.00% to 49.00%. Insurance companies are required to be Indian-owned and controlled. In this context, "Control" includes the right to appoint a majority of the Directors or control management or policy decisions by virtue of shareholding, management rights, shareholders' agreements or voting agreements. Therefore, both ownership and control are required to remain in Indian hands. Further, the amendment permitted insurers to raise capital through instruments other than equity. (*Source: DPIIT, Consolidated FDI Policy (Effective from October 15, 2020))*

As announced in the Union Budget for Fiscal 2022, the limit of foreign investment in Indian insurance companies has been raised from the existing 49% to 74%. This brings the insurance sector at par with the private banking sector. The act will enable global insurance companies to take more strategic and long-term view on the Insurance sector in India, thereby bringing in greater inflow of long-term capital, global technology, processes, and international best practices. (*Source: Monthly Economic Review, March 2021, Economic Division, Department of Economic Affairs, Government of India*)

IRDAI has operationalized a series of regulatory changes in 2024 regarding health coverage. These changes include the removal of the upper age cap and the introduction of new features such as a customer information sheet to enhance transparency and the option to distribute claim amounts across multiple policies held with different companies. Also Health insurance companies have to do final authorisation for cashless claims within three hours of receiving a patient discharge request from the hospital and policy holders cannot be kept waiting to be discharged from hospital under any circumstances. (*Source: Press release IRDAI*)

The amendment to the Expenses of Management ("**EOM**") regulations grants significant greater flexibility and autonomy to industry players. This provision supports the industry in multiple ways as now they can determine how to manage their fixed costs and commissions according to the model that best suits their needs. As stakeholders gain better control over managing their expenses and reducing distribution costs, this will lead to improved pricing structures, ultimately benefiting the end consumer. This approach will harmonize the industry's diverse efforts towards the overarching goal of closing India's protection gap.

Mutual Funds

The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India ("**SEBI**") (Mutual Funds) Regulations, 1996.

In June 2009, the SEBI removed the entry load, up-front charges deducted by mutual funds for all mutual fund schemes and required that the up-front commission to distributors should be paid by the investor to the distributor directly. In November 2009, to enhance the reach and marketability of mutual fund schemes, the SEBI permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes, as a result of which mutual fund units can now be traded on recognized stock exchanges. In February 2010, the SEBI introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market value. The valuation guidelines were effective from August 1, 2010.

In the month ended September 2024, the aggregate average assets under management for mutual funds (excluding fund of funds – domestic but including fund of funds – overseas) was ₹ 68,00,485.75 crore, and aggregate average assets under management for mutual funds (domestic fund of funds) was ₹ 85,143.23 crore. The total number of schemes as of

September 2024 was 1623. (*Source: Association of Mutual Funds in India, Monthly Report for the Month of September 2024).* On April 27, 2020, the RBI opened a special liquidity facility for mutual funds with a view to ease liquidity pressures on mutual funds. Under such a facility, the RBI would conduct repo operations of 90 days' tenor at the fixed repo rate in an on-tap and open-ended manner, starting April 27, 2020 and up to May 11, 2020 or up to the full usage of the allocated amount, whichever is earlier. Funds availed under this facility are to be used by banks exclusively for meeting mutual funds' liquidity requirements by extending loans and outright purchase of, and/ or repos against, the collateral of investment grade corporate bonds, commercial papers, debentures and certificates of Deposit held by mutual funds. Liquidity support availed under this facility will be classified as HTM even in excess of 25.0% of the total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be considered under the large exposure framework or for computation of adjusted non-food bank credit for determining priority sector targets/ sub-targets, and they will be exempt from banks' capital market exposure limits. *(Source: RBI, Press Release dated April 27, 2020)*

Key Banking Industry Trends in India

The soundness and resilience of India's banking sector has been underpinned by ongoing improvement in asset quality, enhanced provisioning for bad loans, sustained capital adequacy and rise in profitability. Credit growth remains robust, mainly driven by lending to services and personal loans. Deposit growth has also gained momentum due to transmission of previous rate increases resulting in repricing of deposits and higher accretion to term deposits. Pace of growth in advances by non-banking financial companies ("**NBFCs**") moderated during the second half of Fiscal 2024, reflecting the impact of regulatory prescription of higher risk weights on NBFC lending to certain categories of consumer credit and bank lending to NBFCs. Overall, the NBFC sector maintained large capital buffers boosted by improving asset quality and robust earnings. On an incremental basis, bank lending to NBFCs declined in the second half of Fiscal 2024. The asset quality of Scheduled Commercial Banks ("**SCB**") recorded sustained improvement and their gross non-performing assets ("**GNPA**") ratio moderated to a 12-year low level of 2.8% in March 2024. The GNPA ratio for Private Sector Banks ("PVBs") stood at 1.8% in March 2024. Their net non-performing assets ("**NNPA**") ratio too improved to a record low of 0.6%, indicative of active and deep provisioning. Among bank groups, PSBs' GNPA ratio recorded substantial improvement (76 basis points) during the second half of Fiscal 2024. The NNPA ratio for PVBs stood at 0.5% in March 2024. With the stock of GNPA coming down, requirement of provisions also reduced; however, active and deep provisioning by SCBs was reflected in their improved provisioning coverage ratio ("**PCR**"), which stood at 76.4% in March 2024 compared to 74% in March 2023. The PCR moderated at 73.9% for PVBs. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024*)

As per RBI's fortnightly data, bank credit growth has moderated to 13.9% or 17.4% when considering the impact of the merger between HDFC Bank and HDFC Ltd, as on June 2024. Deposit growth during this period stood at 10.6% or 11.1% (including the impact of the merger). *(Source: RBI SCBs Statement of Position as on Friday, June 28, 2024)* Additionally, GNPA have notably decreased from 11.25% in 2018 to 2.8% by March 2024. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024)*

Although recent regulatory measures, such as the increase in risk weights for exposure to unsecured loans and non-banking financial companies, and the impending transition to the estimated credit loss ("**ECL**")-based framework, could negatively affect reported capitalization levels, the capital positions of most constituent banks remain robust. These banks are well-equipped to absorb these impacts while continuing to grow their portfolios at a reasonable pace.

Performance – Assets and Earnings

The SCBs credit growth year-on-year, which started picking up during Fiscal 2022, sustained its momentum and gathered pace to touch 17.36% (including HDFC Bank and HDFC merger) as on June 28, 2024. The increase has been broad-based across geography, economic sectors, population groups, organisations, type of accounts and bank groups. Aggregate deposits recorded some moderation growing year-on-year at 11.12% (including HDFC Bank and HDFC merger), with growth in time deposits outpacing demand deposits (11.83% versus 6.22%) as on May 17, 2024. (*Source: RBI SCBs Statement of Position as on Friday, June 28, 2024*)

The share of CASA in total deposits for SCBs has declined from 43.5% in March 2023 from 41.0% in March 2024 primarily driven by higher interest rate differential between Term Deposits and CASA deposits. The term deposits in the 1 to 3-year bucket have increased because of probable higher interest rate offered by the SCBs in this bucket. (*Source: RBI – BSR 1 – Quarterly Statistics – Credit by SCBs March 2024*)

The net interest margin ("**NIM**") of all SCBs witnessed a slight moderation from 3.7% in March 2023 to 3.6% in March 2024. A growing net interest income ("**NII**") and other operating income ("**OOI**") and coupled with a decline in the need for additional provisions due to declining NPAs, resulted in their profit after tax ("**PAT**") rising year-on-year by 32.5 % in

March 2024, despite an increase in operating expenses. The NIM of PVBs stood at 4.3% as of March 2024. On the back of significant increase in NII and OOI, PVBs registered higher PAT growth vis-à-vis PSBs. A significant fall in OOI of FBs, however, led to moderation in their PAT despite a steep fall in provisioning. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024)*

Profitability indicators remained strong: Return on equity ("**RoE**") (13.8% for all SCBs in Fiscal 2024) and Return on assets ("**RoA**") (1.3% for all SCBs in Fiscal 2024) ratios touched decadal highs in March 2024 even as the transmission of past monetary policy rate increases led to a 100 basis points rise in cost of funds (5.4% in Fiscal 2024) from March 2023 to March 2024. The yield on assets remained stable compared to the first half of Fiscal 2024 (8.4% in Fiscal 2024). The profitability of banks remained high as reflected in their RoE and RoA ratios. The RoE and RoA for PVBs stood at 15.4% and 1.8% respectively. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024)*

Asset Quality and Capital Adequacy

The asset quality of SCBs recorded sustained improvement and their GNPA ratio improved in March 2024 to a 12-year low level (2.8% as on March 2024). Their NNPA ratio too has improved to a record low (0.6% as on March 2024). Among bank groups, PSBs' GNPA ratio recorded substantial reduction (76 basis points) in the second half of Fiscal 2024. With the stock of GNPA coming down, requirement of provisions also reduced; however, active and deep provisioning by SCBs was reflected in their improved PCR in March 2024 (76.4% as on March 2024). The GNPA ratio for PVBs stood at 1.8% in March 2024. The NNPA ratio for PVBs stood at 0.5% in March 2024. The half-yearly slippage ratio (viz., new NPA accretions as a share of standard advances), decreased across bank groups. It stood at 0.5% for PSBs and 0.8% for PVBs as on March 2024, compared to 0.7% and 1.2% in September 2023 respectively. Though the amount of write-offs declined during the year, the write-off ratio remained almost at the same level as a year ago (28.9% as on March 2024), due to reduction in GNPA stock. Overall, the sustained reduction in the GNPA ratio since March 2020 has been primarily due to a persistent fall in new NPA accretions and increased write-offs. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024, RBI – Financial Stability Report Issue No. 28, December 2023)*

As SCBs bolstered their capital base through capitalisation of reserves from higher profits and by raising fresh capital, their capital to risk-weighted assets ratio ("**CRAR**") remained robust in March 2024 (16.8%), albeit lower than the March 2023 level (17.1%). For PVBs CRAR stood at 17.8% in March 2024. The Tier I leverage ratio remained close to its September 2023 level, with additional Tier I capital accretion matching incremental total exposure during the second half of Fiscal 2024 (7.8%). The Tier I leverage ratio for PVBs stood at 9.7% in March 2024. During the second half of the year CRARs of PSBs increased but they declined for PVBs and FBs that had higher shares of certain categories of loans for which risk weights were increased under regulatory measures. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024*)

The RBI increased the risk weights for banks i.e. the capital that banks need to set aside for every loan by 25 percentage points to 125% on retail loans. Moreover, risk weights on credit card exposures have been increased by 25 percentage points to 150% for banks. *(Source: RBI Circular – Regulatory measures towards consumer credit and bank credit to NBFCs dated November 16, 2023*) A higher risk weight implies a higher capital requirement for a given exposure, potentially leading to a lower Capital Adequacy Ratio ("**CAR**") which could lead banks to raise additional capital to meet regulatory requirements. Higher RWAs will keep a check on unsecured lending by the banks instilling suitable safeguards in banks' own interest.

Sectoral Asset Quality

The asset quality of SCBs recorded sustained improvement and their GNPA ratio moderated to a 12-year low in March 2024. Among major sectors, the impairment ratio in agriculture remained the highest with 6.2%, but it has recorded persistent improvement during the second half of Fiscal 2024 down from 7.0% from the first half of Fiscal 2024. At an overall level, asset quality in the personal loans segment has improved across bank groups. Even, the credit card receivables category, which has the highest GNPA ratio in the personal loans segment has shown improvement from 13.3% in September 2023 to 11.3% as of March 2024. Within the industrial sector, asset quality improved across all major sub-sectors barring the vehicles and transport equipment sector that accounts for 3.0 % share in bank credit to industry. (*Source: RBI – Financial Stability Report Issue No. 29, June 2024*)

Credit Quality of Large Borrowers

With retail loan growth outpacing borrowings by large borrowers, the share of the latter in gross advances of SCBs has declined further between March 2020 and March 2024. Asset quality in the large borrower portfolio saw significant improvement, which contributed to lowering of the share of large borrowers (47.6% in March 2024 down from 53.9% in March 2023) in GNPAs of SCBs (GNPA of large borrowers – 3.0% in March 2024). The SMA-2 ratio for large borrowers, which had risen during the first half of Fiscal 2024, declined during the third quarter and fourth quarter of Fiscal 2024. The same was evident in the SMA-2 ratio also (0.3% for Fiscal 2024). In case of PVBs the SMA-2 ratio for large borrowers stood at 0.2% for Fiscal 2024. In the large borrower accounts, the proportion of standard assets to total funded amount outstanding has been improving over the past three years (96.1% for Fiscal 2024), and the share of top 100 borrowers, which was rising for two years until March 2023, witnessed moderation during Fiscal 2024 (35.5% for Fiscal 2024). In terms of value, investment grade advances (rated BBB and above) constituted 90.3% of total externally rated funded advances of large borrowers. (*Source: RBI - Financial Stability Report Issue No. 29, June 2024*)

Resilience – Macro Stress Tests

Macro stress tests are performed to assess the resilience of SCBs' balance sheets to unforeseen shocks emanating from the macroeconomic environment. These tests attempt to assess capital ratios over a one-year horizon under a baseline and two adverse (medium and severe) scenarios. The stress test results reveal that SCBs are well-capitalised and capable of absorbing macroeconomic shocks even in the absence of any further capital infusion by stakeholders. Under the baseline scenario, the aggregate CRAR of 46 major banks is projected to slip from 16.7% in March 2024 to 16.1% by March 2025. It may go down to 14.4% in the medium stress scenario and to 13.0% under the severe stress scenario by March 2025, which would also remain above the minimum capital requirements. No SCB would breach the minimum capital requirement of 9% in the next one year. The common equity tier 1 ("**CET1**") ratio of the select 46 SCBs may decline from 13.8% in March 2024 to 13.4% by March 2025 under the baseline scenario. Even in a severely stressed macroeconomic environment, the aggregate CET1 ratio would deplete by 300 basis points, but would still remain above the minimum regulatory norms. All banks would be able to meet the minimum regulatory CET1 ratio of 5.5%. Under the baseline scenario, the GNPA ratio of all SCBs may improve to 2.5% by March 2025 from the current level of 2.8%. If the macroeconomic environment worsens to a medium or a severe stress scenario, the ratio may rise to 2.8% and 3.4%, respectively. At the bank group level, the GNPA ratios of PSBs may swell from 3.7% in March 2024 to 4.1% in March 2024, whereas it may go up from 1.8% to 2.8% for PVBs and from 1.2% to 1.3% for FBs under the severe stress scenario. (*Source: RBI - Financial Stability Report Issue No. 29, June 2024*)

Shift towards a Digital and Cashless Economy

The GoI is taking steps to promote a cashless economy such as its flagship 'Digital India' program, which envisions transforming India into a digitally empowered society and knowledge economy. As part of promoting cashless transactions, various modes of digital payment are available, including debit cards, credit cards, mobile banking, point of sale, unified payment interface and forex cards. *(Source: RBI Annual Report – 2019-20)*

For instance, the volume (in terms of number of transfers) of Real Time Gross Settlement ("**RTGS**"), immediate payment service ("**IMPS**"), National Electronic Funds Transfer ("**NEFT**") and United Payment Interface ("**UPI**") transfers were 7.00 crore, 600.53 crore, 726.40 crore, and 13,112.95 crore, respectively, in Fiscal 2024, up from 24.26 crore, 565.33 crore, 528.47 crore and 8,371.44 crore, respectively in Fiscal 2023. The value of RTGS, IMPS, NEFT and UPI transfers were ₹ 7,08.9 lakh crore, ₹ 65.0 lakh crore, ₹ 391.4 lakh crore and ₹ 200.0 lakh crore, respectively, in Fiscal 2024, compared to ₹ 1,499.46 lakh crore, ₹ 55.85 lakh crore, ₹337.20 lakh crore and ₹ 139.15 lakh crore, respectively, in Fiscal 2023. *(Source: RBI Annual Report – 2023-2024).*

The RBI is also engaged in introduction of Digital Rupee ("**e₹**"), the central bank digital currency ("**CBDC**") in India. It is similar to the physical currency in terms of being a legal tender, accepted as a medium of payment and a safe store of value. The e₹ will provide an additional form of money to be used by the public. *(Source: RBI – Financial Stability Report Issue No. 26, December 2022*). Additionally, the RBI plans to expand access to Central Bank Digital Currency ("**CBDC**") wallets to a broader customer base by allowing non-bank payment system operators to offer them.

Recently, the RBI has also proposed to set up a Digital Payments Intelligence Platform which will harness advanced technologies to mitigate payment fraud risks, and to bring recurring payments such as Fastag, NCMC, UPI Lite, etc. within the ambit of the e-mandate framework by introducing an auto-replenishment facility for such payments. *(Source: RBI Statement on Developmental and Regulatory Policies, June 19, 2024*

Certain Key Banking Business Sectors

MSME Sector

Both public and private sector banks increased their lending to the MSME sector in Fiscal 2024. The strong growth, despite the expiry of the Emergency Credit Line Guarantee Scheme ("**ECLGS**"), introduced during the COVID-19 pandemic, points to the underlying growth momentum of the sector.

In the Union Budget for Fiscal 2024, the government announced the revamping of credit guarantee scheme for micro and small enterprises with effect from April 1, 2023, with an infusion of ₹ 9,000 crore to the corpus to enable additional collateral-free guaranteed credit of ₹ 2 lakh crore and the reduction in the cost of the credit by about 1 %. Besides, the limit on ceiling for guarantees has been enhanced from ₹ 2 crore to ₹ 5 crore *(Source: RBI Annual Report - 2023-2024)*

Priority Sector - I

The priority sector lending ("**PSL**") for SCBs stood at 45.1% as on March 31, 2024. All bank groups achieved the prescribed PSL target of 40% during Fiscal 2024. In case any bank falls short in achieving priority sector targets/sub-targets, they are advised to contribute towards the Rural Infrastructure Development Fund ("**RIDF**") and other funds administered by the National Bank for Agriculture and Rural Development ("**NABARD**"), Small Industries Development Bank of India, Micro Units Development & Refinance Agency Ltd. and National Housing Bank. (*Source: RBI Annual Report 2023-2024*)

(₹ in lakh crore, except parentheses)

Performance in Achievement of Priority Sector Lending Targets			
Financial Year	**Public Sector Banks**	**Private Sector Banks**	**Foreign Banks**
2023	28.4	19.5	2.3
	(43.7)	(45.3)	(42.8)
2024*	32.2	24.7	2.3
	(43.4)	(48.1)	(41.5)
**: Provisional* *Note: Figures in parentheses are percentages to ANBC or CEOBE, whichever is higher.*			

(Source: RBI Annual Report 2023-2024)

Developments and Reforms in the Banking Sector

Implementation of the Basel III Capital Regulations

The RBI has issued guidelines based on the Basel III reforms on Capital Regulation to the extent applicable to banks operating in India. These guidelines require, among other things, higher levels of Tier I capital and common equity, a capital conservation buffer ("**CCB**"), maintenance of a minimum prescribed leverage ratio on a quarterly basis, higher deductions from common equity and Tier I capital for investments in subsidiaries and changes in the structure of non-equity instruments eligible for inclusion in Tier I and Tier II capital.

In December 2010, the Basel Committee on Banking Supervision issued a comprehensive reform package for capital regulations (Basel III). The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. *(Source: RBI – Guidelines on Implementation of Basel III Capital Regulations in India)*

The RBI's Basel III Capital Regulations, which are more stringent than the requirements prescribed by earlier RBI guidelines, have been implemented in India in phases since April 1, 2013. The Basel III Capital Regulations were expected to be fully implemented by March 31, 2019. Banks shall maintain a minimum Pillar 1 capital to risk-weighted assets ratio of 9% on an on-going basis (other than capital conservation buffer and countercyclical capital buffer amongst others). Common Equity Tier 1 capital must be at least 5.5% of risk-weighted assets ("**RWAs**"). Tier 1 capital must be at least 7% of RWAs on an ongoing basis. Thus, within the minimum Tier 1 capital, Additional Tier 1 capital can be admitted maximum at 1.5% of RWAs. Banks are also required to maintain a capital conservation buffer ("**CCB**") of 2.5% of RWAs in the form of Common Equity Tier 1 capital. *(Source: RBI Master Circular - Basel III Capital Regulations, April 1, 2024)*

The RBI has advised ECAIs to disclose the name of the banks and the corresponding credit facilities rated by them in the Press Releases issued on rating actions. A bank loan rating without this disclosure by the ECAI shall not be eligible for being reckoned for capital computation by banks. *(Source: RBI Master Circular - Basel III Capital Regulations, April 1, 2024)*

In addition, the Basel III liquidity framework introduced the net stable funding ratio ("**NSFR**"), which measures the ratio between the available stable funding with maturities greater than one year and the required stable funding with maturities greater than one year to support long-term lending and other long-term assets. For banks in India, the RBI had released the final guidelines and prescribed an NSFR of at least 100% from April 1, 2020. However, in view of exceptional conditions due to COVID-19, the RBI, by way of its notifications dated March 27, 2020 and September 29, 2020, deferred its NSFR implementation to April 1, 2021. In view of the ongoing economic stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines came into effect from October 1, 2021. *(Source: RBI – Basel III Framework on Liquidity Standards – Net Stable Funding Ratio, February 5, 2021)*

Leverage Ratio Framework

In June 2019, as a part of the 'Leverage Ratio Framework', the RBI announced that the minimum Leverage Ratio would be 4% for Domestic Systemically Important Banks and 3.5% for other banks. Both the capital measure and exposure measure along with Leverage Ratio are to be disclosed on a quarter-end basis. However, banks must meet the minimum Leverage Ratio requirement at all times. These guidelines were effective from the quarter commencing October 1, 2019. *(Source: RBI Master Circular – Basel III Capital Regulations, April 1, 2024)*

Domestic Systemically Important Banks

In August 2015, the RBI designated the State Bank of India ("**SBI**"), ICICI Bank and later in September 2017, the HDFC Bank as Domestic Systemically Important Banks ("**D-SIBs**"). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2018, the RBI, in its release dated March 14, 2019, required SBI, ICICI Bank and HDFC Bank to provide Additional CET1 requirements as a percentage of RWAs of 0.6%, 0.2% and 0.2%, respectively. In accordance with the RBI's press release dated March 14, 2019, these CET1 requirements were applicable to D-SIBs from April 1, 2016 in a phased manner and became fully effective from April 1, 2019 onwards. The additional CET1 requirements were in addition to the CCB. As per the RBI press release dated December 28, 2023, SBI and HDFC Bank are required to maintain additional CET1 requirements as a percentage of RWAs of 0.8% and 0.4% respectively, which will be effective from April 1, 2025. The additional Common Equity Tier 1 ("**CET1**") requirement will be in addition to the capital conservation buffer. *(Source: RBI releases 2018 List of Domestic Systemically Important Banks dated March 14, 2019 and RBI releases 2020 List of Domestic Systemically Important Banks dated January 19, 2021 and RBI releases 2022 List of Domestic Systemically Important Banks dated January 2, 2023 and RBI releases 2023 List of Domestic Systemically Important Banks dated December 28, 2023*)

The Insolvency and Bankruptcy Code (Amendment) Act, 2017

The Insolvency and Bankruptcy Code ("**IBC**") (Amendment) Act, 2017 bars willful defaulters, defaulters whose dues have been classified as NPAs for more than one year, and all connected persons ('connected persons' refers only to persons who are connected to the resolution applicant's business activity) from submitting resolution plans and purchasing the assets of corporate debtors in liquidation. An enabling provision is in place to provide a cure for ineligibility conditions and help in meeting the corporate insolvency resolution process timeline. It also empowers the insolvency professional to lay down qualifying criteria for resolution applicants familiar with the complexity and scale of the corporate debtor's operations. *(Source: The Gazette of India – The Insolvency and Bankruptcy Code (Amendment) Act, 2017)*

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020

The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 (effective June 5, 2020) provides a time-bound process for resolving insolvency in companies and among individuals. The Act seeks to temporarily suspend initiation of the corporate insolvency resolution process ("**CIRP**") under the IBC. The Act provides that, for defaults arising during the six months from March 25, 2020, CIRP can never be initiated by either the company or its creditors. The central government may extend this period to one year by way of a notification. The Act clarifies that, during this period, CIRP can be initiated for any defaults arising before March 25, 2020. Under the IBC, a Director or Partner of the corporate debtor may be liable to make personal contributions to the assets of the company in certain situations. This liability can occur if, despite knowing that the insolvency proceedings could not be avoided, the person did not exercise due diligence in minimizing potential loss to the creditors. The resolution professional may apply to the National Company Law Tribunal to hold such persons liable. The resolution professional is appointed to manage the resolution process upon the acceptance of an application for initiation of the CIRP. The Bill prohibits the resolution professional from filing such an application in relation to the defaults for which initiation of the CIRP has been prohibited. *(Source: The Gazette of India – The Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 dated September 23, 2020)*

The Insolvency and Bankruptcy Code (Amendment) Act, 2021

The Insolvency and Bankruptcy Code (Amendment) Act, 2021 (effective April 4, 2021) introduced an alternate insolvency resolution process called the Pre-packaged Insolvency Resolution Process ("**PPIRP**") for MSMEs with minimum amount of default is Rs. 10 lakh and maximum no ceiling. It also allows Distressed Corporate Debtors ("**CDs**") to initiate a PIRP with the approval of two-thirds of their creditors to resolve their outstanding debt under the new mechanism. The management of the affairs of the corporate debtor shall continue to vest in the board of directors or the partners who shall make every endeavour to protect and preserve the value of the property of the corporate debtor, and manage its operations as a going concern. (*Source: The Gazette of India – The Insolvency and Bankruptcy Code (Amendment) Act, 2021 dated August 11, 2021*)

Amendments to the Banking Regulation Act

The Banking Regulation (Amendment) Act, 2017 was enacted with a view to give the RBI extensive powers to issue directions to banks for the resolution of stressed assets. The amendment introduced two new sections to the Banking Regulation Act: Section 35AA, which enables the RBI, with the authorisation of the Central Government, to direct banks to commence the insolvency resolution process against the defaulting company under the IBC and Section 35AB, which enables the RBI to issue directions to any banking company or group of banking companies for the resolution of stressed assets. *(Source: The Gazette of India – The Insolvency and Bankruptcy Code (Amendment) Act, 2017)*

The Banking Regulation (Amendment) Act, 2020 was enacted with a view to expand the RBI's regulatory control over co-operative banks in terms of management, capital, audit and liquidation. The Bill makes two changes: (i) extending previously omitted provisions of the Banking Regulation (Amendment) Act, 2017 to co-operative banks, and (ii) amending certain provisions of the Banking Resolution Act, 1949 applying to all banks. *(Source: The Gazette of India – The Banking Regulation (Amendment) Act, 2020)*

Recent Policy Measures Undertaken by the RBI

<u>SLR Holdings in Held-to-Maturity Category</u>

On September 1, 2020, the RBI increased the limits under the HTM category from 19.5% to 23% of NDTL in respect of SLR-eligible securities acquired on or after September 1, 2020 and on or before March 31, 2021. (*Source: RBI - Statement on Developmental and Regulatory Policies dated February 5, 2022)* This dispensation was made available up to March 31, 2023. With a view to enable banks to better manage their investment portfolios, it has now been decided to extend the dispensation of the enhanced HTM limit of 23% up to March 31, 2024 to include securities acquired between September 1, 2020 and March 31, 2024. The HTM limit will be restored from 23% to 19.5% in a phased manner starting from the quarter ending June 30, 2024. *(Source: RBI Annual Report – 2022-2023)*

<u>Individual Housing Loans – Rationalisation of Risk Weights</u>

On October 12, 2020, the RBI had rationalized the risk weights for individual housing loans by linking them only with loan to value ratios for all new housing loans sanctioned up to March 31, 2022. Taking importance of the housing sector into consideration along with its multiplier effects and its role in supporting the overall credit growth, it was decided that the risk weights as prescribed in October 2020 circular shall continue for all new housing loans sanctioned up to March 31, 2023. *(Source: RBI – Statement on Developmental and Regulatory Policies dated April 8, 2022)*

<u>Introduction of the Standing Deposit Facility</u>

In 2018, RBI introduced Standing Deposit Facility ("**SDF**") – an additional tool for absorbing liquidity without any collateral. On April 8, 2022, it was decided to institute SDF with an interest rate of 3.75% with immediate effect. The SDF will replace the fixed rate reverse repo ("**FRRR**") as the floor of the liquidity adjustment facility ("**LAF**") corridor. Both the standing facilities viz., the marginal standing facility ("**MSF**") and the SDF will be available on all days of the week, throughout the year. The FRRR rate was retained at 3.35%. The FRRR along with the SDF will impart flexibility to the RBI's liquidity management framework. *(Source: RBI – Statement on Developmental and Regulatory Policies dated April 8, 2022)*

<u>Restoration of the Symmetric LAF Corridor</u>

With effect from April 8, 2022, the RBI restored width of LAF corridor to pre-pandemic level. With the introduction of the SDF at 3.75%, the policy repo rate being at 4.00% and the MSF rate at 4.25%, the width of the LAF corridor is restored to its pre-pandemic configuration of 50 basis points. *(Source: RBI – Statement on Developmental and Regulatory Policies dated April 8, 2022)*

Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies

On January 16, 2023, the RBI issued Master Directions and guidelines for major shareholders (Acquisition and Holding of Shares or Voting Rights in Banking Companies) consolidating the earlier directions. The major changes made in the guidelines include updates in the limits on permissible shareholding by different categories of shareholders, introduction of reporting requirements for encumbrance of shares by promoter and strengthening of arrangements for continuous monitoring of the 'fit and proper' status of major shareholders of a banking company. *(Source: RBI Notifications on 'Master Directions and Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies' dated January 16, 2023. Available at https://www.rbi.org.in)*

Securities Lending and Borrowing in Government Securities

The RBI proposed to permit lending and borrowing of Government securities which will augment the existing market for 'special repos'. The system is expected to facilitate wider participation in the securities lending market by providing investors an avenue to deploy idle securities and enhance portfolio returns. (*Source: RBI – Statement on Developmental and Regulatory Policies dated February 8, 2023*). The eligible securities for Government Securities Lending ("**GSL**") are – (a) Government securities issued by the Central Government excluding Treasury Bills shall be eligible for lending/borrowing under a GSL transaction. Securities obtained under a repo transaction, including through Reserve Bank's Liquidity Adjustment Facility, or borrowed under another GSL transaction shall also be eligible to be lent under a GSL transaction; (b) Government securities issued by the Central Government (including Treasury Bills) and the State Governments shall be eligible for placing as collateral under a GSL transaction. Securities obtained under a repo transaction, including through Reserve Bank's Liquidity Adjustment Facility, or borrowed under another GSL transaction shall also be eligible to be placed as collateral under a GSL transaction.
The use of security borrowed and substitution of collateral is (a) Securities borrowed under a GSL transaction may be – (1) Sold either through an outright or a repo transaction or used for meeting a delivery obligation in a short sale; or (2) Used for availing Reserve Bank's Liquidity Adjustment Facility; or; (3) Lent under another GSL transaction; or; (d) Placed as collateral under another GSL transaction; (b) Securities placed as collateral may be substituted by the borrower with other eligible securities in terms of the rules of the central counterparty.

The computation of Statutory Liquidity Ratio ("**SLR**") – (1) SLR eligible securities borrowed under a GSL transaction shall be eligible to be reckoned for SLR by the borrower. Accordingly, such securities lent under a GSL transaction shall not be eligible to be reckoned for SLR by the lender; (2) SLR eligible securities received as collateral under a GSL transaction shall be eligible to be reckoned for SLR by the lender. Accordingly, such securities placed as collateral under a GSL transaction shall not be eligible to be reckoned for SLR by the borrower (*Reserve Bank of India (Government Securities Lending) Directions, 2023 dated December 27, 2023*)

Recovery of Penal Charges on Loans

The extant regulatory guidelines on levy of penal interest have been reviewed by the RBI. It has been decided that any penalty for delay/default in servicing of the loan or any other non-compliance of material terms and conditions of loan contract by the borrower shall be in the form of 'penal charges' in a reasonable and transparent manner and shall not be levied in the form of 'penal interest' that is added to the rate of interest being charged on the advances. Further, there shall be no capitalization of penal charges (i.e., the same shall be recovered separately and shall not be added to the principal outstanding). However, in case of any deterioration in credit risk profile of the borrower, Regulated Entities ("**REs**") shall be free to alter the credit risk premium under extant guidelines on interest rate. *(Source: RBI – Statement on Developmental and Regulatory Policies dated February 8, 2023)*

Governance, measurement, and management of Interest Rate Risk in Banking Book

On February 17, 2023, the RBI issued final guidelines on Interest Rate Risk in Banking Book ("**IRRBB**"), in line with revised framework issued by the Basel Committee on Banking Supervision ("**BCBS**"). The IRRBB arises from banking activities and is encountered by all banks. It arises because interest rates can vary significantly over time, while the business of banking typically involves intermediation activity that produces exposure to both maturity mismatch and rate mismatch.

The date of implementation will be communicated in due course. *(Source: RBI Notifications on 'Governance, measurement and management of Interest Rate Risk in Banking Book' dated February 17, 2023)*

Operation of Pre-Sanctioned Credit Lines at Banks through the Unified Payments Interface

Unified Payments Interface ("**UPI**") is a robust payments platform supporting an array of features. Presently it handles 75% of the retail digital payments volume in India. The UPI system has been leveraged to develop products and features aligned to India's payments digitization goals. Recently, RuPay credit cards were permitted to be linked to UPI. It is now proposed to expand the scope of UPI by enabling transfer to / from pre-sanctioned credit lines at banks, in addition to deposit accounts. Currently, savings account, overdraft account, prepaid wallets and credit cards can be linked to UPI. (*Source: RBI – Statement on Developmental and Regulatory Policies dated April 6, 2023 and RBI – Statement on Developmental and Regulatory Policies dated September 4, 2023*)

Framework for acceptance of Green Deposits

On April 11, 2023, the RBI notified framework for acceptance of green deposits to enable financial sector mobilising resources and their allocation thereof in green activities/projects. The framework to come in effect from June 1, 2023. *(Source: RBI Notifications on 'Framework for acceptance of Green Deposits' dated April 11, 2023)*

₹ 2,000 Denomination Banknotes – Withdrawal from Circulation

On May 19, the RBI decided to withdraw ₹ 2,000 denomination banknotes from circulation in pursuance of the "Clean Note Policy". The ₹ 2000 denomination banknotes will remain legal tender. The facility for deposit and/or exchange of ₹ 2,000 banknotes shall be available for members of the public up to September 30, 2023. *(Source: RBI Circular)* As the period specified for the withdrawal has come to an end, based on a review, it has been decided to extend the current arrangement for deposit / exchange of ₹ 2,000 banknotes until October 7, 2023. With effect from October 8, 2023, banks shall stop accepting ₹2000 banknotes for credit to accounts or exchange to other denomination banknotes. ₹2,000 banknotes shall continue to be allowed to be presented at the 19 Regional Offices of RBI having Issue Departments (RBI Issue offices) for credit to the bank accounts in India or exchange *(Source: RBI Circular)*

Guidelines on Default Loss Guarantee in Digital Lending

The RBI decided to permit arrangements between **REs** and Lending Service Providers ("**LSPs**") or between two REs involving default loss guarantee ("**DLG**"), commonly known as FLDG, subject to the guidelines laid down in the Annex to the referred circular. DLG arrangements conforming to these guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'. *(Source: RBI Notifications dated June 8, 2023)*

Requirement for maintaining additional Cash Reserve Ratio ("**CRR**")

On August 10, 2023, while reviewing the monetary policy for Fiscal 2024, the RBI announced incremental CRR ("**I-CRR**") of 10 % on the increase in net demand and time liabilities ("**NDTL**") between May 19, 2023, and July 28, 2023. (*Source: RBI Notifications dated August 10, 2023*)
As announced in the RBI Press Release dated September 08, 2023, on a review, it has been decided to discontinue the I-CRR in a phased manner. Based on an assessment of current and evolving liquidity conditions, it has been decided that the amounts impounded under the I-CRR would be released in stages so that system liquidity is not subjected to sudden shocks and money markets function in an orderly manner. As on September 9, September 23 and October 7, 2023 amount to be released are 25%, 25% and 50% of the ICRR maintained. (*Source: RBI Notifications dated September 8, 2023*)

Regulatory measures towards consumer credit and bank credit to NBFCs

On November 16, 2023, RBI has announced the following regulatory measures towards consumer credit and bank credit to NBFCs:

A. *Consumer credit exposure*
   (a) The risk weight for commercial banks towards consumer credit (outstanding as well as new) including personal loan, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery has been increased by 25% points from 100% to 125%; and
   (b) The risk weight for credit card receivables of SCBs has been increased by 25% points from 125% to 150%.
B. *Bank credit to NBFCs*

Increase the risk weight on exposure of SCBs to NBFCs (excluding core investment companies) by 25% points in all cases where the extant of risk weight as per external rating of NBFCs is below 100%. For this purpose, loans to HFCs, and loans to NBFCs which are eligible for classification as priority sector shall be excluded.

C. *Strengthening credit standards*

The REs shall review their extant sectoral exposure limits for consumer credit and put in place, if not already there, Board approved limits in respect of various sub-segments under consumer credit as may be considered necessary by the Boards as part of prudent risk management. In particular, limits shall be prescribed for all unsecured consumer credit exposures. The limits so fixed shall be strictly adhered to and monitored on an ongoing basis by the Risk Management Committee.

All top-up loans extended by REs against movable assets which are inherently depreciating in nature, such as vehicles, shall be treated as unsecured loans for credit appraisal, prudential limits and exposure purposes.
(Source: RBI notifications dated November 16, 2023)

Revised definition of "Bulk Deposits":

Revised definition of bulk deposits for all Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks. The term "Bulk Deposit" would now mean:

1. Single Rupee term deposits of Rupees three crore and above for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks
2. Single Rupee term deposits of Rupees one crore and above for Local Area Banks as applicable in case of Regional Rural Banks
   (*Source: Amendment to Master Direction – Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated June 7, 2024*)

OUR BUSINESS

Unless otherwise indicated or the context requires, the financial information for Fiscal 2024 and Fiscal 2023 have been derived from our Reformatted Audited Financial Statements for the financial year ended March 31, 2024, with previous year comparatives, and the financial information for six-month periods ended September 30, 2024 and September 30, 2023 have been derived from our Reformatted Unaudited Financial Statements for the six month period ended September 30, 2024, with previous period comparatives, as included in this Letter of Offer.

We prepare our financial statements in accordance with Indian GAAP. Our financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Paragraph 7 of the Companies (Accounts) Rules, 2014, and Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply, and guidelines issued by the Reserve Bank of India ("RBI"). For the purposes of this comparative analysis figures from previous years or periods, as applicable, have been reclassified and regrouped wherever necessary. Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the 12-month period ended on March 31, of that year.

Certain non-GAAP measures are presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardized terms and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section "Forward-Looking Statements" on page 15, the section "Risk Factors" on page 18 and elsewhere in this Letter of Offer.

Overview

We are a private sector bank, incorporated in November 1927 at Thrissur, Kerala and have been in existence for more than 97 years. We became a scheduled commercial bank in 1977. We offer a wide range of banking and financial services primarily to retail, corporate, SME, and microfinance customers. As of September 30, 2024, we have a wide presence through a network of 560 customer outlets which includes 17 business correspondents, 261 branches and 282 ATMs across 14 states and two union territories. Further, as of the same date, 58 of our branches are located in metropolitan cities, 71 in urban areas, 112 in semi-urban areas and 20 branches in rural areas. Our overall customer base is approximately 0.16 crore as of September 30, 2024 with total deposits amounting to ₹14,631.48 crore and total advances of ₹11,018.35 crore as of the same date.

We are a professionally managed bank, governed by a Board of Directors and supported by a senior management team. Our Managing Director and Chief Executive Officer, Ajith Kumar K.K., brings extensive experience across various facets of banking, including human resources, branch banking, commercial banking and zonal operations. Additionally, two Directors nominated by RBI sit on our Board, providing industry insights. This collective experience has enabled us to develop a deep understanding of the industry-specific aspects of our business and operations.

Our Bank offers a wide range of products and services for individuals, non-individuals, and corporate customers. Through our corporate and commercial portfolio, we cater to the business needs of multinational companies, public enterprises and private companies. We provide deposits, loans and finance facilities to our customers by offering a variety of products such as term loans, short term loans, working capital finance including cash credit, export credit, bill discounting, letters of credit and guarantees. We also extend financial support to the priority sectors including agriculture, MSME, affordable housing and education.

As part of our retail banking, we offer a variety of personal loans such as home loans, gold loans, vehicle loans, education loans, loan against property, lease rental discounting and business loans to our retail customers. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, retail advances were 53.60%, 47.14%, 49.99% and 43.59% respectively of our total advances.

In corporate banking, we offer various kinds of loans to corporate customers, including industrial advances, trade advances, import and export assistance and agriculture assistance. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, corporate advances were 23.74%, 28.05%, 25.39% and 29.53% respectively of our total advances.

As part of SME banking, we offer various kinds of loans to SME customers, including working capital facilities, capacity expansion loans and trade facilities. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, SME advances were 15.47 %, 16.20%, 16.41% and 17.61% respectively of our total advances.

Our microfinance and agricultural banking encompass loans to self-help groups or joint liability groups for empowering women and aiding poverty alleviation, as well as livestock loans, agri term and gold loans, and kissan credit cards. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, these advances were 7.18%, 8.61%, 8.21% and 9.28% respectively of our total advances.

Deposit products include current, savings, and term deposits, as well as foreign currency non-resident account ("**FCNR**") accounts. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, our current account savings accounts ("**CASA**") contributed ₹ 4,632.89 crore or 31.66%, ₹ 4,291.47 crore or 31.06%, ₹ 4,381.44 crore or 30.66% and ₹4,259.64 crore or 31.91% respectively to our total deposits. Further, during the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, retail term deposits contributed ₹ 7876.08 crore or 53.83% of total deposits, ₹6,914.51 crore or 50.04%, ₹7,189.75 crore or 50.31% and ₹6,586.01 crore or 49.32% of total deposits respectively.

Our treasury segment comprises liquidity management by maintaining a level of liquidity, in compliance with the CRR and the SLR requirements of the RBI and monitoring and implementation of non-SLR investments of our Bank. We maintain the SLR through a portfolio of Central Government, State Government and Government-guaranteed securities and other approved securities that we actively manage to optimize yield and benefit from price movements. We are also involved in the trading of debt securities, equity securities and foreign exchange within the limits prescribed by RBI. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, our treasury assets accounted for 23.19%, 25.84%, 27.14% and 28.16% respectively of our total assets. In our international business, we are extending our banking services to non-resident Indian customer base to meet their banking requirements.

The distribution of third-party products covers insurance, mutual funds, and sovereign gold bonds. Other products and services include international credit/debit cards, internet and mobile banking, UPI, depository services, payment gateways, locker services, point of sale ("**PoS**"), and funds transfers like RTGS and NEFT. For further information on our Bank's product offerings, see "*Our Products and Services*" on page 84.

The Bank's branch network is seamlessly complemented by its online and mobile banking solutions, providing customers with convenient access to on-demand banking services. We believe our direct banking platforms enhance customer engagement through alternate channels, improving customer retention and increasing the volume of customer transactions.

The following table sets forth key highlights of our Bank's financial performance as of and for the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and 2023:

(₹ in crore)

Key Highlights	As of and for the six-month period ended September 30		As of and for Fiscal	
	2024	2023	2024	2023
Deposits	14,631.48	13,817.22	14,290.31	13,351.65
Advances	10,717.42	9,885.30	10,102.56	9,451.52
Gross Advances	11,018.35	10,310.55	10,396.90	9,853.73
Interest Earned	634.67	593.04	1,206.99	1,071.24
Interest Expended	413.95	353.45	748.54	595.48
Net Interest Income	220.72	239.59	458.45	475.75
Other Income	83.91	75.79	152.56	74.52
Total Income	718.58	668.83	1,359.55	1,145.75
Net profit/ (loss) after taxes for the year	17.81	51.46	57.82	49.36
Earnings per share (basic) (in ₹)	0.70	2.03	2.29	1.95
Earnings per share (diluted) (in ₹)	0.70	2.03	2.29	1.95

Key Highlights	As of and for the six-month period ended September 30		As of and for Fiscal	
	2024	2023	2024	2023
Net Interest Margin	3.02	3.41	3.22	3.60
ROA (based on working funds)	0.22	0.68	0.38	0.34
ROE	3.36	10.03	5.62	5.14
CRAR	13.06%	12.23%	12.71%	12.32%
Gross NPA ratio	3.82%	5.36%	4.05%	5.19%
Net NPA ratio	1.12%	1.29%	1.25%	1.16%
Total Business	25,649.83	24,127.77	24,687.21	23,205.38
Cost / Income Ratio	90.20	76.05	88.66	77.61
Yield on Advances	9.52	9.43	9.59	9.39
Spread	3.01	3.26	3.11	3.52

Our Strengths

We believe that the following strengths set us apart in the highly competitive Indian banking industry:

Strong legacy, long-standing customer relationships and focus on improving servicing framework

With a legacy of more than 97 years, we have established ourselves as a scheduled commercial bank having a wide network of branches and ATMs across several states of India. As of September 30, 2024, September 30, 2023, March 31, 2024 and March 31, 2023, we had 0.16 crore, 0.17 crore, 0.16 crore and 0.17 crore customers respectively. We have consistently worked towards developing long-term relationships with our customers based on our knowledge of local needs and our experience in the sector, amongst other things. We have initiated a series of measures in the recent past through deployment of technology and significantly enhancing service quality by introducing full-fledged customer grievance redressal mechanism. Our customer service committee monitors the implementation of customer service measures periodically. Additionally, we have established a 24x7 phone banking call center in Chennai to provide continuous support and assistance to our customers. In the six-month periods ended September 30, 2024, and September 30, 2023, as well as Fiscal 2024 and Fiscal 2023, we received 6644, 3,967, 6,032 and 6,101complaints, respectively, and resolved 6,618, 3,967, 6,032 and 6,101complaints, respectively.

Over the years, the Bank has evolved from its regional origins into a banking institution with a broad operational footprint across multiple states in India. We aim to leverage our brand recall and believe that our long-standing relationships with customers, including numerous temple trusts, churches and NGOs in southern India, have been key drivers of our growth. For instance, we have been servicing certain prominent statutory bodies responsible for governing and managing temples across Kerala. Notably, we have implemented the E-Kanikka/QR code facility at various temples in Kerala, enabling the receipt of donations and offerings through digital modes, thus enhancing convenience and accessibility.

With a focus on increasing our existing customer base, we have introduced various alternate banking channels such as ATMs, cash deposit machines, internet banking, mobile banking, QR code soundboxes, and debit and credit cards. We have entered into tie-up with a state electricity board for online bill payment facility. Dhanam home loan and loan against property product features have been re-launched to enhance penetration in the retail segment, thereby aiming for improved profitability and increased cross-selling opportunities. In order to penetrate in retail segments, we have modified dhanam car loan and two-wheeler loan product guidelines.

We have also received multiple awards in recognition of our operations and technological capabilities over the years. We have received award for best performance on "Risk Management and Asset Quality (Indian Private Sector Bank)" from the Indian Chamber of Commerce in Fiscal 2024 and an award of excellence in "APY Annual Award" from the Pension Fund Regulatory and Development Authority in the Fiscal 2023.

Wide distribution network and diverse customer base

Our Bank was incorporated in 1927 with the objective of catering to the banking needs of the retail sector. Over a period of time, our Bank has developed into a well-recognized brand with pan India presence with special focus on southern part of India. Further, we believe our Bank has built long term relationship with its customers through its ability to provide services based on their needs which has been instrumental in the growth of our Bank. As of September 30, 2024, we have a wide presence through a network of 560 customer outlets, which include 17 business correspondents, 261 branches, and

282 ATMs across 14 states and two union territories. As of the same date, 58 of our branches were located in metropolitan cities, 71 in urban areas, 112 in semi-urban areas, and 20 branches in rural areas. As of September 30, 2024, the Bank's customer outlets are also well distributed across different tiers of cities with 7.66% in rural areas, 42.91% in semi urban areas, 27.20% in urban areas and 22.22% in metro cities. In the southern states of India, we have a notable presence with 147 branches in Kerala, 14 branches in Karnataka, 12 branches in Andhra Pradesh, 8 branches in Telangana, and 37 branches in Tamil Nadu, collectively constituting 83.52% of our total branches. As of September 30, 2024, our Bank had issued 5,59,783 debit cards. We believe that our extensive distribution network enables us to serve a diverse customer base across India, including corporations, institutions and state-owned enterprises, as well as agricultural, industrial and retail customers across various states of India. Our ability to reach such a wide range of customer base demonstrates our commitment to meeting the needs of our customers nationwide. We believe that the strength of our customer relationships stems from our proximity to our customer base and the wide range of our products and services we offer to meet customers' needs. Furthermore, our wide geographic presence and diverse customer base provide us with cross-selling opportunities for our associate products and services including life insurance, general insurance, and mutual fund services. This synergy allows us to generate additional fee-based income from these services, while also enhancing customer value and expanding our offerings effectively.

Consistently growing and stable deposit base with focus on low-cost retail CASA

We have adopted a customer-focused approach, with an emphasis on customer relationships. We have focused on sourcing accounts for value-based CASA products. We have also implemented a segment-focused strategy to drive CASA growth effectively. This dual approach allows us to meet our customers' needs and enhance our overall service offerings.

Our total deposits were ₹ 13,351.65 crore in Fiscal 2023, ₹ 14,290.31 crore in Fiscal 2024, ₹ 13,817.22 crore in six month period ended on September 30, 2023, and ₹ 14,631.48 crore in six month period ended on September 30, 2024, highlighting a year on year growth of 7.02% as at Fiscal 2024 and 5.89% as at the six months period ended September 30, 2024. We have focused on increasing our CASA levels, with a growth of 2.86% in Fiscal 2024 and 7.95% in the six months period ended September 30, 2024. Our Bank's cost of deposit was 4.48% in Fiscal 2023, 5.30% in Fiscal 2024, and 5.61% for the six months period ended September 30, 2024.

A significant portion of our deposit base comes from the retail segment reducing our reliance on bulk deposits and minimizing concentration risk. We offer a wide range of deposit products to our retail customers, including Dhanam Genius Savings Account, Dhanam Vanitha Account, Dhanam Yuvak Savings Account, Dhanam Recurring Deposit, Dhanam Cumulative Deposit Certificate, Dhanam Tax Advantage Deposit etc. This variety allows us to cater to different customer needs and preferences effectively. Our Bank's percentage of retail deposits (CASA+ retail term deposits) to total deposits in six months period ended on September 30, 2024 and September 30, 2023 and Fiscal 2024 and 2023, was 85.49%, 81.10%, 80.97% and 81.23% respectively. We also have a large, stable percentage of relatively low-cost CASA deposits within our deposit mix.

We continuously strive to increase our reliance on digital channels for transactions as they are more cost effective than physical channels. Our digital banking channels enable a smooth transition from physical to digital usage, enhancing the customer experience, which we believe drives business growth and improves our margins. Our funding requirements are primarily met through deposits and borrowings, with a substantial portion coming from the low-cost demand and savings deposits from customers. Deposits constituted 90.60% of our total liabilities as of September 30, 2024 and cost of deposit contributed 98.77% to our average cost of funds as of and for the six months ended September 30, 2024. The Basel III Capital Adequacy Ratio (CRAR) was 12.71% and 13.06% for Fiscal 2024 and the six-month period ended September 30, 2024, respectively, while the Common Equity Tier 1 Ratio stood at 11.36% and 12.10% for the same periods, respectively.

Advances with focus on agricultural, MSME and retail segments

Our growth strategy has traditionally focused on offering loan products tailored to the needs of retail and MSME customers. Our advances portfolio encompasses a diverse range of retail and MSME finance products. We prioritize understanding the needs and expectations of our customers, particularly in the retail, agricultural and MSME sectors, and adopt targeted strategies to drive growth in these segments. We have deployed micro-credit officers across our regional offices in Kerala, who are focused on expanding our micro credit and agricultural segment loans and involved in the cross-selling of our associate products. We leverage our presence in semi-urban and rural regions to attract more customers in the retail, agricultural and MSME ("**RAM**") segments. We have also adopted alternate channels to increase our presence across India in a cost-effective manner, by engaging banking correspondents.

We provide retail, agricultural and MSME loans ("**RAM Advances**") in India. The Bank's gross deposits aggregated to ₹ 14,631.48 crore, ₹ 13,817.22 crore, ₹ 14,290.31 crore, and ₹ 13,351.65 crore as of September 30, 2024, September 30, 2023, March 31, 2024, and March 31, 2023, respectively, growing at a growth rate of 7.02% from March 31, 2023 to

March 31, 2024 and a growth rate of 5.89% from September 30, 2023 to September 30, 2024. The Bank's gross total advances aggregated ₹ 9,853.73 crore, ₹ 10,396.90 crore, ₹ 10,310.55 crore and ₹ 11,018.35 crore as of March 31, 2023, March 31, 2024 and as of September 30, 2023 and September 30 2024, respectively, growing at a growth rate of 5.51% from March 31, 2023 to March 31, 2024 and a growth rate of 6.86% from September 30, 2023 to September 30, 2024.

We are committed to developing a socially inclusive model that integrates customers from underserved sectors into the banking mainstream. To achieve this, we are focused on enhancing our RAM mix, which will enable us to gain a greater market share in southern India and other regions where we operate.

Strong risk management policies and procedures

We believe that prudent risk management policies, procedures and controls are critical for the long-term sustainable development of our business. We have implemented enhanced risk management procedures for all our credit exposures, including credit evaluation and credit rating methodology, credit scoring and risk pricing models, and risk monitoring and control mechanisms. Our risk management committee, inter alia, monitors our overall risk profile, reviews our risk models, approves risk management framework and policies, oversees the credit approval process and periodically reviews investment and credit portfolios. Further, to enhance overall risk-adjusted margins, we have introduced risk management procedures covering the entire credit process to enhance efficiency, improve controls and achieve better asset quality.

Our Bank's gross NPAs as a percentage of gross advances was 3.82%, 5.36%, 4.05% and 5.19% in six-month period ended September 30, 2024 and September 30, 2023, Fiscal 2024 and Fiscal 2023, respectively, and our Bank's net NPAs as a percentage of net advances was 1.12%, 1.29%, 1.25% and 1.16% in six-month period ended September 30, 2024 and September 30, 2023, Fiscal 2024 and Fiscal 2023, respectively. Our Bank's provision coverage ratio as of six-month period ended September 30, 2024 and September 30, 2023, Fiscal 2024 and Fiscal 2023, was 88.80%, 89.11%, 88.32% and 90.61%, respectively. Our Bank's slippage ratio was 0.53%, 0.92%, 1.63% and 1.27% in six-month period ended September 30, 2024 and September 30, 2023, Fiscal 2024 and Fiscal 2023 respectively. Our Bank's credit cost was -0.26%, -0.36%, -0.59% and 0.76% in six-month period ended September 30, 2024 and September 30, 2023, Fiscal 2024 and Fiscal 2023, respectively. Our Bank continued its conservative provision strategy and its provision coverage ratio stood at 88.32% on March 31, 2024 as against 90.61% on March 31, 2023. Additionally, the Basel III Capital Adequacy Ratio (CRAR) was 12.71% and 13.06% for Fiscal 2024 and the six-month period ended September 30, 2024, respectively.

We continue to maintain high standards of asset quality through risk management and mitigation practices that are actively focused on evaluations of credit management policy, asset liability management policy, market and operational risk management policy and policy on pricing of liabilities.

Professionally managed Bank with experienced management

The extensive experience of our senior management in the finance and banking industry is integral to our strategy for driving growth and modernization. Our team is led by Ajith Kumar K.K., Managing Director and Chief Executive Officer, who has over 36 years of experience in the banking and financial industry. He is supported by a team of department heads from credit evaluation, risk management, treasury, technology and retail banking departments. As of September 30, 2024, our total employee strength was 1,724 comprising 1,719 regular employees and 5 contractual employees.

We also have a comprehensive grievance redressal policy which provided for training of employees aimed at enhancing the quality of customer service and retention of customers. We believe our compensation policy which deals with the compensation and benefits of the employees of our Bank provide a fair and persistent basis for motivating, inspiring and rewarding the employees appropriately and to provide effective governance of compensation payable to the employees, alignment of compensation with prudent risk taking and effective supervisory oversight. Our experienced team members across the organisation play a crucial role in building customer trust and satisfaction.

Our Business Strategies

Focus on technological advancements for enhancing customer satisfaction and business growth

As of September 30, 2024, we have a customer base of approximately 0.16 crore, with an operative customer base of around 0.08 crore. Our strategy involves reactivating inactive customers and attracting new ones, with a particular focus on retaining the younger generation. We recognize that the needs of younger customers differ from those of older generations, particularly regarding expected banking infrastructure and service levels. To bridge this gap, we are continuously upgrading and enhancing our IT systems. We are committed to investing in technology to improve our customers' experience, facilitating easier interactions, and offering a diverse range of tailored financial products and services. Our plans include launching upgraded versions of our mobile application and internet banking. To support these initiatives, we have invested ₹16.31 crore in technology in Fiscal 2023, ₹27.01crore in Fiscal 2024, ₹19.45 crore during the six-month period ended September 30, 2023, and ₹3.38 crore during the six-month period ended September 30, 2024. These investments are focused on enhancing customer satisfaction and driving business growth through technological advancements.

Advancements in technological infrastructure will enable us to cross-sell a broader range of products and services on our digital platform, fostering deeper relationships across various customer segments. We plan to leverage our CBS platform, internet, and mobile banking systems to increase our customer base and boost CASA deposits. Throughout the year, we have launched several technological initiatives, such as the new corporate internet banking with advanced features and enhanced security. We believe our focus on leveraging technology has improved our operations, increasing efficiency and customer satisfaction. Key highlights include the launch of electronic bank guarantee system in partnership with India's first and only information utility regulated under the IBC Code and integration with government payment platforms. Owing to our enhanced digital platforms, 72.79% and 78.68% of our total transactions were digital during Fiscal 2023 and Fiscal 2024, respectively, and 77.09% and 81.46% during the six-month periods ended September 30, 2023, and September 30, 2024, respectively. By adopting proactive measures using analytics, deploying dashboards, and automating workflows, we believe we have improved operational effectiveness. Our advancements have been recognized with multiple awards, highlighting our commitment to technological excellence.

We have implemented key initiatives to enhance customer experience and operational efficiency. These included activating credit cards via mobile and net banking, introducing credit card green PIN activation, and revamping corporate internet banking with enhanced security. We upgraded UPI infrastructure, integrated adaptive authentication, and partnered with fintechs for micro-lending. We joined the UDGAM portal launched by the RBI, which facilitates the registered users to search for unclaimed deposits/accounts under the depositor education and awareness fund of the RBI across multiple banks at one place in a centralised manner. Our Centralized Information Management Systems ("CIMS"), digidocs, and new Customer Care Management Software ("CCMS Plus") streamline operations and enable inputting, tracking and resolution of the customer requests and grievances by the branches and resolution teams. These advancements allow us to provide secure services to our customers. By prioritizing technological advancements, we aim to enhance customer satisfaction and stimulate business growth.

Strategic Geographical Expansion and Market Penetration in Tier 2 and 3 Cities in Southern India

We aim to strategically expand our presence in Tier 2 and 3 cities in southern India by optimizing the utilization of our existing branches and establishing additional locations to maximize reach. Our strategy includes enhancing accessibility through additional ATMs and business correspondents and cultivating strong relationships with local communities. This will be supported by targeted marketing campaigns, advanced digital banking services, and a focus on delivering personalized banking solutions tailored to the unique needs of these communities. Leveraging the fintech surge, technology and data analytics, we strive to enhance customer satisfaction, achieve significant market share, and foster sustainable growth for long-term success. We also plan to form alliances in the business correspondent model and co-lending space, targeting segments such as microcredit, SME, commercial vehicles, affordable housing, and gold loans.

Our strategy also focuses on maintaining the significant advantage we enjoy in southern Indian states by opening new branches in chosen geographies, increasing our digital reach, and enhancing the strength of employees recruited from the respective states. During Fiscal 2023 and Fiscal 2024, we expanded our branch network to 16 more locations and opened a regional office in Hyderabad to oversee the business growth of branches in Andhra Pradesh, Telangana, and Karnataka. We believe these efforts will enable us to tap into various retail channels, form tie-ups for allied products, expand our digital offerings, and create strategic partnerships and alliances to add more value to our various business segments.

Additionally, our strategy focuses on strengthening alternate delivery channels and encouraging a shift towards a cashless environment through robust internet and mobile banking platforms. By enhancing customer experience via digital interfaces, we aim to acquire new customers, improve loan approval processes, reduce turnaround times, and foster long-term relationships. Using a blend of physical and digital channels and strategic partnerships, we endeavor to meet the diverse financial needs of our customers, thereby deepening our market penetration and driving sustainable growth.

Strengthening risk management

We believe that effective risk management is essential for our growth, strategic planning, and long-term sustainable development. We plan to continuously focus on strengthening our risk management and internal control capabilities by improving our policies and procedures and introducing advanced risk management tools. We have an offsite surveillance team at the head office level that scans transactions on a real-time or near-real-time basis to monitor any unusual activity in the customers' account. Transgressions and breaches are analyzed and monitored. We also intend to reduce our NPAs by continuing to offer various schemes of settlement to address the issues specifically faced by small ticket borrowers. Further, we propose to boost NPA recovery through one-time settlements, and monitoring of small value NPA accounts. We will continue our focus on establishing and maintaining comprehensive strategies to achieve NPA targets by operating a dedicated credit recovery department and a region- wise cluster based oversight mechanism.

We aim to continue to enhance our credit risk management systems and processes in line with the growth of our business. We also intend to implement the latest technology/ analytical tools for effective implementation of operational and process controls and credit evaluation, thereby continuing to focus on containing of our NPA levels. We also intend to include more parameters for system-based auto-identification of early warning signals of stress across credit exposures in various industries and sectors.

Optimizing Branch Potential for Business Growth

We intend to focus on increasing the business of our existing branches by driving deposit and advance growth and fostering strong relationships with local communities. We plan to achieve this by optimizing branch operations and enhancing our digital channels to provide a seamless banking experience. We aim to participate in local events and financial literacy programs to build trust and loyalty within the community. We will prioritize enhancing the per capita performance of each branch while implementing targeted initiatives to support underperforming branches. By concentrating on the unique needs and opportunities of individual branches, we believe that this tailored approach will contribute to our overall business growth and success. This approach, combined with targeted product offerings and strategic alliances, will enable us to boost deposits, expand our loan portfolio, and drive sustainable growth.

Overview of Business Segments

We categorize our business primarily into four segments: (i) corporate/wholesale banking, (ii) retail banking, (iii) treasury and (iv) other banking segments:

The table below sets forth our Bank's revenue of each segment and the revenue by segment as a percentage of our Bank's total revenue for Fiscal 2023, Fiscal 2024 and six-month periods ended September 30, 2023 and September 30, 2024:

Revenue	As of March 31,				Six-month period ended			
	2023		2024		September 30, 2023		September 30, 2024	
	Amount (in ₹ crore)	Percentage of total (%)	Amount (in ₹ crore)	Percentage of total (%)	Amount (in ₹ crore)	Percentage of total (%)	Amount (in ₹ crore)	Percentage of total (%)
Corporate/ Wholesale Banking	369.03	32.21	373.22	27.45	206.37	30.86	177.79	24.74
Retail Banking	561.86	49.03	724.31	53.28	341.04	50.99	406.36	56.55
Treasury	197.95	17.28	248.24	18.26	117.18	17.52	129.28	17.99
Other Banking segments	16.91	1.48	13.78	1.01	4.24	0.63	5.15	0.72
Total	1145.75	100	1,359.55	100	668.83	100	718.58	100

1. ***Corporate/Wholesale Banking***

   Our corporate/wholesale banking segment includes our corporate banking, SME banking, and microfinance and agriculture banking.

   a. *Corporate banking*: Our corporate banking segment offers a range of loans and funded products to meet the financial needs of corporate customers. This includes industrial advances for business growth, trade advances for working capital, and import/export assistance to facilitate international trade.

   b. *SME banking*: Under our SME segment, we offer comprehensive loans and funded products to meet the financial needs of SME customers. This includes working capital facilities through cash credit, overdrafts, and bill/invoice discounting, capacity expansion loans for machinery and capital expenditures, and trade facilities such as export packing credit, post shipment credit, Letters of Credit, and Bank Guarantees. We also provide cash management and transactional banking services, including payment gateway support and inward/outward remittances to facilitate smooth business operations.

c. *Microfinance and agriculture banking*: Under our microfinance and agri segment, we offer a range of financial products aimed at supporting individuals and groups in rural, semi-urban, and urban areas. This includes loans to self-help groups and joint liability groups, providing financial assistance at lower rates to enhance income levels and living standards. We also offer livestock loans tailored to individual needs, as well as agri term and gold loans for agricultural purposes. Our kissan credit card provides comprehensive credit solutions to farmers, which we believe addresses short-term and contingent credit needs efficiently. These products are designed to enable underprivileged sections of society by improving their access to the formal credit system and facilitating income-generating activities.

2. *Retail Banking*

Our retail banking segment offers wide range of retail products including home loans with flexible repayment options, gold loans secured against gold coins and jewellery, vehicle loans for new and pre-owned cars, commercial vehicles, and two-wheelers, education loans covering all incidental expenses, loans against residential or commercial property, lease rental discounting based on rental income, and business loans catering to a variety of financial requirements. These products are designed to support our customers' diverse needs, from purchasing homes to expanding businesses. For further information on our Bank's retail banking segment, see "*Our Products and Services— Retail Banking*" on page 85.

3. Treasury Operations

Our treasury department efficiently manages our funding position and ensures compliance with regulatory reserve requirements. We invest in sovereign and corporate debt instruments, equities, commercial paper, mutual funds, and other money market instruments to manage short-term liquidity. Additionally, based on our Board approved treasury management policy, we adhere to intra-day, overnight, and monthly gap limits, and our exposures remain within these limits. We also engage in proprietary trading, liquidity management, and booking forex forward contracts for our customers. For further information on our Bank's treasury operations, see "*Our Products and Services—Treasury Operations*" on page 87.

4. Other banking operations

Under our other banking operations segment, we offer a variety of products and services. This includes platinum credit cards and international debit cards under VISA and RuPay. Our internet banking services cover account information, e-statements, deposits, loans, fund transfers, and more for both retail and corporate customers. Through mobile banking, customers can conduct secure financial transactions. We support transactions via UPI and provide depository services as an NSDL participant, along with three-in-one accounts. Our 'InstaPay' platform facilitates online bill payments for our retail customers. We offer safe deposit lockers, PoS services, fund transfer systems like RTGS and NEFT, and act as SEBI-licensed Bankers to the Issue. For further information on our Bank's other banking operations, see "*Our Products and Services*" on page 84.

Our Products and Services

The products and services that we offer to our individual, non-individual or corporate customers can be divided into six categories, primarily: (A) deposit products; (B) retail banking (C) corporate banking; (D) SME banking (E) microfinance and agricultural banking; (F) treasury operations (G) distribution of third-party products and (H) other products & services.

Please see below a summary of the products and services offered by us:

Deposit Products	Retail Banking	Corporate Banking	SME Banking	Microfinance and Agri Banking	Other products & Services
• Current Account • Savings Account • Term	• Home Loan • Gold Loans • Vehicle Loans • Education	• Industrial advances • Trade advances • Import and	• Working Capital Facilities Capacity Expansion	• Loans to Self Help Groups • Livestock Loans • Kisan Credit	• International Credit Card/Debit Card • Retail and Corporate Internet Banking • Mobile Banking

Deposit Products	Retail Banking	Corporate Banking	SME Banking	Microfinance and Agri Banking	Other products & Services
deposit • FCNR/ RFC	Loans • Loan Against Property • Lease Rental Discounting • Business Loans	export assistance • Agriculture assistance	Loans • Trade Facilities	Card • Agri Term and Gold Loans • Kissan credit card	• UPI • Distribution of third -party products • Depository services • Payment Gateway • Locker Services • POS • RTGS/NEFT/IMPS • Bankers to the Issue/ ASBA

A. *Deposit Products*

Our deposit products target different customer segments. We also accept term deposits from other banks. Our deposits are broadly classified into current (also known as demand) deposits, savings deposits and term (also known as time) deposits, the details of which are as follows:

- *Current account* -The amounts deposited in the current accounts are non-interest bearing. We typically offer a wide range of products under the current account facility, including the regular current account, power current account, super-power current account and premium current account.

- *Savings account* - The amounts deposited in savings accounts accrue interest at a rate determined by the Bank. We offer a wide range of products under the savings account facility, including the regular savings account, Dhanam Premium, Dhanam Preferred, Dhanam Yuvak, Dhanam Privilege, Dhanam Vanitha and Dhanam Genius, as well as the basic savings account, smart salary savings account, senior citizens savings account, saving account for trust associations.

- *Term Deposits* - Term deposits are deposits on which interest is paid, either on maturity or at stipulated intervals depending upon the deposit scheme under which the money is placed. Term deposits include:

  i. Term fixed deposits: A fixed rate of interest is paid at regular intervals (regular fixed deposits);
  ii. Cumulative deposit certificates**:** Re-investment deposits, under which the interest is compounded quarterly and paid on maturity, along with the principal amount of the deposit; and
  iii. Recurring deposits: A fixed amount is deposited at regular intervals for a fixed term and the repayment of principal and interest is made at the end of the term.

- *Foreign Currency Non-Resident Fixed Deposit account (FCNR)* - The FCNR deposits are accepted in four currencies, namely US dollars, Pounds, Euros and Singapore dollars. These accounts can be held in the form of term deposits with maturities ranging from one year to five years.

B. *Retail Banking*

We intend to significantly increase our retail loan and gold loan book, which was 49.99% of our total loan book as at March 31, 2024 and 53.60 % of our total loan book as at September 30, 2024. Our wide range of retail products include the following:

- *Home loans*: We provide financing options to our customers to enable them to purchase, construct, repair and renovate their homes and apartments. We provide flexible repayment options ranging from one year to 30 years.

- *Gold loans:* We provide loans/overdrafts to individuals against the security of gold coins issued by scheduled commercial banks, gold ornaments and jewelry owned by them.

- *Vehicle loans:* Our vehicle financing portfolio encompasses new car loans and pre-owned vehicle loans. Additionally, we offer commercial vehicle loans for the purchase of new commercial vehicles, covering goods, passenger, and captive segments. We also provide loans for purchasing new two-wheelers.

- *Education loans**:*** Our education loan products cover all expenses incidental to education, including fees, accommodation and travel expense, insurance premiums and computers.

- *Loan against property*: Loan against property includes loan against residential or commercial property for meeting working capital requirements, business expansion plans or personal usage like travel, education, marriage, medical reason, debt consolidation, asset accumulation, etc.

- *Lease rental discounting*: We provide lease rental discounting based on the rental income received by our customers from their commercial property. We offer flexible repayment options for a period up to 12 years.

- *Business loans:* Our business loans cater to a variety of financial requirements, such as initiating new business ventures or expanding existing operations. It provides the necessary financial support, covering profiles such as manufacturers, traders, wholesalers, retailers, contractors, and service providers.

C. Corporate Banking

We offer a range of loans and funded products to assist our corporate customers in meeting their financial needs.

- *Industrial advances:* We offer industrial advances designed to meet the growth and investment needs of businesses, including project finance for developmental initiatives, technology procurement, and talent acquisition. Our offerings cover project finance for acquiring land, building, plant and machinery, equipment, and more, working capital finance against accounts receivable/inventory, short-term finance for working capital requirements, and non-fund based limits.

- *Trade advances:* We offer trade advances for managing working capital requirements when receivables are delayed or when additional liquidity is needed. Our services include working capital finance through receivables, inventory, and rent receivables, short-term finance for working capital needs, and non-fund based limits.

- *Import and export assistance:* We offer import export assistance designed to support all currency, bill, document, and instrument needs of our customers. Our services include import/export finance, foreign currency loans, collection of export bills, collection of import documents, and collection of foreign currency notes/instruments. This comprehensive support ensures seamless international trade transactions, helping your business navigate the complexities of global commerce efficiently.

- *Agriculture assistance*: We provide agriculture assistance for farmers, covering investments in agricultural technology to enhance production efficiency. Our offerings include kissan credit cards and crop loans, plantation and horticulture financing, term loans for allied agricultural activities, financing for hi-tech agriculture and export-oriented production units, and loans for purchasing livestock and agricultural land.

D. SME Banking

We offer a range of loans and funded products to assist our SME customers in meeting their financial needs

- *Working capital facilities*: We offer working capital facilities to meet the full spectrum of business needs. Our services include cash credit, overdrafts, and working capital loans to support operational requirements. We provide bill/invoice discounting for pre/post shipment, supply chain finance, LC-backed bill discounting, and SBD/LBD. We also offer a bill discounting system (BDS) of the Government of Kerala, which includes discounting against promissory notes issued by the Government of Kerala for contractors. This scheme is applicable only in Kerala

- *Capacity expansion loans*: We provide business expansion loans designed to support the growth of your business by financing the purchase of machinery, fixed assets, and other capital expenditures. These loans enable businesses to enhance their operational capacity and scale up their activities effectively

- *Trade facilities*: We offer a range of Trade Facilities to support international and domestic trade activities. Our services include Export Packing Credit and Post Shipment Credit, available in both Indian and foreign currency, as well as Buyers/Suppliers Credit for trade financing. We extend both foreign and domestic Letters of Credit (LC) and provide various types of Bank Guarantees (BG), including Financial Bank Guarantees, Performance Bank Guarantees, and Standby Lines of Credit. Additionally, we facilitate payment processing through Payment Gateway Services and support inward/outward remittances to ease transactions for exporters and importers.

E. Microfinance and Agricultural Banking

- *Loans to self help groups*: These schemes provide financial assistance at lower rates to the individuals below the poverty line in rural, semi urban and urban areas for enabling them to raise their income levels and improve their living standards. We believe it enables the underprivileged sections of society by improving their access to formal credit system. Loans provided through these schemes can be used for consumption, production and/or to undertake any income-generating activities.

- *Livestock loans:* We provide livestock loans to facilitate purchase, rearing or feeding of cattle.

- *Agri term and gold loans:* We provide term loans and gold loans for the purposes of agriculture and allied purposes.

- *Kissan credit card:* We provide agriculture assistance to the farmers, which includes investments in agricultural technology, farm loans, warehouse receipt funding, and agriculture gold loans (loan against gold jewelry) and other related expenses. Kissan card directly addresses a farmer's short-term and contingent credit needs. It facilitates adequate and timely credit for a farmer's comprehensive credit requirements under a single window.

F. *Treasury Operations*

Our treasury department manages our funding position and maintains our regulatory reserve requirements. Our treasury department invests in sovereign and corporate debt instruments while complying with the cash reserve ratio ("**CRR**") and statutory liquidity ratio ("**SLR**") prescribed by RBI. Our treasury department also invests in equities, commercial paper, mutual funds, certificates of deposits and other money market instruments as part of its function to manage short-term liquidity. In addition, based on treasury management policy, we have put in place intra-day limits, overnight limits and monthly gap limits in each currency with stop loss along with the total exposure limits and our exposures are below the approved exposure limits. In addition to proprietary trading and liquidity management, our treasury department currently books forex forward contracts for a period of 12 months for our customers.

Under RBI's SLR requirement, as of September 30, 2024, we are required to maintain an amount equal to at least 18% of our demand and time liabilities in approved securities such as central and state government securities and other approved securities. As of September 30, 2024, SLR securities consisted of 21.19 % of our Bank's demand and time liabilities. Under the RBI's CRR requirements, as of September 30, 2024, our Bank is required to maintain a minimum of 4.50% of our Bank's eligible demand and time liabilities in a current account with RBI. As of September 30, 2024, 18% of the requirement of our Bank's net demand and time liabilities were maintained in current accounts with RBI. RBI pays no interest on these cash reserves.

The following table gives details of our Bank's domestic investment portfolio as of the dates indicated:

Particulars	As of March 31,	
	2023 (in crore)	2024 (in crore)
Held to Maturity	2,650.99	2,549.84
Available for sale	1,385.62	1,545.23
Held for Trading	0.00	0.00
Total	4,036.62	4,095.07

The following table gives details of our Bank's domestic investment portfolio as of the six-month periods ended September 30, 2023, and September 30, 2024:

(in ₹ crore)

Particulars	Six-month period ended September 30, 2023	Six-month period ended September 30, 2024
Held to Maturity	2,560.26	2,543.04
Available for sale	1,061.65	700.39
FVTPL Held for Trading	59.74	0.00
FVTPL Non Held for Trading	0.00	0.00
SAJV	0.00	0.00
Short Sale	0.00	0.00
Total	3,681.67	3,243.43

The following table sets forth the allocation of our Bank's net investment portfolio for the periods indicated therein:

Securities	As of March 31, 2023		As of March 31, 2024		As of six-month period ended September 30, 2024	
	Amount (₹ in crore)	%	Amount (₹ in crore)	%	Amount (₹ in crore)	%
SLR						
Government securities	3,339.12	82.72	3,455.67	84.38	2,778.29	85.65
Other approved Securities	0.00	0.00	0.00	0.00	0.00	0.00
Sub total	33,391.12	82.72	3,455.67	84.38	2,778.29	85.65
Non-SLR						
Subsidiaries and Joint Ventures	0.00	0.00	0.00	0.00	0.00	0.00
Debentures and Bonds	592.08	14.66	534.64	13.05	435.64	13.43
Special SDL Uday Bonds	10.60	0.26	10.60	0.26	10.20	0.32
Shares	37.10	0.92	36.44	0.89	19.30	0.60
Security Receipts	57.71	1.44	57.71	1.42	0.00	0.00
Sub total	697.49	17.28	639.40	15.62	465.14	14.35
Total	4,036.62	100	4,095.07	100	3,243.43	100

G. *Distribution Of Third-Party Products*

- *General and life insurance products:* We have entered into corporate agency agreements with two life insurance companies and two general insurance companies, wherein we distribute their life and general insurance products in our capacity as a corporate agent.

- *Mutual fund:* We distribute the mutual fund products of 30 mutual fund companies of India.

- *Sovereign Gold Bonds (SGBs):* We distribute the SGBs. SGBs are government securities denominated in grams of gold issued by Reserve Bank of India on behalf of Government of India. They are alternatives for holding physical gold.

H. *Other Products & Services*

- *International Credit Card/Debit Card:* We offer our customers platinum credit cards and international debit cards under the VISA and RuPay banner. The credit cards provide holders with up to a 49-day interest-free credit period. Other facilities include cash back on purchases, reward points, welcome gifts, and rewards on special occasion spending. The international debit cards offer holders easy access to their deposits 24/7, allowing them to shop, dine and travel conveniently. Additionally, the Bank has its own credit card product branded as 'Dhan Namaste' and is issuing globally valid Platinum VISA cards to its existing customers.

- *Retail and Corporate Internet Banking:* We offer the entire range of retail and corporate products and services to our customers via the internet. Our retail and corporate internet banking products include current and savings account information, e-statements, deposits, loans, fund transfer options such as IMPS, NEFT and RTGS, bill payments, recharge, managing cards, loan repayment, cheque book request and setting up standing instructions.

- *Mobile Banking:* With the mobile banking channel, customers can securely conduct financial and non-financial transactions, including making fund transfers through the interbank mobile payments service and/or checking account information. Customers can also view details of their loans and term deposits.

- *UPI:* Customers can use UPI framework to conduct transactions in their account with the Bank.

- *Depository Services:* As a depository participant of NSDL, we are licensed to provide all depository-related services, including converting physical shares into electronic form, creating physical share certificates from electronic holdings, market and off-market transfers, pledging shares against any loan, account management, and various corporate depository participant actions. Further, we offer three-in-one account for trading to customers, combining savings account, demat and trading account. Customers can avail trading facilities by opening a 3-in-1 account with the Bank for an efficient and paperless medium for transactions in securities.

- *Pay Smart:* The Bank has created a new concept of virtual accounts and developed a robust and scalable technology platform called 'Pay Smart', which can cater to the payment collection requirements of customers like educational institutions. Using this solution, institutions collect payments from their customers who do not hold an account with our Bank.

- *Payment Gateway:* Our customers can visit merchants' websites and pay their bills using our payment gateway option. Our Bank currently has tie-ups/integration with 10 payment gateway aggregators to facilitate online payments.

- *Locker Services:* Our safe deposit lockers provide protection for our customers' precious possessions. With convenient locker operation timings, customers can deposit and retrieve their valuables as per their requirement and convenience.

- *PoS:* The Bank has entered into several agreements to obtain PoS services and merchant management services in a referral model for our customers. The Bank has installed various PoS terminals across India.

- *Funds Transfer (Real-Time Gross Settlement (RTGS)/ National Electronics Funds Transfer (NEFT):* We have successfully implemented the RTGS and the NEFT payment and settlement system in accordance with the RBI directive to facilitate inter-bank and customer-based transactions.

- *Bankers to the Issue/ ASBA:* Our Bank is licensed by SEBI to act as banker to issue.

Distribution Network

In addition to our online banking channels, we have a distribution network comprising branches, ATMs, and business correspondents.

The composition as at September 30, 2024, is as set out in the table below:

Particulars	As at September 30, 2024
Branches	261
ATMs	282
Business Correspondents	17
Total Customer Outlets	**560**

Branches

As of September 30, 2024, our operations cover 14 states and 2 union territories across India with 261 branches. Out of 261 branches as on September 30, 2024, 58 of our branches are located in metropolitan cities, 71 in urban areas, 112 in semi-urban areas and 20 branches in rural areas.

ATMs

As at September 30, 2024, we had a total of 282 ATMs, which include 244 on-site (with 16 on-site cash deposit machines) and 38 off-site ATMs. Our ATMs are integrated with the VISA, NFS and Cashnet shared payment networks, which enable our debit cardholders (VISA and RuPay) to access numerous ATMs of other banks.

Business Correspondents

The bank has 16 individual business correspondents and 1 corporate business correspondent as on September 30, 2024. These business correspondents enable the delivery of banking services to a vast section of disadvantaged and low-income group. They are generating leads for loan products deposit products and fee income products.

Customer Service

We are focused on providing the highest quality service to our customers. Our customer service committee periodically monitors the implementation of customer service measures. Similar committees have been formed at the corporate, regional and branch levels to monitor service quality and bring about ongoing improvements in the customer service area. The implementation of these customer service measures at branch offices is reviewed each time an executive visits a branch office.

Customer care centre: We have entered into an agreement with a software company to provide customer care centre and other related services to our customers. Our bank's customer care center operates 24/7, with the primary unit located in Chennai. Customers can reach our customer care team for all their queries, requests, and complaints related to our bank's products and services. The center also facilitates the immediate processing of any fraudulent transactions. Basic services, such as account balance inquiry, account statements, and cheque book requests, are available through automated IVR services. This center acts as our customer facilitation centre and a distribution channel for our deposits and loans. We also intend to use it as a marketing channel to cross-sell our products and services.

Back Office Operations

A key component of our business model is the digitization and centralization of activities, which supports branches in focusing on customer acquisition, sales and customer service. We believe that result of these efforts is accelerated business growth and improved profitability. The Bank has made considerable progress in implementing this component, and has a full-fledged Central Processing Centre (CPC), one Trade Finance CPC (TFCPC) and five Regional Processing Centres (RPCs) and Customer Care Centre to support branch operations and customer service across the country. Activities centralized and brought under these processing centres include:

- ✓ opening of CASA and loan accounts
- ✓ processing of Re-KYC, service requests, internet banking operations (retail and corporate)
- ✓ issue of combi packs (cheque book and debit card)
- ✓ monitoring and processing of RTGS and NEFT transactions
- ✓ reconciliation of NEFT, RTGS and other electronic transactions
- ✓ centralized demat and trading operations
- ✓ corporate salary processing including bulk uploads
- ✓ CTS clearing functions
- ✓ SWIFT operations
- ✓ Processing of non-fund based facilities, such as letter of credit, standby letter of credit, guarantees etc.

In order to ensure better efficiencies, control and integrity of data, the Bank set up an Operations Department at its Corporate Office for the above functions (CPC, RPC, TFCPC). In addition, cash management services, currency chests, and branch banking operations were brought under the department.

The Bank has started revamping the customer on-boarding module, to re-align the process of customer on-boarding, account opening, processing of periodic update of KYC records (Re-KYC) and processing of service requests with the least possible turn-around time and in line with up-to-date business and compliance requirements. With the software upgradation, apart from gaining technical capabilities for better operational efficiency and control, the Bank aims to centralize RPC activities at one location with the support of a BCP location.

Priority Sector Lending and Export Credit

The RBI requires all Indian banks to allocate a minimum of 40% of their ANBC as at March 31 of the applicable prior year to the "priority sector", which includes the agricultural sector, economically weaker sections of the community and micro enterprises. The RBI also specifies sub-allocation requirements, including a minimum of 18% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, to the agricultural sector, 12% of ANBC to economically weaker sections of the community, and 7.5% to micro enterprises.

If our lending falls below the RBI's directed lending requirements, we are required to fulfil our obligations to the RBI by investing in securities specified by the RBI and/or in deposits under RBI-specified deposit schemes of the NABARD, SIDBI, MUDRA and the NHB. These deposits have a maturity ranging up to seven years and carry interest rates lower than market rates.

Priority sector advances as at March 31, 2024 and September 30, 2024 were ₹6,586.01 crore, and ₹5,148.52 crore, respectively, compared to ₹ 5,282.39 crore and ₹ 5,456.46 crore at March 31, 2023 and September 30, 2023, respectively. During Fiscal 2024, priority sector advances were 48.74% of the ANBC against the RBI's mandated benchmark of 40%.

The RBI also requires all banks to lend to exporters at concessional rates of interest to enable them to have access to an internationally competitive financing option.

Financial Inclusion

As of September 30, 2024, the bank has opened 1,49,691 'no-frill' savings bank accounts as part of our financial inclusion efforts. The balance under this head as at September 30, 2024 was ₹65.32 crore i.e., an average of ₹ 4,364 per account.

Set out below are details of our financial inclusion targets

Parameter	**National Goals (based on Priority Sector Circular)**	**Achieved**	**Outstanding Balance as of September 30, 2024 (in ₹ crore)**
Priority Sector			
Priority Sector (% of ANBC)	40%	48.74%	5,148.52
Total agriculture advances (% of ANBC)	18%	24.22%	2,558.41
Small and marginal farmers (% of ANBC)	10%	10.84%	1,145.23
Other national goals			
Micro enterprises accounts (year on year growth) (%)	NA	NA	NA
Credit to micro enterprises (% of ANBC)	7.50%	4.73%	500.08

Credit Policy and Process

Credit Policy: To manage the credit risk, a comprehensive credit policy has been put in place. The main objectives of our credit policy as approved by the Board of Directors are as follows:

- Onboard and maintain quality loan assets of acceptable risk profile
- Secure adequate return on the assets
- Achieve proper sectoral/geographical distribution of assets
- Comply with regulatory norms in respect of exposure caps, IRAC guidelines, targeted credit etc
- Ensure transparency in the process of sanctions

Credit Process: Our credit process primarily includes the following stages: credit sourcing, credit appraisal and assessment, credit sanction, credit monitoring and administration, and credit recovery. Considering the need to improve credit quality, reduce the turnaround time and follow industry best practices, branches and other credit committees provided with sanctioning power to deliver the process in a timely and structured manner. The branch managers/branch operation managers typically initiate credit sourcing under the select segments while the credit officers under the credit sanction group are responsible for the credit appraisal. Specific authorities at the branch, regional and corporate levels are responsible for sanctioning the credit proposals. The post-sanction process is under the purview of the credit officer/branch operation manager located at the branch who would also be responsible for security creation and asset management.

- *Credit Sourcing*. We ensure that our credit growth is aligned with specific sectors and products while maintaining a balanced sectoral and geographic distribution of assets. In line with our corporate policy, we target clients in the following segments: (i) corporates, (ii) small and medium enterprises, (iii) agriculture and micro credit, (iv) retail assets, and (v) mid-corporate.

- *Credit Appraisal and Assessment*: The credit appraisal process involves the following stages: (i) collection of detailed data; (ii) assessment of the requirements; (iii) financial analysis; (iv) verification of credentials; (v) security; (vi) rating of the applicant and the proposal; (vii) risk analysis and mitigation; (viii) compliance with the exposure norms, know-your-customer and anti- money laundering guidelines and other regulatory requirements. To expedite the appraisal and sanctioning stages, we have implemented software solutions that are also utilized in credit monitoring once loans are sanctioned to borrowers.

- *Credit Rating*: We have adopted a system of rating individual assets taking into consideration financial, managerial and industrial factors. The rating exercise is carried out based on the audited financials of the previous years. In case of new business activities and greenfield ventures, rating is based on the projected numbers. We typically take exposure only on assets that have an acceptable rating. The ratings are reviewed yearly based on the audited financials by the Integrated Risk Management Group.

- *Credit Sanction*: Post the appraisal process, every credit proposal is submitted to the appropriate internal authorities for sanction. The credit sanctioning process involves evaluating the financial analysis, credit rating of the applicant and the proposal, risk assessment and mitigation, compliance status, exposure norms, industry prospectus, overall relationship value, security, pricing and covenants proposed in the financing/loan agreements. In line with market standards and to ensure that the credit approval and decision-making process is speedy, credit sanction powers have been delegated to certain authorities at the bank subject to periodical revisions. While individual approval powers have been delegated to the branch head (jointly with the branch operations manager), Regional Credit Committee and Corporate Credit Committee have been constituted at the regional and corporate office levels to consider credit proposals. Further, we have also adopted a separate Board-approved scheme of delegated powers for the credit approval of retail asset products and micro-credit.

- *Credit Supervision, Monitoring and Administration:* The credit officers/branch operations manager at the commercial branch take care of the post-sanction credit process relating to complete and accurate documentation, security creation, account management, monitoring of the assets, quality of the asset portfolio, reporting of irregularities, compliance with policy prescriptions, redressal of customer grievances and ensuring adherence to terms of sanction. This process enables us to closely monitor the performance of the accounts and take remedial action in time if required.

- *Credit Recovery:* The recovery department at Corporate Office supports the regional offices and branches to initiate all recovery actions against bad accounts by strictly following the recovery policy of the Bank and completing the process in time as stipulated in the policy. High-value NPA accounts where the principal balance is above ₹ 1 crore are directly monitored at Corporate Office, and the directions are given to the concerned ROs/branches to initiate appropriate actions in time. The concerned officer of the respective regions also visits the borrowers in high-value NPA accounts along with the RO recovery team to speed up the recovery proceedings and for an early settlement of the account/s. The Bank also instructs the regions to take up recovery measures before the documents get time-barred by limitation.

Anti-Money Laundering

We monitor all the transactions as per the standard guidelines prescribed for the banking industry by Financial Intelligence Unit - IND.

Risk Management Framework

As a financial intermediary, we are exposed to risks that are peculiar to our lending, investment and trading activities and the environment within which we operate. The goal of our risk management is to ensure that we identify, assess, measure, manage, control and report credit, market and operational risks and that we adhere strictly to the policies and procedures that have been established to address those risks.

We have adopted an integrated approach for the management of risks. The risk management policies – asset liability policy, credit risk management policy, internal capital adequacy assessment process (“ICAAP”), market risk management policy, operational risk management policy, credit pricing policy and integrated risk management policy have been evolved in tune with our business requirements and best practices and address requirements relating to credit, market and operational risks.

Our Board of Directors holds overall responsibility for overseeing the risk management activities of the Bank. The Board of Directors has delegated its functions and responsibilities relating to risk management policy, direction and supervision thereof to our risk management committee, an independent sub-committee of the Board. The risk management committee, inter alia, monitors our overall risk profile, reviews our risk models, approves risk management framework and policies, oversees the credit approval process and periodically reviews investment and credit portfolios. Our risk-management committee of executives deals with issues relating to the integration and aggregation of risks and provides a consistent framework and understanding at the implementation level for all our business units and functions.

Our asset liability management functions are governed and reviewed by the asset liability management committee (ALCO), which is responsible for managing liquidity, interest rate and earnings risks. We are Basel III compliant and assess our capital adequacy as per the RBI’s guidelines. We have put in place an internal capital adequacy assessment process (ICAAP) policy to integrate capital planning with budgetary planning.

Our credit risk management committee ("**CRMC**") is responsible for monitoring our adherence to prudential limits, recommending to the Board of Directors policies on rating standards and benchmarks, and monitoring our credit risk.

Our operational risk management committee ("**ORMC**") oversees the implementation of the operational risk management policy, which is designed to ensure that all our operational risks are identified and monitored in a structured manner. To mitigate operational risks, we have put in place a key risk indicator framework that lays down the steps to be adopted and continuous evaluation to be carried out for ensuring preventive vigilance.

Our Market Risk Management Committee ("**MRMC**"), comprising the Bank's senior management, including the MD & Chief Executive Officer, is tasked with ensuring adherence to the limits set by the Board. The MRMC plays a crucial role in formulating the Bank's market risk strategy, clearly articulating acceptable levels of exposure to specific risk types, counterparties, and business activities that impact the Bank's market risk profile. Acting as the apex operational committee for market risk management functions, the MRMC ensures that market risk is effectively managed within the prescribed parameters.

Our integrated risk management group handles daily risk management including risk assessment, measurement, control and reporting.

In addition, our audit committee, a sub-committee of the Board, provides direction to, and monitors the quality of, the internal audit function and also evaluates risk management systems and internal financial controls.

Internal Audit

Our internal audit function is independent, and reports directly to the Managing Director and Chief Executive Officer. It conducts an internal audit of all our branches at a frequency determined by the risk rating assigned to each branch. Each branch receives a rating based on the audit findings. Our internal audit department, complies with the RBI requirements on risk-based supervision and also conducts audits of various functions within the corporate office.

The department also controls and reviews concurrent audit of branches undertaken by internal and/or external auditors.

Vigilance

Our internal vigilance division is an independent division of the Bank, led by the chief vigilance officer, reporting directly to the Managing Director and Chief Executive Officer. The functions of the vigilance division are guided by a well-defined and Board approved Vigilance Policy and can be broadly divided into (i) preventive vigilance, (ii) punitive vigilance, and (iii) surveillance and detection. Our vigilance team is responsible for investigations relating to frauds, handling whistle blower information, assessing staff accountability and addressing other serious irregularities and ensures the timely submission of various returns/reports to the RBI and to the audit committee of the Board/Special Committee on Large Value Fraud. Regular trainings are conducted on preventive vigilance measures to equip the employees to prevent any untoward incidents, that could harm the reputation of the Bank.

Compliance

Our compliance department is independent and centrally controlled. It is led by our chief compliance officer who reports directly to the CEO and has the authority to report serious compliance matters directly to the Board of Directors. The department monitors compliance of various laws, regulations and guidelines, rules of self-regulatory bodies and industry associations and our internal policies. We aim to embrace the best practices and follow a higher standard of compliance than what is required by law.

Insurance

Our standard insurance policies provide coverage for losses or damage to property including premises, furniture, fixtures, computer hardware and lockers. They also protect against theft, forgery, cash and securities. We also have a directors' and officers' liability insurance policy, a standard fire and damage policy, and an all-risk policy and several vehicle policies. Our insurance policies include a banker's indemnity insurance policy, which is a comprehensive insurance policy that offers coverage for various risks including cash and valuables, money in transit, forgery and alteration, dishonesty of staff, hypothecated goods, registered post parcel and appraisers. We believe our insurance coverage is appropriate for our level of operations and risk exposure, including protection against business interruption.

Awards and recognition

We have received a number of industry awards. Listed below are some of the key awards received in the last few years:

Calendar Year	Award / Recognition
2024	Our Bank received award for best performance on Risk Management and Asset Quality (Indian Private Sector Bank) from the Indian Chamber of Commerce.
2023	Our Bank received an award of excellence in "APY Annual Award" from the Pension Fund Regulatory and Development Authority.
2022	Our Bank was awarded the "Best Technology Bank of the Year" in the BFSI Leadership Awards 2022.
2022	Our Bank won "IT project team of the year - Bank" in the Technology Excellence Awards organized by Quantic India.

Human Resources

As of September 30, 2024, our total employee strength was 1,724, comprising 1,719 regular employees and 5 contractual employees, out of which 1,051 were trained through 109 programmes.

The Bank has a comprehensive performance management system that evaluates the individual performance levels of our employees. Further, we also offer concessional loans to our employees subject to certain limits.

Competition

Our Bank faces strong competition across all principal lines of business. Our Bank's primary competitors are public sector banks, other private sector banks, co-operative banks, foreign banks, funds transfer agencies and in some product areas, non-banking financial companies, small finance banks, regional rural banks and payment banks

Intellectual Property Rights

Our Bank has registered our logo "" under the Trade Marks Act, 1999.

Properties

We own our Registered Office and Corporate Office premises at Thrissur, Kerala. As of September 30, 2024, majority of our branches, totaling 254, are located on leased premises. Additionally, we have 2 regional offices and 6 guest houses on leased properties. We also own 11 other properties.

OUR MANAGEMENT

Board of Directors

The composition of the Board is governed by the provisions of the Companies Act, 2013, the SEBI Listing Regulations and the Articles of Association. The Articles of Association provides that the minimum number of Directors shall be 3 (three) and the maximum number of Directors shall be 11 (eleven). As at the date of this Letter of Offer, our Board comprises of 9 (nine) Directors, of whom 1 (one) is Managing Director, 5 (five) are Non-Executive Independent Directors, 1 (one) is Non-Executive Non-Independent Director and 2 (two) are RBI Additional Directors.

Pursuant to the provisions of the Companies Act, 2013, at least two-thirds of the total number of Directors, excluding the Independent Directors, are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring Director is eligible for re-election. Further, pursuant to the Companies Act, 2013, the Independent Directors may be appointed for a maximum of two consecutive terms of up to five consecutive years each and thereafter have a cooling off period of three years prior to being eligible for re-appointment. Any reappointment of Independent Directors shall be on the basis of, *inter alia*, the performance evaluation report and approval by the shareholders of our Bank, by way of a special resolution.

The following table provides details regarding the Board of Directors of our Bank as at the date of filing this Letter of Offer:

Name, address, designation, occupation, term, period of directorship, DIN and date of birth	Age (in years)	Other directorships
K.N Madhusoodanan ***Designation***: Chairman and Non-Executive Independent Director ***Occupation***: Business ***Address:*** Sreenikethan, Kalanjoor P.O Pathanamthitta, 689 674 Kerala ***Term***: 5 years ***Period of Directorship:*** Director since December 30, 2022 ***DIN***: 00396796 ***Date of Birth:*** June 1, 1958	66	***Indian Companies:*** • Mavanal Granites Private Limited • Vajra Sand and Granite Mining Industries Private Limited • Mavanal Builders Private Limited • KN Madhusoodanan Contractors Private Limited ***Foreign Companies:*** NIL
Ajith Kumar K.K ***Designation***: Managing Director and Chief Executive Officer ***Occupation***: Banker ***Address***: W-122, Federal Park Vennala, Ernakulam 682 028, Kerala ***Term***: 3 years ***Period of Directorship:*** Director since June 20, 2024 ***DIN***: 08504660 ***Date of Birth:*** June 16, 1963	61	***Indian Companies:*** NIL ***Foreign Companies:*** NIL
G. Rajagopalan Nair ***Designation***: Non-Executive Independent Director	72	***Indian Companies:*** NIL

Name, address, designation, occupation, term, period of directorship, DIN and date of birth	Age (in years)	Other directorships
Occupation: Self-employed consultant ***Address***: 17A, Saisree Lane 1, Krishna Nagar, Peroorkada, P.O, Thiruvananthapuram 695 005, Kerala ***Term***: 5 years ***Period of Directorship:*** Director since September 30, 2020 ***DIN***: 08845540 ***Date of Birth:*** January 17, 1952		***Foreign Companies:*** NIL
D.K. Kashyap ***Designation***: RBI Additional Director ***Occupation***: Service ***Address***: 209, Kapila Tower, National Games Housing Complex, KHB Games Village, Kormangala, Bangalore South, Viveknagar, Bengaluru 560 047 Karnataka ***Term***: 2 years ***Period of Directorship:*** Director since September 28, 2024 ***DIN***: 08911524 ***Date of Birth:*** November 20, 1968	56	***Indian Companies:*** NIL ***Foreign Companies:*** NIL
Sreesankar Radhakrishnan ***Designation***: Non-Executive Independent Director ***Occupation***: Professional ***Address***: A-602, Imperial Heights, Off Link Road, BEST Nagar, Opp. Fire Brigade, Goregaon West, Mumbai 400 104, Maharashtra ***Term***: 5 years ***Period of Directorship:*** Director since December 30, 2022 ***DIN***: 02128417 ***Date of Birth:*** February 22, 1963	61	***Indian Companies:*** NIL ***Foreign Companies:*** NIL
Nirmala Padmanabhan ***Designation***: Non-Executive Independent Director ***Occupation***: Service	59	***Indian Companies:*** • Bhume Women's Collective Private Limited • Teresian Innovation and Business Incubation Council ***Foreign Companies:*** NIL

Name, address, designation, occupation, term, period of directorship, DIN and date of birth	Age (in years)	Other directorships
Address: 28, Nirmalyam Jawahar Nagar, S.O., Kadavanthara, Ernakulam 682 020, Kerala ***Term***: 5 years ***Period of Directorship:*** Director since December 30, 2022 ***DIN***: 09455116 ***Date of Birth:*** May 31, 1965		
Vardhini Kalyanaraman ***Designation***: Non-Executive Independent Director ***Occupation***: Practicing Chartered Accountant ***Address***: 2, Dr. Radhakrishnan Salai, 2nd Street, Mylapore, Chennai – 600 004, Tamil Nadu, India ***Term***: 5 years ***Period of Directorship:*** Director since May 19, 2023 ***DIN***: 09730053 ***Date of Birth:*** June 17, 1984	40	***Indian Companies:*** NIL ***Foreign Companies:*** NIL
Nageswara Rao Chatradi ***Designation***: RBI Additional Director ***Occupation***: Service ***Address***: Flat No. B27, Reserve Bank Officer Q Pasumai No, 1 Ranganathangarden, 15th Mainroad, Annanagar West, Chennai 600 040 Tamil Nadu ***Term***: 2 years ***Period of Directorship:*** Director since November 18, 2023 ***DIN***: 10398566 ***Date of Birth:*** April 4, 1970	54	***Indian Companies:*** NIL ***Foreign Companies:*** NIL
Jineesh Nath C.K ***Designation***: Non-Executive Non-Independent Director ***Occupation***: Doctor ***Address***: Chittilangatt Kalam, Guruvayoor Road, New Bazaar, Kootanad, Nagalassery, Palakkad 679 538, Kerala ***Term***: Liable to retire by rotation	38	***Indian Companies:*** NIL ***Foreign Companies:*** NIL

Name, address, designation, occupation, term, period of directorship, DIN and date of birth	Age (in years)	Other directorships
Period of Directorship: Director since September 30, 2024 ***DIN***: 01476775 ***Date of Birth:*** December 19, 1985		

Confirmations

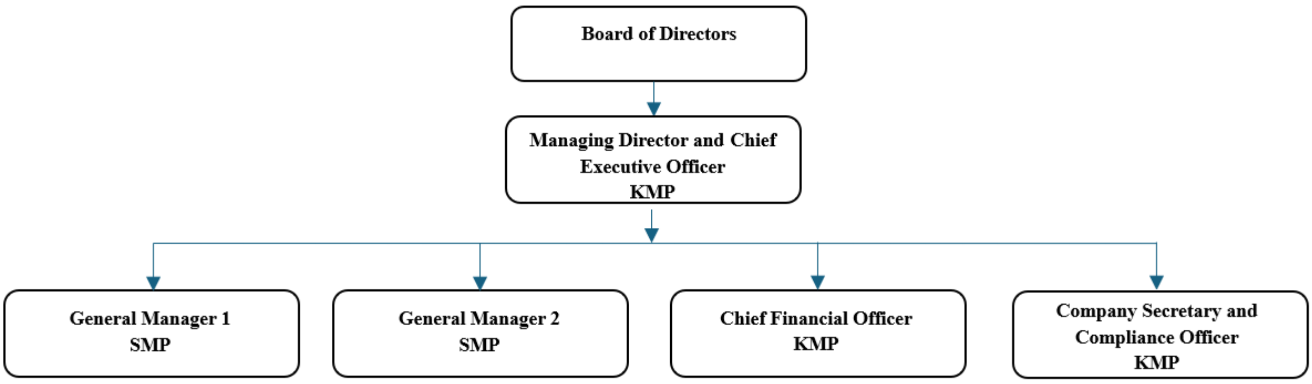
None of our Directors is or was a director of any listed company during the five years preceding the date of filing of this Letter of Offer, whose equity shares have been or were suspended from being traded on any stock exchange, during the term of their directorship in such company.

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, in the last ten years immediately preceding the date of filing of this Letter of Offer.

Details of Key Managerial Personnel and Senior Management Personnel

S. No.	Name of Key Managerial Personnel / Senior Management Personnel	Designation
Key Managerial Personnel		
1.	Ajith Kumar K.K	Managing Director and Chief Executive Officer
2.	Kavitha T.A.	Chief Financial Officer
3.	Venkatesh. H	Company Secretary and the Compliance Officer
Senior Management Personnel		
1.	John Varughese	General Manager
2.	Santoy John	General Manager

ORGANISATIONAL STRUCTURE



SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

M/s Sagar & Associates
Chartered Accountants
H NO 6-3244/5, Sarada Devi Street,
Prem Nagar, Hyderabad – 500 004

M/s Abraham & Jose,
Chartered Accountants,
Mission Quarters Road,
Thrissur – 680001

INDEPENDENT AUDITORS' REPORT

To

The Board of Directors of Dhanlaxmi Bank Limited

Report on the Unaudited Interim Condensed Standalone Reformatted Financial Statements as of and for the half year ended September 30, 2024 and Audited Standalone Reformatted financial statements as of and for the financial year ended March 31, 2024

The standalone financial statements of Dhanlaxmi Bank Limited (the "Bank") for the half year ended September 30, 2024 has been reviewed by M/s Sagar & Associates, Chartered Accountants and M/s Abraham & Jose, Chartered Accountants (Present Joint Statutory Auditors) in accordance with the Standard on Review Engagement (SRE) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" and the standalone financial statements of the Bank for the financial year ended March 31, 2024 has been audited by M/s Krishnamoorthy & Krishnamoorthy, Chartered Accountants and M/s Sagar & Associates, Chartered Accountants ("Previous Joint Statutory Auditors") pursuant to the requirements of Regulation 33 and 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") except for the disclosures relating to Pillar 3 disclosure as at March 31, 2024 including leverage ratio, liquidity coverage ratio and net stable funding ratio under Basel III Capital Regulations (which have not been audited by the Previous Joint Statutory Auditors).

a) The accompanying reformatted unaudited interim condensed standalone financial statements of the Bank, comprising the reformatted unaudited interim condensed standalone balance sheet as at September 30, 2024, the reformatted unaudited interim condensed standalone profit and loss account (including certain schedules attached to the balance sheet and profit and loss account) and reformatted standalone unaudited interim condensed cash flow statement for the half year ended September 30, 2024 (the "Unaudited Interim Condensed Reformatted Financial Statements") are derived from the unaudited interim standalone financial statements as at and for the half year ended September 30, 2024 (the Unaudited Interim Financial Statements") of the Bank reviewed by us and

b)The accompanying reformatted audited standalone financial statements of the Bank, comprising the reformatted audited standalone balance sheet as at March 31, 2024, the reformatted audited standalone profit and loss account and also the reformatted audited standalone cash flow statement for the year then ended, and reformatted notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information (together comprising the "Reformatted Audited Standalone Financial Statements") are derived from the audited standalone financial statements as at and for the year ended March 31, 2024 (the "Audited Standalone Financial Statements") of the Bank audited

Sagar Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

by previous Joint Statutory Auditors as detailed in paragraph below. The Audited Standalone Financial Statements, and the Reformatted Audited Standalone Financial Statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Standalone Financial Statements except for the matters as mentioned under section "Basis of preparation" in Schedule 17 to the Reformatted Audited Standalone Financial Statements.

We expressed an unmodified audit opinion on the Audited Standalone Financial Statements, vide our report dated 22 May, 2024.

Since the financials which were earlier published were in different denominations of thousands and lakhs and for ensuring consistency, all financials are converted into crores to ensure uniformity. The aforesaid reformatting of financial statements is done as part of Rights Issue requirements.

Standalone Audited Reformatted Financial Statements and Standalone Unaudited Interim Condensed Reformatted Financial Statements are collectively referred to as “Standalone Reformatted Financial Statements”.

Management's Responsibility for the Reformatted Standalone Financial Statements

The Management is responsible for the preparation of the Reformatted Standalone Financial Statements from the Audited Standalone Financial Statements and Unaudited Interim Condensed Reformatted Standalone Financial Statements from the Unaudited Interim Standalone Financial Statements, as described under section "Basis of preparation" in Schedule 17 to the Reformatted Audited Standalone Financial Statements. However, with respect to the Unaudited Interim Condensed Reformatted Standalone Financial Statements, Bank has to follow the classification and valuation of investments as per the RBI Master Direction No. RBI/DOR/2023-24/104 DOR.MRG.36/ 21.04.141/2023-24 dated September 12, 2023, on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, applicable from April 1, 2024.

Auditor's Responsibility

1. Our responsibility with respect to the Unaudited Interim Condensed Reformatted Standalone Financial Statements is to review them in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statements is free of material misstatement. A review is limited primarily to inquiries of the bank’s personnel and analytical and other review procedures applied to financial data and thus provides less assurance than an audit.

2. Our responsibility is to express an opinion on the Reformatted Audited Standalone Financial Statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810, "Engagements to Report on Summary Financial Statements" issued by the Institute of Chartered Accountants of India.

Sagar & Associates Chartered Accountants Hyderabad

Abraham & Jose Chartered Accountants Thrissur

Opinion

In our opinion, the Reformatted Standalone Financial Statements are derived from the Audited Standalone Financial Statements and Unaudited Interim Standalone Financial Statements, respectively, of the Bank as described under section "Basis of preparation" in Schedule 17 to the Reformatted Audited Standalone Financial Statements. However, with respect to the Unaudited Interim Condensed Reformatted Standalone Financial Statements, Bank has done the classification and valuation of investments as per the RBI Master Direction No. RBI/DOR/2023-24/104 DOR.MRG.36/ 21.04.141/2023-24 dated September 12, 2023 on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023, applicable from April 1, 2024.

Restrictions on Use

This report is addressed to and is provided to enable the Bank to include this report in the Letter of Offer in connection with the proposed rights issue, to be filed by the Bank with Securities and Exchange Board of India, the stock exchanges where the equity shares of the Bank are listed, and any other regulatory or statutory authority and that these Reformatted Standalone Financial Statements may not be meaningful for any other purpose.

For Sagar and Associates
Chartered Accountants
FRN: 003510S

CA Manohar D
(Partner)
(Mem. No.: 029644)

UDIN: **24029644BKDHKC8011**
Place: Thrissur
Date: 19.12.2024

For Abraham & Jose
Chartered Accountants
FRN: 000010S

CA Mukesh K.P.
(Partner)
(Mem. No.: 214773)

UDIN: **24214773BKBEJB5178**
Place: Thrissur
Date:19.12.2024

Sagar & Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

Dhanlaxmi Bank Limited

Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in 'Crore)

	Schedule No	As at September 30, 2024	As at September 30, 2023
CAPITAL AND LIABILITIES			
Capital	1	253.01	253.01
Reserves and Surplus	2	802.66	770.38
Deposits	3	14631.47	13817.22
Borrowings	4	150.00	164.99
Other Liabilities and Provisions	5	312.32	287.69
TOTAL		**16149.46**	**15293.29**
ASSETS			
Cash and Balances with Reserve Bank of India	6	890.31	857.62
Balances with Banks and Money at call and short notice	7	351.36	56.07
Investments	8	3243.43	3544.41
Advances	9	10717.42	9885.30
Fixed Assets	10	273.64	271.03
Other Assets	11	673.30	678.86
TOTAL		**16149.46**	**15293.29**
Contingent Liabilities	12	735.50	681.07
Bills for collection		305.55	304.11

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

Place: Thrissur.
Date: December 19, 2024

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Sagar & Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Dhanlaxmi Bank Limited

Unaudited Interim Condensed Reformatted Profit & Loss Account for the half year ended September 30, 2024

(Rs. in crore)

	Schedule No	Half Year ended September 30, 2024	Half Year ended September 30, 2023
INCOME			
Interest Earned	13	634.67	593.04
Other Income	14	83.91	75.79
Total		**718.58**	**668.83**
EXPENDITURE			
Interest expended	15	413.95	353.45
Operating Expenses	16	274.79	239.84
Provisions and Contingencies		12.03	24.08
Total		**700.77**	**617.37**
Profit/Loss			
Net Profit/(Loss) for the year		17.81	51.46
Profit /(Loss)brought forward		(761.23)	(788.80)
Total		**(743.42)**	**(737.34)**
Appropriations			
Transfer to Statutory Reserve		-	-
Transfer to Capital Reserve		-	-
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act		-	-
Transfer to Investment Reserve Account		-	-
Transfer to Investment Fluctuation Reserve Account		-	-
Balance carried over to Balance Sheet		(743.42)	(737.34)
Total		**(743.42)**	(737.34)
Earnings Per Share (in Rupees)			
Basic EPS		**0.70**	**2.03**
Diluted EPS		**0.70**	**2.03**
Face value per Share		**10.00**	**10.00**

Selected explanatory notes (provided below)

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached
For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

Place: Thrissur.
Date: December 19, 2024

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Sagar & Associates Chartered Accountants Hyderabad

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Dhanlaxmi Bank Limited

Unaudited Interim Condensed Reformatted Cash Flow Statement for the half year ended September 30, 2024

(Rs. in crs)

Particulars	Half Year ended	
	30.09.24	30.09.23
Cash flow from operating activities		
Net profit before income tax	24.56	56.71
Adjustments for :		
Depreciation on fixed assets net of reversal of revaluation reserve	12.50	11.72
Depreciation on Investments	-	(10.71)
Amortization of premia on investments	1.52	10.31
Amortization of Deferred Employee Benefits	-	7.15
Loan Loss provisions including write off	6.13	27.79
Provision against standard assets	2.50	2.47
Provision for NPA (Investments)	1.33	-
Provision for restructured assets	(3.61)	(11.54)
Provision for fraud	0.05	-
(Profit)/ Loss on sale of fixed assets	(0.18)	(0.13)
Provision for unhedged Forex Exposure	(0.11)	0.11
Adjustments for :		
(Increase)/ Decrease in Investments	704.22	192.35
(Increase)/ Decrease in Advances	(617.78)	(439.24)
Increase / (Decrease) in Borrowings	(149.04)	(327.39)
Increase/ (Decrease) in Deposits	341.17	465.57
(Increase) / Decrease in Other assets	(16.11)	1.56
Increase/ (Decrease) in Other liabilities and provisions	(32.90)	(41.84)
Direct taxes paid (net of refunds)	4.44	(5.06)
Net cash flow from/ (used in) operating activities	278.67	(60.18)
Cash flows from investing activities		
Purchase of fixed assets	(11.85)	(25.19)
Proceeds from sale of fixed assets	0.22	0.14
(Increase)/ Decrease in Held to Maturity Investments	-	152.29
Net cash flow from/ (used in) investing activities	(11.63)	127.24
Cash flows from financing activities		
Net cash generated from/ (used in) financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	267.04	67.06
Cash and cash equivalents at the beginning of the period	974.62	846.63
Cash and cash equivalents as at the end of the period	1,241.67	913.69
	-	-

Note:

Components of Cash and Cash Equivalents as at:	**30.09.24**	**30.09.23**
Cash and Balance with Reserve Bank of India (RBI)	890.31	857.62
Balances with Banks and Money at Call and Short Notice	351.36	56.07
Total	1241.67	913.69

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached
For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

Place: Thrissur.
Date: December 19, 2024

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Sagar & Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LTD.

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

		(Rs. in crore)
	As at September 30, 2024	**As at September 30, 2023**
SCHEDULE 1 - CAPITAL		
Authorised Capital		
50,00,00,000 Equity Shares of Rs.10 each (Previous Year 40,00,00,000 Equity Shares of Rs.10 each)	500.00	400.00
Issued,Subscribed and Paid up Capital		
253012084 Equity Shares of Rs.10 each (Previous Year 253012084 Equity Shares of Rs.10 each)	253.01	253.01
	-	0.00
Total	**253.01**	**253.01**

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Hyderabad

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**STATUTORY RESERVES**		
	Opening Balance	144.84	130.38
	Additions during the year	-	0.00
	Total	**144.84**	**130.38**
II.	**CAPITAL RESERVES**		
	a) Revaluation Reserve		
	Opening Balance	159.37	160.10
	Deductions during the year	(0.37)	(0.37)
	Sub total	**159.00**	**159.73**
	b) Capital Reserve		
	Opening Balance	73.48	73.27
	Additions during the year	(0.64)	0.00
	Sub total	**72.84**	**73.27**
	Total (a+b)	**231.84**	**233.00**
III	**SHARE PREMIUM ACCOUNT**		
	Opening Balance	1,005.45	1005.45
	Additions during the year	-	0.00
	Total	**1,005.45**	**1005.45**
IV	**REVENUE AND OTHER RESERVES**		
	a) Revenue Reserve		
	Opening Balance	92.50	80.97
	Additions during the year	45.27	0.37
	Deferred provision for fraud accounts	-	10.79
	Sub total	**137.77**	**92.13**
	b) Investment Fluctuation Reserve		
	Opening Balance	27.85	25.04
	Additions during the year	-	0.00
	Sub total	**27.85**	**25.04**
	c) Investment Reserve		
	Opening Balance	28.51	15.74
	Additions during the year	(28.51)	0.00
	Sub total	-	**15.74**
	d) Special Reserve U/s 36(1)(viii) of Income Tax Act, 1961		
	Opening Balance	5.99	5.99
	Additions during the year	-	0.00
	Sub total	**5.99**	**5.99**
	d) AFS Reserve		
	Opening Balance	-	0.00
	Additions during the year	(7.66)	0.00
	Sub total	**(7.66)**	**0.00**
	Total (a+b+c+d)	**163.94**	**138.90**
V	**BALANCE IN PROFIT AND LOSS ACCOUNT**	**(743.42)**	**(737.34)**
		-	**0.00**
	Grand Total	**802.66**	**770.38**

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
SCHEDULE 3 - DEPOSITS			
A	**I. Demand Deposits**		
	(i). From Banks	4.50	2.93
	(ii). From Others	898.70	775.69
		903.20	**778.62**
	II . Savings Bank Deposits	**3,729.68**	**3512.85**
	III. Term Deposits		
	(i). From Banks	-	9.10
	(ii). From Others	9,998.59	9516.65
		9,998.59	**9525.75**
	Total	**14,631.47**	**13817.22**
B	**I. Deposits of Branches in India**	14,631.47	13817.22
	II. Deposits of Branches outside India	-	0.00
	Total	**14,631.47**	**13817.22**
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i). Reserve Bank of India	-	0.00
	(ii). Other Banks	-	0.00
	(iii). Other Institutions and Agencies*	-	14.99
	(iv) Capital Instruments	-	**0.00**
	(a) Upper Tier II bonds	-	0.00
	(b) Lower Tier II bonds	150.00	150.00
	Total	**150.00**	**164.99**
		-	
II.	**Borrowings Outside India**	-	0.00
		-	**0.00**
	Total	**150.00**	**164.99**
	*Secured borrowings under Triparty repo, market repurchase with financial institutions included above	-	14.99

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	21.65	19.95
II.	Inter Office Adjustments (Net)	-	0.00
III.	Interest accrued	26.61	26.98
IV.	Others (including Provisions)*	264.06	240.76
	*Includes prudential provision for standard assets of Rs. 41.66 crs.		
	Total	**312.32**	**287.69**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash on Hand (including foreign currency notes)	107.35	104.76
II.	Balances with Reserve Bank of India	-	0.00
	(a). In current accounts	702.96	657.86
	(b). In other accounts	80.00	95.00
		782.96	**752.86**
	Total	**890.31**	**857.62**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks :		
	(a). In current accounts	2.90	3.32
	(b). In other deposit accounts	-	0.00
		2.90	**3.32**
	(ii) Money at Call and Short Notice		
	(a). With banks	100.00	0.00
	(b). With other institutions	239.96	39.98
		339.96	39.98
	Total	**342.86**	**43.30**
		-	
II.	**Outside India**		
	(i). In current account	8.50	12.77
	(ii). In other deposit accounts	-	0.00
	(iii). Money at Call and Short Notice	-	0.00
	Total	**8.50**	**12.77**
	Grand Total (I and II)	**351.36**	**56.07**

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
		-	
SCHEDULE 8 - INVESTMENTS			
A	**Investments in India in**		
	(i). Government Securities	2,778.29	3065.62
	(ii). Other Approved securities	-	0.00
	(iii). Shares	15.30	19.37
	(iv). Debentures and Bonds	445.84	458.42
	(v). Subsidiaries and/or Joint Ventures	-	0.00
	(vi). Others @	4.00	1.00
	Total	**3,243.43**	**3544.41**
B	**Investments outside India**		
	Grand Total (A + B)	**3,243.43**	**3544.41**
C	**(i) Gross Value of Investments**		
	(a) In India	3,243.43	3681.68
	(b) Outside India	-	**0.00**
	Total	**3,243.43**	**3681.68**
	(ii) Depreciation/Provision for Investments		
	(a) In India	-	137.27
	(b) Outside India	-	0.00
	Total	-	**137.27**
	(iii) Net Value of Investments		
	(a) In India	3,243.43	3544.41
	(b) Outside India	-	0.00
	Total	**3,243.43**	**3544.41**
	@ **Comprises of**		
	Particulars		
	Security Receipts	-	1.00
	Certificate of Deposits	4.00	0.00
		4.00	**1.00**

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
SCHEDULE 9 - ADVANCES			
A	(i) Bills Purchased and discounted	88.05	51.48
	(ii) Cash Credits, Overdrafts and Loans repayable on Demand	1,518.66	1177.09
	(iii) Term Loans	9,110.71	8656.73
	Total	**10,717.42**	**9885.30**
B	(i) Secured by Tangible assets (Includes advances against book debts)	10,287.02	9566.10
	(ii) Covered by Bank/Govt Guarantee	-	0.00
	(iii) Unsecured	430.40	319.20
	Total	**10,717.42**	**9885.30**
		-	
C	I. ADVANCES IN INDIA		
	(i) Priority sectors	5,718.50	5003.90
	(ii) Public Sector	504.81	435.46
	(iii) Banks	-	0.00
	(iv) Others	4,494.11	4445.94
	Total	**10,717.42**	**9885.30**
	II ADVANCES OUTSIDE INDIA		
	Grand Total (C I and C II)	**10,717.42**	**9885.30**
SCHEDULE 10 - FIXED ASSETS			
A	**Premises**		
	Gross Block		
	As at the beginning of the year	225.71	222.39
	Additions during the year due to revaluation of Premises	-	3.32
	Additions/Adjustments during the year	-	0.00
	Deductions during the year	-	0.00
	At the end of the year	**225.71**	**225.71**
	Depreciation		
	As at the beginning of the year	42.58	38.02
	Additions during the year due to revaluation of Premises	-	3.32
	Charge for the year	0.62	0.62
	Deductions during the year	-	0.00
	Depreciation to date	43.20	41.96
	Net Block	**182.51**	**183.75**
B	**Other Fixed Assets** (includes Furniture and Fixture and Computers)		
	Gross Block		
	As at the beginning of the year	311.38	274.33
	Additions/Adjustments during the year	7.97	25.30
	Deductions during the year	2.68	1.89
	At the end of the year	**316.67**	**297.74**
	Depreciation		
	As at the beginning of the year	228.00	207.84
	Charge for the year	11.89	11.10
	Deductions during the year	2.65	1.89
	Depreciation to date	237.24	217.05
	Net Block	**79.43**	**80.69**
C	**Capital Work In progress**	**11.70**	**6.59**
	Total (A+B+C)	**273.64**	**271.03**

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Balance Sheet as at September 30, 2024

(Rs. in crore)

		As at September 30, 2024	As at September 30, 2023
SCHEDULE 11 - OTHER ASSETS			
I. Inter Office Adjustments (Net)		0.60	0.89
II. Interest Accrued		196.57	181.97
III. Tax paid in advance and Tax Deducted at Source (net of provisions)		62.04	57.75
IV. Deferred Tax Asset		55.68	65.12
V. Stationery and stamps		0.95	0.79
VI. Non Banking Assets acquired in satisfaction of claims		1.12	1.12
VII. Others*		356.34	371.22
Total		**673.30**	**678.86**
*Includes deposits placed with NABARD, SIDBI, NHB and Mudra amounting to Rs.209.66 crore			
SCHEDULE 12 - CONTINGENT LIABILITIES			
I. Claims against the bank not acknowledged as debts		38.73	38.47
II. Liabilities on account of outstanding forward exchange contracts		198.65	147.71
III. Guarantees given on behalf of constituents in India		362.00	379.56
IV. Acceptance endorsements and other obligations		3.01	7.75
V. Other items for which Bank is contingently liable		133.11	107.58
i)Amount transferred to DEAF	92.37		
ii) Disputed Tax Liability	21.49		
iii)Estimated amount of contracts remaining to be executed on capital account and not provided for	19.25		
Total		**735.50**	**681.07**

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Profit & Loss Account for the half year ended September 30, 2024

(Rs. in crore)

		Half Year ended **September 30, 2024**	Half Year ended **September 30, 2023**
SCHEDULE 13 - INTEREST EARNED			
I.	Interest/Discount on Advances/bills	503.02	470.97
II.	Income on Investments	116.17	107.00
III.	Interest on balance with Reserve Bank of India and other inter Bank funds	3.18	2.73
IV.	Others	12.30	12.34
	Total	**634.67**	**593.04**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, Exchange and Brokerage	3.71	3.56
II.	Profit/(Loss) on sale of Investments (Net)	6.59	-4.02
III.	Profit/ (Loss) on revaluation of Investments	-	10.71
IV.	Profit/(Loss) on sale of land, building and other Assets (Net)	0.18	0.14
V.	Profit /(Loss) on exchange transactions (Net)	0.39	0.72
VI.	Income from Insurance	4.17	3.61
VII.	Miscellaneous Income	68.87	61.07
	Total	**83.91**	**75.79**
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	403.88	340.82
II.	Interest on Reserve Bank of India/Inter bank borrowings	1.82	4.36
III.	Others	8.25	8.27
	Total	**413.95**	**353.45**

DHANLAXMI BANK LTD. ★ ACCOUNTS DEPT. ★

ABRAHAM & ... CHARTERED ACCOUNTANTS ★ THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Unaudited Interim Condensed Reformatted Profit & Loss Account for the half year ended September 30, 2024

(Rs. in crore)

		Half Year ended **September 30, 2024**	Half Year ended **September 30, 2023**
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and Provisions for Employees	160.22	141.60
II.	Rent, Taxes and Lighting	26.87	24.27
III.	Printing and Stationery	0.86	1.18
IV.	Advertisement and Publicity	0.46	0.46
V.	Depreciation to Bank's property	12.50	11.72
VI.	Directors Fees, Allowances and Expenses	0.59	0.68
VII.	Auditors' Fees and Expenses (including Branch Auditors)	0.72	0.63
VIII	Law charges	1.03	1.17
IX	Postages,Telegrams,Telephones etc	2.89	1.99
X.	Repairs and Maintenance	21.25	13.39
XI.	Insurance	11.42	10.51
XII.	Other Expenditure	35.98	32.24
	Total	**274.79**	**239.84**

Signatories to Schedule 1 to 16

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Place: Thrissur.
Date: December 19, 2024

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Sagar & Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

Unaudited Interim Condensed Reformatted Segment Wise Results

(Rs. In Crore)

Particulars	Half year ended	
	30.09.24	30.09.23
1. Segment Revenue		
(a) Treasury	129.28	117.18
(b) Retail Banking	406.36	341.04
(c) Corporate/ Wholesale Banking	177.79	206.37
(d) Other Banking Operations	5.15	4.24
(e) Unallocated	-	-
Total Revenue	**718.58**	**668.83**
Less: Inter-Segment Revenue	-	-
Income from Operations	**718.58**	**668.83**
2. Segment Results (Net of Provisions)		
(a) Treasury	33.26	21.56
(b) Retail Banking	8.76	40.31
(c) Corporate/ Wholesale Banking	(17.33)	9.43
(d) Other Banking Operations	5.15	4.24
(e) Unallocated	-	-
Total	**29.84**	**75.54**
Less :(i) Interest	-	-
(ii) Other Un-allocable Expenditure net-off	5.28	18.82
(iii) Un-allocable income	-	-
Profit (+)/Loss (-) before tax	**24.56**	**56.72**
3. Segment Assets		
(a) Treasury	3745.55	3951.07
(b) Retail Banking	8244.72	6780.95
(c) Corporate/ Wholesale Banking	4046.17	4440.21
(d) Other Banking Operations	-	-
(e) Unallocated	113.03	121.07
Total	**16149.47**	**15293.30**
4. Segment Liabilities		
(a) Treasury	3363.27	3679.89
(b) Retail Banking	7868.83	6399.54
(c) Corporate/ Wholesale Banking	3861.69	4190.47
(d) Other Banking Operations	-	-
(e) Unallocated	-	-
Total	**15093.79**	**14269.90**
5. Capital Employed (Segment Assets- Segment Liabilities)		
(a) Treasury	382.28	271.18
(b) Retail Banking	375.89	381.41
(c) Corporate/ Wholesale Banking	184.48	249.74
(d) Other Banking Operations	-	-
(e) Unallocated	113.03	121.07
Total	**1055.68**	**1023.40**

For the above segment reporting, the reportable segments are identified as Treasury, Corporate/Wholesale Banking, Retail Banking and Other Banking Operations in Compliance with the revised RBI Guidelines.

For the purpose of the disclosure under Accounting Standard 17 - Segment Reporting, issued by the Institute of Chartered Accountants of India (ICAI), 'Digital Banking' has been identified as a sub segment under the existing 'Retail Banking' segment. Bank has not set up separate 'Digital Banking Unit' (DBU) as on 30th September 2024 as per RBI circular No. RBI/2022-23/19 DOR AUT.REC.12/22.01.001/2022-23 dated April 7 2022 and existing digital banking products are forming part of 'Retail Banking' segment only.

The business operations of the Bank are substantially concentrated in India and for the purpose of segment Reporting as per Accounting Standard -17, the bank is considered to operate only in domestic segment.

For and on behalf of Board of Directors

Kavitha TA Chief Financial Officer	Venkatesh H Company Secretary	Ajith Kumar K K Managing Director & CEO DIN: 08504660

In terms of our report attached

For Sagar & Associates Chartered Accountants Firm Registration No. 003510S	For Abraham & Jose Chartered Accountants Firm Registration No. 000010S
CA Manohar D, Partner Membership No.029644	CA Mukesh K P, Partner Membership No.214773

Place: Thrissur.
Date: December 19, 2024

Sagar & Associates Chartered Accountants Hyderabad

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Selected Explanatory Notes (provided below)

1. These Unaudited Interim Condensed Reformatted Financial Statements have been prepared solely in connection with raising of funds through Rights Issue (the "Issue") of equity shares of face value of, 10 each (the "Equity Shares") of the bank, in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (hereinafter referred to as "the SEBI ICDR Regulations")

2. Bank has consistently applied its significant accounting policies in the preparation of its interim condensed reformatted financial results during the quarter and half year ended September 30, 2024 as compared to those followed for the year ended March 31, 2024 except for the classification and valuation of investments which is as per the Master Direction No. RBI/DOR/2023-24/104 DOR.MRG.36/ 21.04.141/2023-24 on Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 issued by Reserve Bank of India dated September 12, 2023 applicable from April 1, 2024. Consequently, the Bank has recognized a net gain of Rs. 2.66 crore (net of tax) as on April 1, 2024 which has been credited to General Reserve. Further during the quarter/half year ended September 30, 2024 the Bank has also recognized gain of Rs. 2.64 crore/Rs.6.22 crore which is credited to AFS Reserve in compliance to the RBI Directions. Accordingly, up to that extent, the figures for the quarter/half year ended September 30, 2023 and financial year ended March 31, 2024 are not comparable with that of figures for the quarter/half year ended September 30, 2024.

3. The financial results have been arrived at after considering provision for standard assets (including requirements for exposures to entities with unhedged foreign currency exposures), provision for non-performing assets, provision for non-performing investments and other usual and necessary provisions

4. Oher Income includes fees earned from services to customers, commission from non-fund-based banking activities, earnings from foreign exchange transactions, selling of third-party products, profit/ loss on sale of investments (Net), profit/loss on revaluation of investments, recoveries from written off accounts, income from sale of PSL certificates etc.

5. Other expenses include insurance, Rent, Repair, Depreciation, manpower charges, ATM expenses, Card expenses etc.

6. Interest on Others include an amount of Rs.8.29 crore being interest on income tax refunds received from Income Tax Department relating to previous assessment years, giving effect to order of the Honorable HC of Kerala. An amount of Rs.6.75 crore adjusted in these Orders towards tax demands, are charged to tax expenses during the quarter. The net positive impact on profit on account of the refund is Rs.1.54 crore

7. Previous period's figures have been regrouped/ reclassified., wherever necessary to conform to current period's classification and also the amounts / ratios for the previous period / year have been regrouped / reclassified pursuant to the requirement of Master Direction on Financial Statements - Presentation and Disclosure issued by Reserve Bank of India dated August 30, 2021, as amended and wherever considered necessary.

8. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

Rs. In crore

Particulars	Half Year Ended

	30.09.2024	30.09.2023
	Unaudited	Unaudited
Provision for NPA (incl BDW)	6.12	27.79
Provision for Standard Assets	2.50	2.47
Provision for Restructured Advances	(3.61)	(11.54)
Provision for NPI	1.33	0.00
Provision for Income Tax/ Wealth Tax	6.75	1.25
Provision for Deferred Tax	0.00	4.00
Provision for Fraud	0.05	0.00
Provision for Unhedged Forex Exposure	(0.11)	0.11
Other Provisions	(1.00)	0.00
Total	12.03	24.08

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

Place: Thrissur.
Date: December 19, 2024

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Dhanlaxmi Bank Limited			
Reformatted Balance Sheet as at March 31, 2024			
			(Rs. in crore)
	Schedule No	**As at March 31, 2024**	**As at March 31, 2023**
CAPITAL AND LIABILITIES			
Capital	1	253.01	253.01
Reserves and Surplus	2	776.75	708.14
Deposits	3	14290.31	13351.65
Borrowings	4	299.04	492.38
Other Liabilities and Provisions	5	342.78	326.95
TOTAL		**15961.89**	**15132.13**
ASSETS			
Cash and Balances with Reserve Bank of India	6	760.03	836.34
Balances with Banks and Money at call and short notice	7	214.59	10.29
Investments	8	3942.40	3888.64
Advances	9	10102.16	9451.52
Fixed Assets	10	274.34	257.57
Other Assets	11	668.37	687.77
TOTAL		**15961.89**	**15132.13**
Contingent Liabilities	12	665.81	668.18
Bills for collection		308.34	300.26
Significant Accounting Policies	17		
Notes to financial Statements	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Place: Thrissur.
Date: December 19, 2024

Dhanlaxmi Bank Limited
Reformatted Profit & Loss Account for the year ended March 31, 2024

(Rs. in crore)

	Schedule No	Year ended March 31, 2024	Year ended March 31, 2023
INCOME			
Interest Earned	13	1206.99	1071.23
Other Income	14	152.56	74.52
Total		**1359.55**	**1145.75**
EXPENDITURE			
Interest expended	15	748.54	595.48
Operating Expenses	16	541.75	427.07
Provisions and Contingencies		11.44	73.84
Total		**1301.73**	**1096.39**
Profit/Loss			
Net Profit/(Loss) for the year		57.82	49.36
Profit /(Loss)brought forward		(788.80)	(825.78)
Total		**(730.98)**	**(776.42)**
Appropriations			
Transfer to Statutory Reserve		14.46	12.38
Transfer to Capital Reserve		0.21	-
Transfer to Investment Reserve Account		12.77	-
Transfer to Investment Fluctuation Reserve Account		2.81	-
Balance carried over to Balance Sheet		(761.23)	(788.80)
Total		**(730.98)**	**(776.42)**
Earnings Per Share (in Rupees)			
Basic EPS		**2.29**	**1.95**
Diluted EPS		**2.29**	**1.95**
Face value per Share		**10.00**	**10.00**
Significant Accounting Policies	17		
Notes to financial Statements	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
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For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Place: Thrissur.
Date: December 19, 2024

Dhanlaxmi Bank Limited

Reformatted Cash Flow Statement for the year ended March 31, 2024

(Rs. in crore)

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
Cash flow from operating activities		
Net profit before income tax	70.48	31.61
Adjustments for :		
Depreciation on fixed assets net of reversal of revaluation reserve	25.08	21.11
Depreciation on Investments	(21.31)	40.08
Amortization of premia on investments	20.73	20.35
Amortization of Deferred Employee Benefits	8.58	2.86
Loan Loss provisions including write off	(10.79)	94.57
Provision against standard assets	3.78	4.84
Provision for NPA (Investments)	26.01	(3.50)
Provision for restructured assets	(19.93)	(6.17)
Provision for fraud	0.00	1.16
(Profit)/ Loss on sale of fixed assets	(0.25)	(0.77)
Provision for unhedged Forex Exposure	0.96	(0.04)
Adjustments for :		
(Increase)/ Decrease in Investments (excluding Held to Maturity Inv	(231.48)	169.75
(Increase)/ Decrease in Advances	(609.12)	(1408.72)
Increase / (Decrease) in Borrowings	(193.34)	342.38
Increase/ (Decrease) in Deposits	938.65	948.76
(Increase) / Decrease in Other assets	5.21	(20.12)
Increase/ (Decrease) in Other liabilities and provisions	11.08	(21.88)
		0.00
Direct taxes paid (net of refunds)	(7.05)	0.13
Net cash flow from/ (used in) operating activities	**17.29**	**216.40**
Cash flows from investing activities		
Purchase of fixed assets	(41.91)	(35.19)
Proceeds from sale of fixed assets	0.32	0.85
(Increase)/ Decrease in Held to Maturity Investments	152.29	(71.27)
Net cash flow from/ (used in) investing activities	**110.70**	**(105.61)**
Cash flows from financing activities	0.00	0.00
Net increase/ (decrease) in cash and cash equivalents	**127.99**	**110.79**
Cash and cash equivalents at the beginning of the period	846.63	735.84
Cash and cash equivalents as at the end of the period	974.62	846.63

Note:

Components of Cash and Cash Equivalents as at:	31.03.2024	31.03.2023
Cash and Balance with Reserve Bank of India (RBI)	760.03	836.34
Balances with Banks and Money at Call and Short Notice	214.59	10.29
Total	**974.62**	**846.63**

For and on behalf of Board of Directors

Kavitha TA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Firm Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

Place: Thrissur.
Date: December 19, 2024

For Abraham & Jose
Chartered Accountants
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

	As at March 31, 2024	As at March 31, 2023
		(Rs. in crore)
SCHEDULE 1 - CAPITAL		
Authorised Capital		
50,00,00,000 Equity Shares of Rs.10 each (Previous Year 40,00,00,000 Equity Shares of Rs.10 each)	500.00	400.00
Issued,Subscribed and Paid up Capital		
253012084 Equity Shares of Rs.10 each (Previous Year 253012084 Equity Shares of Rs.10 each)	253.01	253.01
Total	**253.01**	**253.01**

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

(Rs. in crore)

		As at March 31, 2024	As at March 31, 2023
SCHEDULE 2 - RESERVES AND SURPLUS			
I.	**STATUTORY RESERVES**		
	Opening Balance	130.38	118.00
	Additions during the year	14.46	12.38
	Total	**144.84**	**130.38**
II.	**CAPITAL RESERVES**		
	a) Revaluation Reserve		
	Opening Balance	160.10	138.07
	Additions during the Year	-	22.58
	Deductions during the year	(0.74)	(0.54)
	Sub total	**159.36**	**160.11**
	b) Capital Reserve		
	Opening Balance	73.27	73.27
	Additions during the year	0.21	-
	Sub total	**73.48**	**73.27**
	Total (a+b)	**232.84**	**233.38**
III	**SHARE PREMIUM ACCOUNT**		
	Opening Balance	1,005.45	1,005.45
	Additions during the year	-	-
	Total	**1,005.45**	**1,005.45**
IV	**REVENUE AND OTHER RESERVES**		
	a) Revenue Reserve		
	Opening Balance	80.97	91.22
	Transfer of depreciation on revaluation	0.74	0.54
	Deferred provision for fraud accounts	10.79	(10.79)
	Sub total	**92.50**	**80.97**
	b) Investment Fluctuation Reserve		
	Opening Balance	25.04	25.04
	Additions during the year	**2.81**	-
	Sub total	**27.85**	**25.04**
	c) Investment Reserve		
	Opening Balance	15.74	15.74
	Additions during the year	12.77	-
	Sub total	**28.51**	**15.74**
	d) Special Reserve U/s 36(1)(viii) of Income Tax Act, 1961		
	Opening Balance	5.99	5.99
	Additions during the year	-	-
	Sub total	**5.99**	**5.99**
	Total (a+b+c+d)	**154.85**	**127.74**
V	**BALANCE IN PROFIT AND LOSS ACCOUNT**	(761.23)	(788.80)
	Grand Total	776.75	**708.14**

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

Sagar & Associates Hyderabad Chartered Accountants

ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

(Rs. in crore)

		As at March 31, 2024	As at March 31, 2023
SCHEDULE 3 - DEPOSITS			
A	**I. Demand Deposits**		
	(i). From Banks	5.10	6.01
	(ii). From Others	843.28	758.21
		848.38	**764.22**
	II . Savings Bank Deposits	3,533.06	3,495.42
	III. Term Deposits		
	(i). From Banks	7.25	7.00
	(ii). From Others	9,901.62	9,085.01
		9,908.87	**9,092.01**
	Total	**14,290.31**	**13,351.65**
B	**I. Deposits of Branches in India**	14,290.31	13,351.65
	II. Deposits of Branches outside India	-	-
	Total	**14,290.31**	**13,351.65**
SCHEDULE 4 - BORROWINGS			
I.	**Borrowings in India**		
	(i). Reserve Bank of India	-	-
	(ii). Other Banks	-	-
	(iii). Other Institutions and Agencies*	149.04	342.38
	(iv) Capital Instruments	-	-
	(a) Upper Tier II bonds	-	-
	(b) Lower Tier II bonds	150.00	150.00
	Total	**299.04**	**492.38**
II.	**Borrowings Outside India**	-	-
		-	-
	Total	**299.04**	**492.38**
	*Secured borrowings under Triparty repo, market repurchase with financial institutions included above	149.04	342.38

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ABRAHAM & JOSE CHARTERED ACCOUNTANTS THRISSUR

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

(Rs. in crore)

		As at March 31, 2024	As at March 31, 2023
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I.	Bills Payable	17.30	27.04
II.	Inter Office Adjustments (Net)	-	-
III.	Interest accrued	26.35	27.87
IV.	Others (including Provisions)*	299.13	272.04
	*Includes prudential provision for standard assets of Rs. 43.07 crore		
	Total	**342.78**	**326.95**
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I.	Cash on Hand (including foreign currency notes)	106.06	105.10
II.	Balances with Reserve Bank of India		
	(a). In current accounts	653.97	641.24
	(b). In other accounts	-	90.00
		760.03	**836.34**
	Total	**760.03**	**836.34**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I.	**In India**		
	(i) Balances with Banks :		
	(a). In current accounts	2.55	2.76
	(b). In other deposit accounts	-	-
		2.55	**2.76**
	(ii) Money at Call and Short Notice		
	(a). With banks	-	-
	(b). With other institutions	200.00	-
		200.00	-
	Total	**202.55**	**2.76**
II.	**Outside India**		
	(i). In current account	12.04	7.53
	(ii). In other deposit accounts	-	-
	(iii). Money at Call and Short Notice	-	-
	Total	**12.04**	**7.53**
	Grand Total (I and II)	**214.59**	**10.29**

DHANLAXMI BANK LTD. ACCOUNTS DEPT.

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DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

		As at March 31, 2024	As at March 31, 2023
			(Rs. in crore)
SCHEDULE 8 - INVESTMENTS			
A	**Investments in India in**		
	(i). Government Securities	3,445.26	3,316.52
	(ii). Other Approved securities	-	-
	(iii). Shares	18.70	19.98
	(iv). Debentures and Bonds	452.61	550.82
	(v). Subsidiaries and/or Joint Ventures	-	-
	(vi). Others @	25.83	1.32
	Total	**3,942.40**	**3,888.64**
B	**Investments outside India**	-	-
	Grand Total (A + B)	3,942.40	3,888.64
C	**(i) Gross Value of Investments**		
	(a) In India	4,095.07	4,036.62
	(b) Outside India	-	-
	Total	**4,095.07**	**4,036.62**
	(ii) Depreciation/Provision for Investments		
	(a) In India	152.67	147.98
	(b) Outside India	-	-
	Total	**152.67**	**147.98**
	(iii) Net Value of Investments		
	(a) In India	3,942.40	3,888.64
	(b) Outside India	-	-
	Total	3,942.40	3,888.64
	@ Comprises of		
	Particulars		
	Security Receipts	1.33	1.33
	Certificate of Deposits	24.50	-
		25.83	**1.33**

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

		As at March 31, 2024	As at March 31, 2023
			(Rs. in crore)
SCHEDULE 9 - ADVANCES			
A	(i) Bills Purchased and discounted	99.97	41.91
	(ii) Cash Credits, Overdrafts and Loans repayable on Demand	1,135.93	1,203.34
	(iii) Term Loans	8,866.26	8,206.27
	Total	**10,102.16**	**9,451.52**
B	(i) Secured by Tangible assets (Includes advances against book debts)	9,707.26	9,119.17
	(ii) Covered by Bank/Govt Guarantee	-	-
	(iii) Unsecured	394.89	332.35
	Total	**10,102.16**	**9,451.52**
C	I. ADVANCES IN INDIA		
	(i) Priority sectors	5,287.69	4,804.51
	(ii) Public Sector	414.04	554.94
	(iii) Banks	-	-
	(iv) Others	4,400.43	4,092.08
	Total	**10,102.16**	**9,451.52**
	II ADVANCES OUTSIDE INDIA	-	-
	Grand Total (C I and C II)	**10,102.16**	**9,451.52**

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DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

(Rs. in crore)

		As at March 31, 2024	As at March 31, 2023
SCHEDULE 10 - FIXED ASSETS			
A	**Premises**		
	Gross Block		
	As at the beginning of the year	225.71	199.69
	Additions during the year due to revaluation of Premises	-	25.90
	Additions/Adjustments during the year	-	0.12
	Deductions during the year	-	-
	At the end of the year	**225.71**	**225.71**
	Depreciation		
	As at the beginning of the year	41.34	36.98
	Additions during the year due to revaluation of Premises	-	3.32
	Charge for the year	1.24	1.04
	Deductions during the year	-	-
	Depreciation to date	42.58	41.34
	Net Block	**183.13**	**184.37**
B	**Other Fixed Assets** (includes Furniture and Fixture and Computers)		
	Gross Block		
	As at the beginning of the year	274.33	253.86
	Additions/Adjustments during the year	40.80	28.35
	Deductions during the year	3.75	7.88
	At the end of the year	**311.38**	**274.33**
	Depreciation		
	As at the beginning of the year	207.84	195.57
	Charge for the year	23.84	20.07
	Deductions during the year	3.68	7.80
	Depreciation to date	228.00	207.84
	Net Block	**83.38**	**66.48**
C	**Capital Work In progress**	7.82	6.72
	Total (A+B+C)	**274.34**	**257.57**

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DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March, 2024

		As at March 31, 2024	As at March 31, 2023
			(Rs. in crore)
SCHEDULE 11 - OTHER ASSETS			
I. Inter Office Adjustments (Net)		0.58	0.59
II. Interest Accrued		203.70	183.79
III. Tax paid in advance and Tax Deducted at Source (net of provisions)		59.74	51.43
IV. Deferred Tax Asset		57.72	69.12
V. Stationery and stamps		0.67	0.54
VI. Non Banking Assets acquired in satisfaction of claims		1.12	1.12
VII. Others*		344.84	381.18
Total		**668.37**	**687.77**

*Includes deposits placed with NABARD, SIDBI, NHB and Mudra amounting to Rs.236.91 crore (Previous year Rs. 255.36 crores)

		As at March 31, 2024	As at March 31, 2023
SCHEDULE 12 - CONTINGENT LIABILITIES			
I. Claims against the bank not acknowledged as debts		38.77	38.48
II. Liabilities on account of outstanding forward exchange contracts		118.60	128.03
III. Guarantees given on behalf of constituents in India		382.14	390.38
IV. Acceptance endorsements and other obligations		5.39	4.98
V. Other items for which Bank is contingently liable		120.91	106.31
i)Amount transferred to DEAF	87.68		
ii) Disputed Tax Liability	20.48		
iii)Estimated amount of contracts remaining to be executed on capital account and not provided for	12.75		
Total		**665.81**	**668.18**

DHANLAXMI BANK LIMITED

Schedules to the Reformatted Financial Statements for the year ended March 31, 2024

(Rs. in crore)

		Year ended **March 31, 2024**	Year ended **March 31, 2023**
SCHEDULE 13 - INTEREST EARNED			
I.	Interest/Discount on Advances/bills	962.45	825.42
II.	Income on Investments	220.62	235.10
III.	Interest on balance with Reserve Bank of India and other inter Bank funds	7.26	2.52
IV.	Others	16.66	8.19
	Total	**1206.99**	**1071.23**
SCHEDULE 14 - OTHER INCOME			
I.	Commission, Exchange and Brokerage	6.97	6.39
II.	Profit/(Loss) on sale of Investments (Net)	(2.29)	(2.35)
III.	Profit/ (Loss) on revaluation of Investments	21.31	(40.08)
IV.	Profit/(Loss) on sale of land, building and other Assets (Net)	0.25	0.77
V.	Profit /(Loss) on exchange transactions (Net)	1.01	2.62
VI.	Income from Insurance	12.24	15.42
VII.	Miscellaneous Income*	113.07	91.75
	Total	**152.56**	**74.52**
	**Includes*		
	Processing Charges	18.73	17.88
	Amount written off since recovered	30.18	13.94
	Income from ATM	10.96	11.47
SCHEDULE 15 - INTEREST EXPENDED			
I.	Interest on Deposits	725.90	568.16
II.	Interest on Reserve Bank of India/Inter bank borrowings	6.09	10.83
III.	Others	16.55	16.49
	Total	**748.54**	**595.48**
SCHEDULE 16 - OPERATING EXPENSES			
I.	Payments to and Provisions for Employees	331.19	247.25
II.	Rent, Taxes and Lighting	49.71	46.84
III.	Printing and Stationery	2.90	2.45
IV.	Advertisement and Publicity	1.15	0.95
V.	Depreciation to Bank's property	25.08	21.11
VI.	Directors Fees, Allowances and Expenses	1.35	0.70
VII.	Auditors' Fees and Expenses (including Branch Auditors)	1.32	1.12
VIII	Law charges	2.17	2.85
IX	Postages,Telegrams,Telephones etc	6.10	5.32
X.	Repairs and Maintenance	29.54	23.48
XI.	Insurance	21.62	19.35
XII.	Other Expenditure	69.62	55.65
	Total	**541.75**	**427.07**

DHANLAXMI BANK LTD ACCOUNTS DEPT.

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SCHEDULE 17- SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF REFORMATTED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

1.1 Corporate Information and Background

Dhanlaxmi Bank Limited ('DBL' or the 'Bank') is a private sector Bank incorporated in the year 1927. Dhanlaxmi Bank Limited is a publicly held bank engaged in providing a wide range of banking and financial services. Dhanlaxmi Bank Limited is a banking company governed by the Banking Regulation Act, 1949 and the Companies Act, 2013. 58% of the branches of the Bank are in Kerala.

1.2 Basis of Preparation

The Standalone financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform in all material aspects to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013, (as amended) and the relevant provisions of the Companies Act, 2013 ("the Act"), and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except where otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

1.3 Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles, requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to the accounting estimates is recognized prospectively in the current and future periods.

1.4 Significant Accounting Policies

I. Revenue Recognition

- Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and revenue can be reliably measured under AS-9 "Revenue Recognition" as prescribed under section 133 of the Companies Act, 2013 and as specified by RBI guidelines.
- Interest/ discount/ other charges income from loans and advances, investments (including deposits placed with banks and other institutions) are recognized over the period of the loans and advances, Investments, Deposits etc. on accrual basis. However, interest accrued and other dues in the nature of non-interest income relating to Advances/ Investments, classified as Non-performing Advances/ Investments under RBI guidelines, are recognized only on realization.
- The recoveries made from NPAs are apportioned in the order of suspended outgoings, penal interest, normal interest and principal. But in the case of recoveries out of One Time Settlement, the apportionment is first made to principal amount and there after to charges and interest.

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- Overdue Interest on Investments and Bills discounted are accounted on realization.
- Profit or Loss on sale of Investment is recognized in the Profit and Loss Account. However, an amount equal to the profit on sale of investments in the Held to Maturity (HTM) category is appropriated to Capital Reserve Account, net of applicable taxes.
- Profit or loss on revaluation of investments as well as provision for depreciation (or reversal of excess depreciation) is recognized in the Profit and Loss Account.
- Income (other than interest) on investments in the "Held to Maturity (HTM)" category acquired at a Discount to Face Value, is recognized as follows;

  i) On interest bearing securities, it is recognized only at the time of sale/redemption.

  ii) On Zero coupon securities, it is accounted for over the balance tenor of the security on a constant yield basis.
- Commission on ATM interchange fees are recognized as they accrue.
- Upfront fees on restructured accounts are apportioned over the restructured period.
- Profit earned from the sale of gold/silver bullion, if any, (i.e. the difference between the sale price and the purchase price) is included under "Other Income".
- Dividend on investments in shares and units of mutual funds are accounted on accrual basis when the bank's right to receive the dividend is established.
- Insurance claims, Commission from Distribution of Mutual Fund products and Commission from Depository services are accounted on receipt basis.
- Interest on income tax refund is recognized in the year of receipt of Assessment Orders.
- Locker Rent is accounted on receipt basis without spreading it over the remaining lease period.
- Commission income on issuance of Bank Guarantee/ Letter of Credit and Discount on Bill Discounted is collected upfront and is recognized over the period of the underlying liability.
- Commission on distribution of Insurance products is accounted on accrual basis.
- Processing fee/ upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/ facility is recognized in the year of receipt without spreading it over the period of loan/ facility.
- Unpaid funded interest on term loans is accounted on realization as per the guidelines of RBI.
- All other amounts collected from customers as non-interest income or recovery of expenses towards provision of various services/ facilities are accounted/ recognized on receipt basis.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.

II. <u>Expenses recognition</u>

A) <u>Interest Expenses</u>

All interest expenses relating to deposits accepted and borrowings are recognized on accrual basis. Interest on unclaimed matured deposits is provided for as per RBI directives.

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B) Employee benefits

a) Provident Fund:

The contribution made by the bank to Dhanlaxmi Bank Ltd Employees Provident Fund, administered by the trustees is charged to Profit & Loss account. Provident Fund is a Defined Contribution Plan in which both the employee and the Bank contribute monthly at a pre-determined rate. Contribution to provident fund is recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its annual contribution.

b) Pension Fund

The contribution towards Dhanlaxmi Bank Ltd Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

c) New Pension Scheme (NPS)

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 14% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit and Loss account and the Bank has no further liability beyond the contribution to the fund on this account.

d) Gratuity:

The Bank makes annual contribution to Dhanlaxmi Bank Ltd Employees' Gratuity Trust Fund administered and managed by the trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Profit and Loss Account in the year in which they occur.

e) Compensation for absence on Privilege/ Sick/ Casual Leave

The employees of the Bank are entitled to compensated absence on account of privilege/ sick/ casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the accounts.

f) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service.

g) Employee Stock Compensation Cost

Measurement of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI) and SEBI (Share Based Employee Benefits) Regulations, 2014. The Bank measures compensation cost relating to employee stock options using the intrinsic value method. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock (i.e., the last closing price on the stock exchange on the day preceding the date of grant of stock options) over the exercise price. If the exercise price of the Bank's stock option is the last closing price on the stock exchange on the day preceding the date of grant of stock options and accordingly there is no compensation cost under the intrinsic value method.

h) Compensation of Whole time Directors/ Chief Executive officers

As per the guidelines of RBI, the joining/sign-on bonus should be in the form of share-linked instruments only. Such bonus will neither be considered part of fixed pay nor part of variable pay. Subject to regulatory compliance, bank can allot shares at face value with a lock in period of 1 year from the date of grant as guaranteed bonus.

The variable pay can be in the form of share-linked instruments, or a mix of cash and share-linked instruments. Variable compensation is fixed based on organizational performance. Organization's performance is charted based on performance score card which takes into account various indicators such as business growth, Asset quality, Return on Assets, Reduction in Cost to Income Ratio, Return on Investment and Divergence in provisioning & asset classification.

Share-linked instruments should be fair valued on the date of grant by the bank using Black-Scholes model. The fair value thus arrived at should be recognized as an expense beginning with the accounting period for which approval has been granted.

C) Other Operating Expenses: Other operating expenses are generally accounted on accrual basis.

III Net profit

Net Profit is arrived at after provisions for contingencies, which include Provision for:

i) Standard Assets, Restructured Advances and Non-Performing Advances and Investments;

ii) Fraud and unhedged foreign currency exposure.

iii) Taxation in accordance with statutory requirements.

IV Advances

A) Valuation/ Measurement

a) Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines of the RBI on matters relating to prudential norms.

b) Amounts recovered against debts written off are recognized in the profit and loss account and included under "Other Income".

c) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period, subject to satisfactory performance of the account during the period.

d) For entities with Un-hedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of un-hedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

e) The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

f) Loss on sale of assets to Asset Reconstruction Companies: - The RBI issued Master Direction-Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 on September 24, 2021. In accordance with these guidelines, when the stressed loan is transferred to ARC at a price below the Net Book Value (NBV) at the time of transfer, lenders shall debit the shortfall to the profit and loss account for the year in which the transfer has taken place. when the stressed loan is transferred to an ARC for a value higher than the NBV at the time of transfer, lenders shall reverse the excess provision on transfer to the profit and loss account in the year the amounts are received and only when the sum of cash received by way of initial consideration and / or redemption or transfer of Security Receipts (SR) / Pass Through Certificates (PTCs)/ other securities issued by ARCs is higher than the NBV of the loan at the time of transfer. Further, such reversal shall be limited to the extent to which cash received exceeds the NBV of the loan at the time of transfer.

g) In respect of non-performing assets acquired from other banks/ FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

B) Recording/ Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created for NPA is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off of the account.

V Floating Provisions

The Bank has a policy for creation and utilization of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilized only for contingencies under extraordinary circumstances specified in the policy after obtaining the approval of Board of Directors of the Bank and with prior permission of Reserve Bank of India.

VI Country Risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure. The provision is reflected in Schedule -5 of the Balance Sheet under "Other liabilities and Provisions- Others".

VII Investments

i. Classification

(a) In accordance with the RBI guidelines, investments are categorized in to "Held for Trading" (HFT), "Available for Sale" (AFS) and "Held to Maturity" (HTM) and are further classified under six groups;

i. Government Securities,

ii. Other Approved Securities,

iii. Shares,

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iv. Debentures and Bonds,
v. Subsidiaries/ Joint Ventures and
vi. Other investments for the purposes of disclosure in the Balance Sheet.

(b) Investments which are Held for sale within 90 days from the date of purchase are classified as "Held for Trading" (HFT). As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date.

(c) Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

(d) Investments which are not classified in either of the above two categories are classified as "Available for Sale".

ii. Valuation

The valuation of investments is made in accordance with the RBI Guidelines:

i) Held for Trading/ Available for Sale (HFT/AFS): - Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is measured with respect to the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges, SGL account transactions, pricelist of RBI or prices declared by Financial Benchmark India Pvt Limited (FBIL) jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of investment classification is recognized in Profit and Loss Account. The net appreciation, if any, under each category of Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

ii) Held to Maturity (HTM); - These are carried at their acquisition cost. Any premium on acquisition of debt instruments is amortized over the remaining maturity of the security. Any diminution, other than temporary, in the value of such securities is provided for each investment individually.

iii) Treasury Bills, Commercial Papers and Certificate of Deposits being discounted instruments are valued at carrying cost.

iv) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

v) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e., overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at breakup value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Rs.1/- per company.

- Investment in security receipts is valued as per the Net Asset Value (NAV) obtained from the

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issuing Reconstruction Company / Securitization Company.

- Non-Performing Investments are identified and valued based on RBI guidelines.

iii. Repurchase (REPO) and Reverse Repurchase (Reverse REPO) transactions

The securities sold and purchased under Repo/ Reverse Repo (including transactions conducted under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI) are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/ purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under Schedule 4 (Borrowings).

All type of reverse repos with the Reserve Bank including those under Liquidity Adjustment Facility shall be presented under sub-item (ii) 'In Other Accounts' of item (II) 'Balances with Reserve Bank of India' under Schedule 6 'Cash and balances with Reserve Bank of India'. Reverse repos with banks and other institutions having original tenors up to and inclusive of 14 days shall be classified under item (ii) 'Money at call and short notice' under Schedule 7 'Balances with banks and money at call and short notice'. Reverse Repo of original tenors more than 14 days shall be classified under Schedule 9 – Advances.

iv. Short Sales

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.

v. Non-Performing Investments

In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income is not recognized and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing advances. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

vi. Transfer Between Categories

Classification of investments under Held to Maturity (HTM), Held for Trading (HFT) and Available for Sale (AFS) is done at the time of purchase and subsequent shifting amongst categories is done in conformity with the regulatory guidelines. Transfer between categories is done at the lower of the acquisition cost/ book value/ market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for. Transfer of securities from/ to Held to Maturity category is done as per guidelines issued by RBI from time to time.

vii. Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.

- Cost of investments is computed based on the weighted average cost method.

viii. Disposal of Investments

- Held for Trading and Available for Sale – Profit or loss on sale/ redemption is recognized in the Profit and Loss account.
- Held to Maturity - Profit or Loss on Sale/ Redemption of Investments is recognized in the Profit and Loss account. In case of Profits, the same is appropriated to Capital Reserve, after adjustments for tax and transfer to statutory reserve.

VIII Fixed Assets (Land, Premises, Property, Plant & Equipment and intangibles) and depreciation/ amortization

- An item of fixed asset that qualify for recognition as an asset are initially recognized and measured at cost.
- After initial recognition, the Bank chooses 'Cost Model' or 'Revaluation Model' for subsequent measurement as its accounting policy and applies that policy to entire class of fixed assets.
- Property, Plant and Equipment (other than land and premises) following 'Cost Model' are carried at Cost less any accumulated depreciation/amortization and any accumulated impairment losses.
- 'Revaluation Model' is followed for land and premises and are carried at Revalued Amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation/amortization and any accumulated impairment losses.
- Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value.
- An increase in the carrying amount of an asset arising on revaluation is credited to "Revaluation Reserve". However, the increase is recognized in the statement of profit and loss to the extent that it reverses a decrease in the revaluation of same asset previously recognized in the profit and loss account. A decrease in the carrying amount of an item of an asset arising on revaluation is charged to the statement of profit and loss. However, the decrease is debited directly to owners' interest under the heading "Revaluation Surplus" to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset.
- Revaluation Surplus in respect of an asset is transferred to "Revenue Reserves" when the asset is retired or disposed off. The difference between the depreciation based on the revalued carrying amount and the depreciation based on original cost is also transferred to "Revenue Reserves" from "Revaluation Reserve". However, such transfers from "Revaluation Reserve" to "Revenue Reserve" are not made through the statement of profit or loss.
- Cost of an item of PPE includes a)purchase price, including freight, duties and taxes and incidental expenses, after deducting trade discounts and rebates,; (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management viz. cost of employee benefits (as defined in AS-15 ' Employee Benefits') arising directly from the construction or acquisition of the item of property, plant and equipment, cost of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees, cost of testing whether the asset is functioning properly; (c) Taxes like GST paid on fixed assets wherever eligible are availed as ITC as per GST rules. (d) the initial estimate of the cost of dismantling, removing the item and restoring the site on which it is located, referred to as 'decommissioning, restoration and similar liabilities'
- Subsequent expenditure incurred on assets put to use is capitalized only when it increases the

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future economic benefit/ functional capability from/ of such assets.

- Depreciation on fixed assets is charged based on the estimated useful life of the asset on straight-line basis in compliance with the Schedule II of the Companies Act, 2013. Depreciable amount of an asset is allocated on a systematic basis over the useful life of the asset.
- Residual value and useful life of the asset is reviewed at least at each financial year end, and if expectations differ from previous estimates, such changes are accounted for as a change in accounting estimate in accordance with "AS-5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- Method of depreciation used is assessed and reviewed at each financial year end and if there is a significant change in the pattern of consumption of the future economic benefits embodied in the asset, the method of depreciation is changed to reflect the changed pattern and such a change is accounted for and disclosed as a change in Accounting Estimate in accordance with "AS-5" Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- Impairment of an item of property, plant and equipment is determined by applying the Accounting Standard 28. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the statement of profit and loss when the compensation becomes receivable.
- Amount expended towards acquisition of Software is capitalized where it is reasonably estimated that the software has an enduring useful life. Software is amortized over an estimated useful life of 5 years on straight-line basis.
- Grant related to Specific Fixed Assets – Grant received from the Government/ other agencies related to depreciable assets are treated as deferred income which is recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset.
- Capital Work in progress includes cost of fixed assets that are not ready for their intended use and includes advance paid to vendors to acquire the fixed assets.
- The fixed assets are depreciated at straight-line method based on useful life of the assets stated as under:

S.N	Description of Fixed Assets	Useful life for Depreciation
1	Computer Software	3 to 5 Years
2	Server	6 years
3	Computer Hardware- desktops, laptops etc.	3 years
4	Electrical installations and equipment	10 years
5	Furniture and Fittings	10 years
6	Premises (Buildings)	60 years
7	Motor Vehicles	8 years

<u>IX Non-Banking Assets</u>

Non-Banking Assets acquired in settlement of debts/dues are accounted at the lower of their cost or net realizable value.

X Cash and Cash Equivalents

Cash and Cash Equivalents include cash in hand, balances with RBI and Balances with other banks/institutions and money at call and short notice (including effects of changes in exchange rates on cash and cash equivalents in foreign currency).

XI Transactions involving foreign exchange

i) Foreign Currency transactions are recorded on initial recognition in the reporting currency by applying the foreign currency amount, the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

ii) Foreign Currency Monetary items at balance sheet date are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii) Foreign Currency Non-Monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv) Contingent Liabilities denominated in foreign currency are revalued using the exchange rate notified by FEDAI at the balance sheet date.

v) Outstanding foreign exchange spot and forward contracts held for trading at balance sheet date are revalued at the exchange rate notified by FEDAI for specified maturities and the resulting profit or loss is recognized in the statement of profit and loss.

vi) Foreign Exchange forward contracts which are not intended for trading and are outstanding on the Balance sheet date, are revalued at the closing spot rate. The premium or discount arising at the inception of such contracts is amortized as expense or income over the life of the contract.

vii) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.

viii) Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognized in the statement of profit and loss.

XII Derivative Transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognized in the Profit and Loss Account.

XIII Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. The disclosure relating to segment information is in accordance with Accounting Standard 17 - "Segment Reporting" and as per RBI Master Direction on Financial Statements-Presentation and Disclosures dated August 30, 2021. As per the Master Direction, the reportable segments are identified as 'Treasury', 'Corporate / Wholesale Banking', 'Retail Banking' and 'Other banking operations.

- Treasury' includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfil the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master

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Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment. Further, 'Digital Banking' has been identified as a sub-segment of the existing 'Retail Banking' segment as per Reserve Bank of India (RBI) guidelines.

- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under 'Retail Banking'.
- Other Banking Business includes all other banking operations not covered under 'Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

XIV Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

XV Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms.

XVI Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, impairment is recognized for such excess amount. The impairment loss is recognized 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 reduction in revaluation to the extent a revaluation reserve is available for that asset. When there is indication that an impairment loss recognized for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognized.

XVII Taxes on income

The income tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognized, when reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. Deferred tax assets and liabilities are measured using tax rates under tax laws that have been enacted as on reporting date. Changes in deferred tax assets/ liabilities on account of changes in enacted tax rates are given effect to in the profit and loss account in the period of the change. Deferred tax asset is reviewed at each balance sheet date for their realisability.

XVIII Provisions, Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. No provision is recognized, and 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 recognized because:

- 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. The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. If a favourable Judgement/ Order is already there in respect of disputed items of taxation, no provisions or disclosures would be made in the books, in respect of such matters. Bank do not create provision for the cases pending at first appellate authority and where there are no adverse judgements decided on such disputed matters by the High Court/Supreme Court/ Income Tax Appellate Tribunal/ or other such Appellate Authorities.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

XIX Share Issue Expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013

XX Corporate Social Responsibility

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 are recognized in the Profit and Loss Account.

XXI Cash Flow

Cash flow statement has been prepared under the indirect method.

XXI Priority Sector Lending Certificates (PSLC)

The fee paid for purchase of the PSLC would be treated as an 'Expense' and the fee received for the sale of PSLCs would be treated as 'Miscellaneous Income'.

SCHEDULE 18 - NOTES TO ACCOUNTS FORMING PART OF REFORMATTED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2024

1. DISCLOSURE REQUIREMENTS AS PER RBI'S MASTER DIRECTION ON FINANCIAL STATEMENTS – PRESENTATION AND DISCLOSURES

Amount in notes forming part of the financial statements for the year ended March 31, 2024 are denominated in Rupees Crore to conform to extant RBI guidelines except, where stated otherwise.

1. CAPITAL

1.1 Capital Infusion

a) During the year ended March, 31, 2024 there was no infusion of capital.

Paid -up Capital

(₹. in Crore)

Particulars	March 31,2024	March 31,2023
Opening Balance	253.01	253.01
Addition during the year	-	-
Closing Balance	253.01	253.01

Share Premium

(₹. in Crore)

Particulars	March 31,2024	March 31,2023
Opening Balance	1005.45	1005.45
Addition during the year	-	-
Closing Balance	1005.45	1005.45

Tier II Capital

During the year ended March 31, 2024, the Bank has lower Tier II Bonds (ISIN-INE680A09022) of Rs.150.00 crore.

(₹.in Crore)

Particulars	March 31,2024	March 31,2023
Opening Balance as on April 1st	150.00	150.00
Redemption of Bonds	-	-
Closing Balance as on March 31st	150.00	150.00

1.2 Regulatory Capital

The Bank is subject to the Basel-III Capital Regulations stipulated by Reserve Bank of India (RBI) effective from April 1, 2013. Transition to the Basel-III Capital Regulations was in a phased manner. Bank has to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis.

As per the Reserve Bank of India (RBI) guidelines, the total regulatory capital consists of sum of the following;

1) Tier-1 Capital (Going Concern Capital*).

a. Common Equity Tier-1(CET-1)
b. Additional Tier-1

2) Tier-2 Capital (Gone Concern Capital**)

* From Regulatory perspective, Going Concern Capital is the Capital, which can absorb losses without triggering bankruptcy of the Bank.

** From Regulatory perspective, Gone Concern Capital is the Capital, which will absorb losses only in a situation of liquidation of the Bank.

The Minimum Capital Requirement under Basel-III is as follows:

Sl. No	Regulatory Capital	As a % to Risk Weighted Assets (RWAs)
(i)	Minimum Common Equity Tier-1 (CET-1)	5.50
(ii)	Capital Conservation Buffer (CCB)	2.50
(iii)	Minimum Common Equity Tier-1 (CET-1) + Capital Conservation Buffer (CCB) [(i)+(ii)]	8.0
(iv)	Additional Tier 1 Capital	1.50
(v)	Minimum Tier- 1 Capital [(i) +(iv)]	7.00
(vi)	Tier 2 Capital	2.00
(vii)	Minimum Total Capital Ratio [(v)+(vi)]	9.00
(viii)	Minimum Total Capital Ratio + Capital Conservation Buffer (CCB) [(vii)+(ii)]	11.50

Basel-III guidelines require the Bank to maintain a minimum capital to risk weighted assets ratio (CRAR) of 9% with minimum CET-1 CRAR of 5.5%, Minimum Tier-1 CRAR of 7% and Capital Conservation Buffer (CCB) of 2.5%.

a) Composition of Regulatory Capital

The following table sets forth, for the period indicated, computation of capital adequacy as per Basel-III framework:

(₹. in Crore)

Sr. No.	Items	March 31, 2024	March 31, 2023
(i)	Common Equity Tier 1 capital (CET 1) (net of deductions, if any)	847.61	756.83
(ii)	Additional Tier 1 capital	-	-
(iii)	Tier 1 capital (i + ii)	847.61	756.83
(iv)	Tier 2 capital	100.51	127.01
(v)	Total capital (Tier 1+Tier 2)	948.12	883.85
(vi)	Total Risk Weighted Assets (RWAs)	7462.44	7173.79
(vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	11.36%	10.55%
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	11.36%	10.55%
(ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.35%	1.77%
(x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	12.71%	12.32%
(xi)	Leverage Ratio	5.14%	4.87%
(xii)	Percentage of the shareholding of a) Government of India	-	-
(xiii)	Amount of paid-up equity capital raised during the year	-	-
(xiv)	Amount of non-equity Tier 1 capital raised during the year, of which: a) Basel III compliant Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-

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	b) Basel III compliant Perpetual Debt Instruments (PD)		
(xv)	Amount of Tier 2 capital raised during the year, of which a) Basel III compliant Debt Capital Instrument b) Basel III compliant Preference Share Capital Instruments	-	-

The Bank had been computing Net worth considering application Software as an intangible asset up to the quarter ended September 30, 2023. However, the Bank has changed its approach with respect to the treatment of application software for the computation of net worth. Consequently, the Bank has not deducted application Software from Net worth from the quarter ended Dec 31, 2023 onwards. Comparative figures for net worth are also restated accordingly. The consequential positive impact on Capital to Risk Weighted Assets Ratio for the year ended March 31, 2024 is 41 basis points.

1.3 Reserves and Surplus

Statutory Reserve

During the year ended March 31, 2024, the Bank had appropriated Rs. 14.46 Crore (previous year: Rs. 12.38 Crore) out of profits for the year ended March 31, 2024 to the Statutory Reserve in terms of sections 17 of the Banking Regulation Act, 1949 and RBI guidelines.

Capital Reserve

It is the reserve created from Capital profit. Profit on sale of investments in the Held to Maturity category is credited to the Profit and Loss Account and thereafter appropriated to capital reserve (net of taxes and the amount required to be transferred to Statutory Reserves). Amount transferred to Capital Reserve during the year was Rs.0.21Crores (Previous year Nil)

Investment Reserve (IRA)

When 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 shall be credited to the Profit & Loss Account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess provision) shall be appropriated to an IRA. During the year, transfer to Investment Reserve Account is Rs 12.77 Crores (Previous year Nil).

Investment Fluctuation Reserve (IFR)

Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis. During the year, Bank has transferred Rs 2.81 Crores amount (Previous year Nil) to Investment Fluctuation Reserve Account with a view to building up of adequate reserves to protect against increase in yields in future.

Draw down from reserves

The draw down from the reserves for the year ended March 31, 2024 are as follows:

The Bank has not undertaken any drawdown from reserves during the years ended March 31, 2024 and March 31, 2023, except:

1. Nil (Previous year Rs. 10.79 Crore) is drawn from revenue reserves being the remaining unprovided amount of one fraud account as permitted by the RBI DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016.

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2. An amount of Rs. 0.74 crore (previous year Rs. 0.54 crore) draw down from revaluation reserves was made and credited to revenue reserves, being depreciation on the revalued assets.

Credit to Reserve

3. Bank credited back Rs. 10.79 Crore (Previous year Nil) drawn down from revenue and other reserves relating to unamortized amount of one fraud account as permitted by the RBI DBR No.BP.BC.92/21.04.048/2015-16 dated April 18, 2016.

2 ASSET LIABILITY MANAGEMENT

a) Maturity pattern of Assets and Liabilities

Disclosure format of maturity pattern has been revised by RBI vide circular DBR.BP.BC.No. 86/ 21.04.098/2015-16 dated March 23, 2016. In compiling the information of maturity pattern, estimates and assumptions have been made by the management and have been relied upon by the auditors.

i) Maturity Pattern of certain assets and liabilities as at March 31, 2024: (₹. in Crore)

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 30 Days	31 days up to 2 months	Over 2 months up to 3 months	Over 3 months and upto 6 months	Over 6 months and up to 1 year	Over 1 year and upto 3 years	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	67.35	235.05	460.00	438.18	693.65	621.85	2491.92	3390.50	5647.64	180.12	64.06	14290.31
Advances (Net)	268.81	112.40	86.19	556.11	530.82	697.40	1581.04	1744.81	1819.12	734.93	1970.51	10102.16
Investments (Gross)	1.33	0.00	0.00	0.00	24.50	2.50	275.55	157.27	2113.27	929.54	591.11	4095.07
Borrowings	0.00	149.04	0.00	0.00	0.00	0.00	0.00	150.00	0.00	0.00	0.00	299.04
Foreign currency Assets	35.60	4.73	1.98	0.64	6.57	24.75	11.20	58.64	8.47	0	0	152.58
Foreign currency Liabilities	25.54	4.71	1.88	2.51	8.22	9.73	4.90	33.12	12.87	26.83	-	130.30

ii) Maturity Pattern of certain assets and liabilities as at March 31, 2023: (₹. in Crore)

Particulars	Day 1	2 to 7 Days	8 to 14 Days	15 to 30 Days	31 days upto 2 months	Over 2 Months upto 3 months	Over 3 months and upto 6 Months	Over 6 Months and upto 1 year	Over 1 year and upto 3 year	Over 3 year and upto 5 years	Over 5 years	Total
Deposits	56.08	226.62	342.85	665.80	651.97	415.56	1460.92	2849.57	6347.01	263.56	71.71	13351.65
Advances (Net)	223.4	43.28	89.78	386.45	492.60	557.83	1,264.09	1,777.64	1,788.63	1,153.31	1,674.43	9,451.52

Investments (Gross)					15.02	65.17	22.66	226.80	1564.90	1332.11	809.97	4036.62
Borrowings		342.38							150.00			492.38
Foreign currency Assets	35.39	3.08	0.42	4.20	8.40	23.29	11.87	75.88	-	-		162.54
Foreign currency Liabilities	22.61	6.17		5.13	6.83	4.71	7.78	51.33	14.47	24.82	0.04	143.89

b) Liquidity Coverage Ratio (LCR)

i) Quantitative Disclosure

Below mentioned is a position of Liquidity Coverage Ratio computed based on Simple Average of daily observations of the 4 quarters for the year ended March 31, 2024. (₹. In Crore)

		Quarter ended 30.06.23		Quarter ended 30.09.23		Quarter ended 31.12.23		Quarter ended 31.03.24	
		Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average	Total Un-weighted Value (average)	Total Weighted Value (average	Total Un-weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	**Total High-Quality Liquid Assets (HQLA)**		3176		3286.23		3378.17		3639.74
	Cash Outflows								
2	Retail deposits and deposits from small business customers, of which:	10267.82	912.18	10489.45	931.60	10690.51	947.01	10864.77	960.77
i)	Stable Deposits	2292.02	114.60	2346.83	117.34	2440.91	122.05	2514.17	125.71
ii)	Less stable deposits	7975.80	797.58	8142.62	814.26	8249.59	824.96	8350.60	835.06
3	Unsecured wholesale funding, of which:	1044.64	766.32	1309.47	1085.99	1365.10	1152.43	4160.36	1436.97
i)	Operational deposits (all counterparties)			-	-	-	-	-	-
ii)	Non-operational deposits (all counterparties)	1044.64	766.32	1309.47	1085.99	1365.10	1152.43	4160.36	1436.97
iii)	Unsecured debt								

4	Secured wholesale funding	-	-		-				
5	Additional requirements, of which	492.66	102.80	521.52	91.00	540.34	102.88	632.87	134.63
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	492.66	102.80	521.52	91.00	540.34	102.88	632.87	134.63
6	Other contractual funding obligations	0.00	0.00	0.00	0.00	540.34	102.88	83.84	83.84
7	Other contingent funding obligations	393.68	11.81	381.48	11.44	392.90	11.79	393.57	11.81
8	Total Cash Outflows		1793.12		2120.04		2214.10		2627.52
Cash Inflows									
9	Secured lending (e.g. reverse repos)	3.62	3.62	77.08	77.08	77.01	77.01	136.65	136.65
10	Inflows from fully performing exposures	418.11	209.05	496.64	248.32	733.12	366.56	540.38	270.19
11	Other cash inflows	-	-	-	-	-	-	-	-
12	**Total Cash Inflows**	421.72	212.67	573.72	325.40	810.13	443.57	677.04	406.85
			Total adj Value		Total adj Value		Total adj Value		Total adj Value
13	**Total HQLA**		3176		3286.23		3378.17		3639.47
14	**Total Net Cash Outflows**		1580.45		1794.64		1770.53		2220.68
15	**Liquidity Coverage Ratio (%)**		200.96%		183.11%		190.80%		163.89%

Below mentioned is a position of Liquidity Coverage Ratio computed based on Simple Average of daily observations of the 4 quarters for the year ended March 31, 2023.

		Quarter ended 30.06.22		Quarter ended 30.09.22		Quarter ended 31.12.22		Quarter ended 31.03.23	
		Total Un-weighted Value (average)	Total Weighted Value (average)	Total Un-weighted Value (average)	Total Weighted Value (average	Total Un-weighted Value (average)	Total Weighted Value (average	Total Un-weighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	**Total High-Quality Liquid Assets (HQLA)**		**3602.64**		**3580.01**		**3565.71**		**3539.41**
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:	7828.74	448.49	7817.80	444.91	7788.92	441.96	7819.35	445.97
i)	Stable Deposits	6687.61	334.38	6737.37	336.87	6738.65	336.93	6719.33	335.97
ii)	Less stable deposits	1141.13	114.11	1080.43	108.04	1050.27	105.03	1100.02	110.00
3	Unsecured wholesale funding, of which:	1376.52	319.91	1615.64	506.56	1913.44	738.31	1924.66	667.99
i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
ii)	Non-operational deposits (all counterparties)	1376.52	319.91	1615.64	506.56	1913.44	738.31	1924.66	667.99
iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding		177.73		283.86		203.49		63.47
5	Additional requirements, of which	-	-	-	-	-	-	-	-
i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
iii)	Credit and liquidity facilities	-	-			-		-	-

6	Other contractual funding obligations	413.43	74.19	545.02	117.50	546.44	105.99	489.54	103.71
7	Other contingent funding obligations	289.20	8.68	329.64	9.89	342.60	10.28	393.33	11.80
8	Total Cash Outflows		**1029.00**		**1362.72**		**1500.03**		**1292.94**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	12.82	12.82	14.78	14.78	9.04	22.52	20.12	17.35
10	Inflows from fully performing exposures	-	-	-	-	-	-	-	-
11	Other cash inflows	-	-	-	-	-	-	-	-
12	**Total Cash Inflows**	12.82	**12.82**	14.78	14.78-	9.04	22.52	20.12	17.35
			Total adj Value		Total adj Value		Total adj Value		Total adj Value
13	**Total HQLA**		**3602.64**		**3580.01**		**3565.71**		**3539.41**
14	**Total Net Cash Outflows**		**1016.18**		**1347.94**		**1477.51**		**1275.60**
15	**Liquidity Coverage Ratio (%)**		**354.53%**		**265.59%**		**241.33%**		**277.47%**

ii) Qualitative Disclosure

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 09, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards" as amended for "Prudential Guidelines on Capital Adequacy and Liquidity Standards" dated March 31, 2015. The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30-calendar day time horizon under a significantly severe liquidity stress scenario. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken. Banks are required to maintain High Quality Liquid Assets of a minimum of 100% of its Net Cash Outflows. The adequacy in the LCR maintenance is an outcome of a conscious strategy of the Bank towards complying with LCR mandate ahead of the stipulated timelines. The maintenance of LCR, both on end of period and on an average basis, has been on account of multiple factors viz, increases in excess SLR, existing eligibility in corporate bond investments, increase in retail deposits and increase in non-callable deposits. Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows) except where otherwise mentioned in the circular and LCR template. Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows). Board of Directors of the Bank has empowered ALCO (Senior Management Executive Committee) to monitor and strategize the Balance Sheet profile of the Bank.

The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, Certificate of Deposits issued by Banks with rating A1+ and above apart from regulatory dispensation allowed in the form of borrowing limit available through Marginal Standing Facility (MSF) and Facility to Avail

Liquidity for Liquidity Coverage Ratio (FALLCR). Average LCR for the Quarter ended March 31, 2024 is 163.89% (Quarter ended March 31, 2023: 277.47%), which is comfortably above RBI prescribed minimum requirement of 100%.

b) Net Stable Funding Ratio (NSFR)

i) Quantitative Disclosure

The following table sets out the unweighted and weighted value of the NSFR components of the Dhanlaxmi Bank at March 31, 2024 (i.e., quarter-end observation). (₹ in Crore)

Net Stable Funding Ratio- March 31, 2024						
		Unweighted value by residual maturity				
	(₹ in Crore)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weight-ed value
ASF Items						
1	Capital: (2+3)	882.01	-	-	36.51	918.52
2	Regulatory capital	882.01	-	-	-	882.01
3	Other capital instruments	-	-	-	36.51	36.51
4	Retail deposits and deposits from small business customers: (5+6)	4149.44	2686.86	2069.08	2037.73	9977.10
5	Stable deposits	962.52	622.42	458.39	522.78	2437.80
6	Less stable deposits	3186.92	2064.44	1610.69	1514.95	7539.29
7	Wholesale funding: (8+9)	232.00	1712.92	1156.19	209.58	1485.42
8	Operational deposits					
9	Other wholesale funding	232.00	1712.92	1156.19	209.58	1485.42
10	Other liabilities: (11+12)	789.57	-	-	-	-
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in the above categories	789.57	-	-	-	-
13	**Total ASF (1+4+7+10)**					12381.04
RSF Items						
14	Total NSFR high-quality liquid assets (HQLA)					198.56
15	Deposits held at other financial institutions for operational purposes	14.59	-	-	-	7.30
16	Performing loans and securities: (17+18+19+20+21+23)	-	3518.85	1958.28	3718.44	5592.44
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	303.27	439.73	-	265.36
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs of which	-	3215.43	1517.91	2473.39	4436.60
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	162.24	105.46

21	Performing residential mortgages, of which:	-	0.15	0.64	961.06	649.09
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0.15	0.64	891.34	579.37
23	Securities that are not in default and do not qualify as HQLA, including exchange traded equities				283.99	241.39
24	Other assets: (sum of rows 25 to 29)		2.69	13.64	2229.21	2246.33
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27	NSFR derivative assets					
28	NSFR derivative liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories		2.69	13.64	2229.21	2246.33
30	Off-balance sheet items				1058.52	45.18
31	**Total RSF (14+15+16+24+30)**	774.62	3987.09	2066.48	10192.22	8089.80
32	**Net Stable Funding Ratio (%)**					**153.05%**

Bank has complied with the regulatory requirements w.r.t NSFR.

The NSFR calculation at December 31,2023 (i.e., quarter end observation) is shown below: -

(₹ in Crore)

Net Stable Funding Ratio -December 31, 2023						
		Unweighted value by residual maturity				
(₹ in Crore)		**No maturity**	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	**Weighted value**
ASF Items						
1	Capital: (2+3)	839.67	0	0	150.00	989.67
2	Regulatory capital	839.67			30.00	869.67
3	Other capital instruments				120.00	120.00
4	Retail deposits and deposits from small business customers: (5+6)	4082.52	2191.84	2523.10	2103.76	9927.69
5	Stable deposits	869.98	532.66	458.49	470.79	2215.32
6	Less stable deposits	3212.54	1659.18	2064.61	1632.97	7712.37
7	Wholesale funding: (8+9)	370.52	1111.67	1787.15	161.67	1562.99
8	Operational deposits					
9	Other wholesale funding	370.52	1111.67	1787.15	161.67	1562.99
10	Other liabilities: (11+12)	520.08	0	0	0	0
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in the above categories	520.08			0	0
13	**Total ASF (1+4+7+10)**					**12480.36**
RSF Items						

	Net Stable Funding Ratio -December 31, 2023					
		Unweighted value by residual maturity				Weighted value
	(₹ in Crore)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14	Total NSFR high-quality liquid assets (HQLA)					192.49
15	Deposits held at other financial institutions for operational purposes	264.18	-	-	-	132.09
16	Performing loans and securities: (17+18+19+21+23)		3806.48	1447.72	3658.34	5412.94
17	Performing loans to financial institutions secured by Level 1 HQLA					
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		306.81	323.99		208.02
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:		3499.67	1123.73	2525.22	4420.02
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				190.61	123.90
21	Performing residential mortgages, of which:				891.23	579.30
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				891.23	579.30
23	Securities that are not in default and do not qualify as HQLA, including exchange traded equities				241.89	205.61
24	Other assets: (sum of rows 25 to 29)				2335.87	2335.87
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
27	NSFR derivative assets					
28	NSFR derivative liabilities before deduction of variation margin posted					
29	All other assets not included in the above categories				2335.87	2335.87
30	Off-balance sheet items				1001.08	42.05
31	**Total RSF(14+15+16+24+30)**	1038.68	3972.48	1678.17	10154.12	**8115.43**
32	**Net Stable Funding Ratio (%)**					**153.79%**

ii) Qualitative Disclosure

The Net Stable Funding Ratio (NSFR) is one of Basel Committee's key reforms to promote a more resilient banking sector. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

The Bank is required to maintain the NSFR on an ongoing basis on a standalone Bank level and on a Group level. The minimum NSFR requirement set out in the RBI guideline for the standalone Bank and for Group effective October 1, 2021 is 100%. The Bank has complied with the regulatory requirements with respect to NSFR as of 31 March 2024.

NSFR Calculation Methodology	**RBI prescribed minimum NSFR**	**Bank's NSFR for the Quarter ended March 31, 2024**
NSFR= (Available amount of Stable funding) / (Required amount of Stable funding)	100%	153.05%

Bank has complied with regulatory requirements with respect to NSFR

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3 INVESTMENTS

a) Composition of Investment Portfolio

i) As on 31.03.2024

Particulars	Investments in India						
	Govt. Securities	Other approved securities	Shares	Debentures and Bonds	Subsidiaries and / or joint ventures	Others	Total investments in India
Held to Maturity (HTM)							
Gross	2549.84	0.00	0.00	0.00	0.00	0.00	2549.84
Less: Provision for NPI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	2549.84	0.00	0.00	0.00	0.00	0.00	2549.84
Available for Sale (AFS)							
Gross	905.83	0.00	36.44	520.74	0.00	82.21	1545.23
Less: Provision for depreciation and NPI	10.41	0.00	17.74	68.14	0.00	56.38	152.67
Net	895.42	0.00	18.70	452.61	0.00	25.83	1392.56
Held for Trading (HFT)							
Gross	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Provision for depreciation and NPI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Investments	3455.68	0.00	36.44	520.74	0.00	82.21	4095.07
Less: Provision for NPI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Provision for depreciation and NPI	10.41	0.00	17.74	68.14	`0.00	56.38	152.67
Net	3445.27	0.00	18.70	452.60	0.00	25.83	3942.40

Bank has no investment outside India.

ii) **<u>As on 31.03.2023</u>**

Particulars	Investments in India						
	Govt. Securities	**Other approved securities**	**Shares**	**Debentures and Bonds**	**Subsidiaries and / or joint ventures**	**Others**	**Total investments in India**
Held to Maturity (HTM)							
Gross	2651.00	0.00	0.00	0.00	0.00	0.00	2651.00
Less: Provision for NPI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	2651.00	0.00	0.00	0.00	0.00	0.00	2651.00
Available for Sale (AFS)							
Gross	688.13	0.00	37.11	602.68	0.00	57.71	1385.63
Less: Provision for depreciation and NPI	22.61	0.00	17.12	51.87	0.00	56.38	147.98
Net	665.52	0.00	19.98	550.82	0.00	1.33	1237.64
Held for Trading (HFT)							
Gross	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Provision for depreciation and NPI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Investments	3339.13	0.00	37.11	602.68	0.00	57.71	4036.62
Less: Provision for NPI	0.00	0.00	0.00	0.00	0.00	-	-
Less: Provision for depreciation and NPI	22.61	0.00	17.12	51.87	0.00	56.38	147.98
Net	3316.52	0.00	19.98	550.82	0.00	1.33	3888.64

Bank has no investment outside India

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

(₹. In crore)

Particulars	31st March 2024	31st March 2023
1) Movement of Provisions held towards depreciation on Investments		
a) Opening Balance	58.02	17.95
b) Add: Provisions made during the year	-	40.07
c) Less: Write Off/ write back of excess provisions during the year.	21.31	-
d) Closing balance	36.71	58.02
2) Movement of provisions for Non-performing Investments (NPIs)		
a) Opening Balance	89.96	93.46
b) Add: Provisions made during the year	26.01	-
c) Less: Write off / (Write back) of excess provision during the year	-	(3.50)
d) Closing balance	115.97	89.96
3) Movement of Investment Fluctuation Reserve		
a) Opening balance	25.04	25.04
b) Add: Amount Transferred during the year	2.81	-
c) Closing Balance	27.85	25.04
4) Closing balance in IFR as a percentage of closing balance of Investments* in AFS and HFT/Current category	2.00%	2.02%

*The carrying value less net depreciation (ignoring net appreciation) i.e., the net amount reflected in Balance Sheet

c) i) Sale and Transfers to / from HTM Category FY 2023-24

	Particulars	Classification	Book Value
1	Shifting from AFS to HTM	G SEC & SDL	74.92
2	Shifting from HTM to AFS	G SEC & SDL	-
3	Sale from HTM	G SEC	71.27
4	Sale from HTM	SDL	-
	Total sale in regular market attracting 5% cap (3+4)		71.27
	Sale in terms of % to 31/03/2023 position		**0.03**

During the year ended March 31, 2024, the aggregate book value of investments sold from Held to Maturity (HTM) category was within the prescribed limit of 5% (2.69% - Total Rs.71.27 Crores) of the book value of investments held in HTM category at the beginning of the year (₹.2,651 Crores). The market value of investments held in HTM category as on 31st March 2024 was Rs.2,482.53 Crores against the book value of Rs.2,549.84 Crores. The Bank has not provided for excess of book value over market value i.e., Rs.67.31 Crores.

ii) <u>Sale and Transfers to/ from HTM Category during FY 2022-23</u>

During the year ended March 31, 2023, there was no sales and transfer of securities from HTM Category. Hence no disclosure is required.

In accordance with Reserve Bank of India (RBI) guidelines, sale from, and transfer to/from Held to Maturity (HTM) category excludes;

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- One-time transfer of securities to /from HTM category permitted to be undertaken by banks at the beginning of the accounting year with the approval of the Board of Directors;
- Direct sales from HTM for bringing down SLR holdings in HTM category consequent to a downward revision in SLR requirements by RBI.
- Sale to the Reserve Bank of India (RBI) under liquidity management Operations of RBI like Open Market Operation (OMO) and the Government Securities Acquisition Program. (GSAP)
- Repurchase of Government securities by Government of India from Banks under buyback/ switch operations
- Repurchase of State Development loans by respective State Governments under buyback/ switch operations.
- Additional shifting of securities explicitly permitted by the Reserve Bank of India

d) Non SLR Investment Portfolio

i) Non-Performing Non SLR Investments

Particulars	**March 31, 2024**	**March 31, 2023**
Opening Balance	89.96	93.46
Additions during the year	26.01	0.00
Reductions during the year	0.00	3.50
Closing balance	115.96	89.96
Total provision held	115.96	89.96

a. Issuer-wise composition of Non SLR investments March 31, 2024

Sl. No.	**Issuer**	**Amount @**	**Extent of Private Placement #**	**Extent of 'Below Investment Grade' Securities #**	**Extent of Unrated Securities #***	**Extent of Unlisted Securities #****
(i)	Public Sector Undertakings	270.50	259.80	-	-	0.10
(ii)	Financial Institutions	154.97	154.97	-	-	-
(iii)	Banks	71.97	71.97	5.00	5.00	5.00
(iv)	Private Corporates	84.25	82.71	52.68	51.87	83.39
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others (Security Receipts & PTC)					
		57.71	57.71	57.71	2.10	57.71
		0.00	0.00	0.00	0.00	0.00
(vii)	Less: Provision held towards Depreciation & NPI		0.00	0.00	0.00	0.00
		142.26	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00
	Total	497.16	627.17	115.39	58.97	146.19

Issuer-wise composition of Non SLR investments **March 31, 2023**

Sl. No.	Issuer	Amount @	Extent of Private Placement #	Extent of 'Below Investment Grade' Securities #	Extent of Unrated Securities #*	Extent of Unlisted Securitie s #**
(i)	Public Sector Undertakings	271.29	259.80	-	-	0.10
(ii)	Financial Institutions	240.10	240.10	-	-	-
(iii)	Banks	47.64	47.47	5.00	5.00	5.00
(iv)	Private Corporates	80.77	78.71	26.68	26.68	57.38
(v)	Subsidiaries/Joint Ventures	-	-	-	-	-
(vi)	Others (Security Receipts & PTC)	57.71	57.71	57.71	0.00	57.71
(vii)	Less: Provision held towards Depreciation & NPI	125.37	0.00	0.00	0.00	0.00
	Total	572.12	683.79	89.39	31.68	120.19

- @The Total under column no: 1 is the total of investments included under the following categories in Schedule-8 to the Balance Sheet;

  i. Shares
  ii. Debentures and Bonds
  iii. Subsidiaries/Joint Ventures
  iv. Others

- # Amounts reported under the columns 2, 3, 4 and 5 above are not mutually exclusive.

- * Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.

- ** Excludes investments in equity shares and units of equity oriented mutual funds in line with extant RBI guidelines.

e) i) Repo Transactions (in Face Value Terms)

Particulars	Minimum Outstanding during the year ended March 31		Maximum Outstanding during the year ended March 31		Daily Average outstanding during the year ended March 31		Outstanding as on March 31, 2024	Outstanding as on March 31, 2023
	2024	2023	2024	2023	2024	2023		
Securities sold under repos								
Govt. Securities	5.00	8.00	374.21	609.77	58.91	177.27	149.04	342.38
Corporate Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Securities purchased under reverse repos								
Govt. Securities	9.99	19.99	374.94	100.14	36.53	5.45	200.00	0.00
Corporate Debt Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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Note: As per RBI/2018-2019/24 FMRD.DIRD.01/14.03.038/2018-19 dt. July 24, 2018 only Market repo & Market reverse repo Transactions have been taken into Account; Repo/Reverse repo Transactions conducted under Liquidity Adjustment Facility (LAF) with RBI have not been counted

ii) Outstanding Repo / Reverse Repo Transactions with Reserve Bank of India (RBI) under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF)

Particulars	**March 31, 2024**	**March 31, 2023**
Repo under Liquidity Adjustment Facility (LAF) / Marginal Standing Facility (MSF)	0.00	0.00
Reverse Repo under Liquidity Adjustment Facility (LAF) / Marginal Standing Facility (MSF)	0.00	0.00

f) Investments kept as margin (in face value terms)

Particulars	**March 31, 2024**	**March 31, 2023**
Collateralized Borrowing and Lending Obligation (CBLO)	150.17	150.17
Clearing of Securities	40.70	35.70
Forex forward segment – Default Fund with Clearing Corporation of India Limited	3.00	3.00
National Securities Clearing Corporation of India Ltd.	0.00	0.00
MCX-SX Clearing Corporation Ltd.	0.00	0.00
Real Time Gross Settlement System (RTGS)	250.00	250.00
Total	443.87	438.87

g) Triparty Repo (TREPS) Transactions

Triparty Repo (TREPS) is a repo contract where a third entity (apart from the borrower and lender), called a Triparty Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.

Particulars	**March 31, 2024**	**March 31, 2023**
Outstanding TREPS Borrowing	64.44	64.96
Outstanding TREPS Lending	0.00	0.00
Amortized Book Value of securities given as collateral to CCIL	64.84	64.49

h) Details of Book Value of Investments in Security Receipts

Particulars	**March 31, 2024**	**March 31, 2023**
Backed by NPAs sold by the bank as underlying	62.15	57.71
Backed by NPAs sold by the other Banks / Financial institutions / NBFC as underlying	0.00	0.00
Total	**62.15**	**57.71**

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4. ASSET QUALITY

a i) Classification of Advances and provisions held as on March 31, 2024 (₹. in crore)

Particulars	**Standard**	**Non-Performing**				**Total**
	Total Standard advances	**Sub standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs						
Opening Balance	9342.58	46.05	228.08	237.02	511.15	9853.73
Add: Additions during the year					152.24	152.24
Less: reductions during the year					242.18	242.18
Closing Balance	9975.69	104.61	185.30	131.30	421.21	10396.91
Reductions in Gross NPA due to						
i)Up gradation					65.55	65.55
ii) Recoveries (excluding recoveries from upgraded accounts)					86.10	86.10
iii)Technical/ Prudential write off loans					52.10	52.10
iv) Write off other than those under (iii) above.					38.43	38.43
Provisions (Excluding Floating Provisions)						
Opening balance of Provisions held@	58.95	8.52	152.21	236.08	399.79	458.74
Add: Fresh Provisions made during the year					87.85	87.85
Less: Excess provision reversed/ Write-off loans					195.27	195.27
Closing Balance of provisions held@		21.97	137.25	130.18	292.37	
@ Counter Cyclical Provision of Rs 2.97Crores is factored in Total NPAs/Total columns under opening /closing balance only.						
Net NPAs						
Opening Balance#		37.50	75.34	0.00	109.20	109.20
Add: Fresh additions during the year					124.33	124.33
Less: reductions during the year					107.06	107.06
Closing Balance#		82.51	47.60	0.00	126.47	126.47
# General provision of ₹ 3.64 Crore (Counter Cyclical Provision of Rs 2.97 Crores and floating provision of Rs 0.67 crores) is factored in Total NPAs/Total columns under opening /closing balance only.						
Floating Provisions						
Opening Balance						0.67
Add: Additional provisions made during the year						0.00
Less: Amount draw down during the year						0.00
Closing Balance						0.67

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Technical Write off and the recoveries made thereon:	
Opening Balance	651.20
Add: Technical/Prudential write offs during the year	52.10
Less: Recoveries made from previously technical/ prudential written off accounts during the year	41.83
Closing Balance	661.47

ii) Classification of Advances and provisions held as on March 31, 2023 (₹. in crore)

Particulars	Standard	Non-Performing				Total
	Total Standard advances	Sub standard	Doubtful	Loss	Total Non-Performing Advances	
Gross standard Advances and NPAs						
Opening Balance	7910.04	47.51	413.38	2.64	533.54	8443.58
Add: Additions during the year					100.11	100.11
Less: reductions during the year					122.50	122.50
Closing Balance	9342.58	46.05	228.08	237.02	511.15	9853.73
Reductions in Gross NPA due to						
i)Up gradation					33.69	33.69
ii) Recoveries (excluding recoveries from upgraded accounts)					84.08	84.08
iii)Technical/ Prudential write off loans					0.00	0.00
iv) Write off other than those under (iii) above.					4.73	4.73
Provisions (Excluding Floating Provisions)						
Opening balance of Provisions held@	60.24	6.90	217.81	71.48	299.17	359.41
Add: Fresh Provisions made during the year					152.33	152.33
Less: Excess provision reversed/ Write-off loans					51.71	51.71
Closing Balance of provisions held@	58.95	8.52	152.21	236.08	399.79	458.74
@ Counter Cyclical Provision of Rs.2.97Crores is factored in Total NPAs/Total columns under opening /closing balance only.						
Net NPAs						
Opening Balance#		33.01	201.70	1.09	232.16	
Add: Fresh additions during the year					71.27	
Less: reductions during the year					194.23	
Closing Balance#		37.50	75.34	0.00	109.20	109.20
# General provision of ₹ 3.64 Crore (Counter Cyclical Provision of Rs 2.97Crores and floating provision of Rs.0.67 crores) is factored in Total NPAs/Total columns under opening /closing balance only.						

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Floating Provisions		
Opening Balance		0.67
Add: Additional provisions made during the year		0.00
Less: Amount draw down during the year		0.00
Closing Balance		0.67
Technical Write off and the recoveries made thereon: -		
Opening Balance		665.46
Add: Technical/Prudential write offs during the year		0.00
Less: Recoveries made from previously technical/ prudential written off accounts during the year		14.26
Closing Balance		651.20

Ratios (in Percentage)	**31st March 2024**	**31st March 2023**
Gross NPA to Gross Advances	4.05%	5.19%
Net NPA to Net Advances	1.25%	1.16%
Provision Coverage Ratio	88.32%	90.61%

b) Sector-wise advances and Gross NPAs (₹ in crores)

Sl. No.	**Sector**	**March 31, 2024**			**March 31, 2023**		
		Out-standing Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Out-standing Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities	3085.39	16.47	0.53	2547.34	24.29	0.95
2	Advances to industries sector eligible as priority sector lending	608.83	84.06	13.81	649.36	35.86	5.52
3	Services	964.58	134.08	13.90	1082.18	137.85	12.74
4	Personal loans (Other than above)	804.83	35.01	4.35	673.13	31.59	4.69
	Sub-total (A)	5463.63	269.62	4.93	4952.02	229.59	4.64
B	**Non-Priority Sector**						
1	Agriculture and allied activities	0.00	0.00	0.00	0.00	0.00	0.00
2	Industry	1173.71	6.80	0.58	582.92	30.15	5.17
3	Services	3394.63	86.35	2.54	2764.01	214.17	7.75
4	Personal loans (Other than above)	364.94	58.44	16.01	1554.78	37.24	2.40
	Sub-total (B)	4933.27	151.59	3.07	4901.71	281.56	5.74

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	Total (A+B)	10396.90	421.21	4.05	9853.73	511.15	5.19

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors. The above priority sector advance figure is excluding the investment in RIDF with NABARD and other regulators.

c) Overseas assets, NPAs and revenue

NIL

d) Particulars of Resolution Plan and Restructuring

i) Particulars of Resolution Plan

During the FY 2023-24, the Bank has restructured advances under the following schemes:

- Prudential Framework for Resolution of Stressed Assets issued by RBI vide circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019
- Education Loans under IBA circular No. CIR/RB-ELS/1713 dt.26.12.2016.
- There were no accounts subjected to restructuring during the year which included an acquisition of shares due to conversion of debt to equity during a restructuring process on account of June 7, 2019 RBI circular.

ii) Details of borrowers subjected to restructuring under various schemes, as on March 31, 2024.

(₹. in Crore)

		Agriculture and allied activities	**Corporates (excluding MSME**	**Micro, Small and Medium Enterprises**	**Retail (excluding agriculture and MSME)**	**Total**
Standard	Number of borrowers	-	-	2	44	46
	Gross Amount	-	-	3.70	1.60	5.30
	Provision held*	-	-	0.03	0.16	0.19
Sub-standard	Number of borrowers	-	-	1	6	7
	Gross Amount	-	-	9.36	0.57	9.93
	Provision held	-	-	2.58	0.13	2.70
Doubtful	Number of borrowers	-	-	3	8	11
	Gross Amount	-	-	22.51	2.33	24.84
	Provision held	-	-	13.90	1.59	15.49
Loss	Number of borrowers	1		5	69	75
	Gross Amount	0.02	-	6.08	2.26	8.36
	Provision held	0.02	-	6.08	2.26	8.36
Total	**Number of borrowers**	1	-	11	127	139
	Gross Amount	0.02	-	41.66	6.76	48.44
	Provision held	0.02	-	22.59	4.13	26.74

i) *Inclusive of diminution in fair value.

Note: Excluding the accounts restructured under One-time Restructuring Scheme for MSME accounts and RFCS 1.0 (I&S), RFCS 2.0(I&S) and RFCS 2.0 (MSME).

Details of borrowers subjected to restructuring under various schemes, as on March 31, 2023.

(₹ in Crore)

		Agriculture and allied activities	Corporates (excluding MSME	Micro, Small and Medium Enterprises	Retail (excluding agriculture and MSME)	Total
Standard	Number of borrowers	Nil	Nil	3	41	44
	Gross Amount		-	38.23	2.97	41.20
	Provision held*	-	-	1.79	0.22	2.01
Sub-standard	Number of borrowers	Nil	Nil	2	6	8
	Gross Amount	-	-	2.08	0.49	2.57
	Provision held	-	-	0.32	0.11	0.43
Doubtful	Number of borrowers	Nil	Nil	4	9	13
	Gross Amount	-	-	17.24	2.31	19.55
	Provision held	-	-	7.60	1.00	8.60
Loss	Number of borrowers	2	Nil	6	86	94
	Gross Amount	0.04	-	6.20	2.76	9.00
	Provision held	0.04	-	6.20	2.76	9.00
Total	Number of borrowers	2	Nil	15	142	159
	Gross Amount	0.04	-	63.75	8.53	72.32
	Provision held	0.04	-	15.91	4.09	20.04

*Inclusive of diminution in fair value

Note: Excluding the accounts restructured under One-time Restructuring Scheme for MSME accounts and RFCS 1.0 (I&S), RFCS 2.0(I&S) and RFCS 2.0 (MSME).

iii) Details of Micro, Small and Medium Enterprises (MSME) Sector accounts restructured under the One Time Restructuring Scheme for MSME accounts as on 31.03.2024

Details of MSME accounts restructured as per RBI Circular DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019, RBI/2019-20/160.DOR.No.BP.BC.34/21.04.048/2019-20 dt. February 11,2020 and RBI/2020-21/17DOR.No.BP BC/4/21.04.048/2020-21 dt. August 06,2020, RBI/2021-22/32 DOR.STR.REC. 12/21.04.048/2021-22 dated May 05, 2021 and RBI/2021-22/47 DOR.STR.REC.12/21.04.048/2021-22 dated June 4, 2021 are as given below:

No. of borrowers restructured	Amount (₹ in Crore) *
34	86.21

*Excludes other facilities to the borrowers which have not been restructured but considered as part of residual debt.

e) Disclosure of Divergence in the Asset Classification and Provisioning

The divergence observed by RBI for the financial years 2022-23 and 2021-22 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning are below the regulatory requirement for disclosure and hence the disclosure as required under RBI Master Direction on 'Financial Statements-Presentation and Disclosures' on 'Divergence in the asset classification and provisioning', is not required to be made.

f) Disclosure of transfer of loan exposures

During the year 2023-2024 and previous year 2022-2023: -

(i) The Bank has not transferred any Non-Performing Assets (NPAs).
(ii) The Bank has not transferred any special mention accounts (SMA) & Loan not in default.
(iii) The bank has not transferred any loans in default acquired through assignment.
(iv) The Bank has not acquired any loans from SCBs, RRBs, Co-operative Banks, AIFIs, SFBs and NBFCs including Housing Finance Companies (HFCs) or ARCs.

g) **Fraud Accounts**

RBI vide DoS. CO. FMG. No. S332/23.04.001/2022-23 dtd.13th January, 2023 has advised all member Banks to report all the Digital Payment related Financial Fraud incidents to RBI through FMR, which includes the instances where either the credentials have been compromised by customers themselves, or no loss has been caused to the Bank. In compliance of the above, Bank has started reporting all cyber fraud incidents to RBI through FMR, from 1st January 2023 onwards.

Out of the total 421 numbers of fraud incidents reported to RBI during the year 2023-2024, 415 numbers are cyber frauds, amounting to Rs 1.61 Crores, where frauds had happened due to the compromise of confidential customer credentials by customers themselves/customer negligence and in these cases, there is no loss to the Bank. During the FY 2023-2024, material Fraud cases of 6 numbers amounting to Rs 4.11 crores occurred and reported, out of which in one account, full amount of Rs 0.20 crores was recovered.

	March 31, 2024	**March 31, 2023**
No. of frauds reported during the year	421	61
Amount involved in fraud (₹. in Cr)	5.72	161.03
Amount involved in fraud net of recoveries which requires provision (₹. in Cr)	3.91	155.68
Amount of Provision made for such Frauds (₹. in Cr)	3.91	144.89
Amount of unamortized provision debited from "other reserves" as at the end of the year (₹. in Cr) (See note below)	Nil	10.79

h) Disclosure under Resolution framework for COVID-19- related Stress: -

1) Details of resolution plan implemented under Resolution framework for Covid -19 related stress as per RBI Circular dated August 6, 2020 (Resolution framework 1.0) and as per RBI circular dated May 5, 2021 (Resolution Framework 2.0) "Covid-19 related Stress of Individuals and small business" are given below:-

₹. In Crore

Type of borrower	**(A)**	**(B)**	**(C)**	**(D)**	**(E)**
	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of previous half year (A) 30.09.2023	Of (A), aggregate debt that slipped into NPA during the half year ended Mar 2024	Of (A) amount written off during the half year	Of (A) amount paid by the borrowers during the half year ended Mar 2024	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of year 31.03.24*
Personal Loans	18.58	0.74	0.00	2.77	15.93
Others	27.64	1.12	0.00	6.70	19.62
Corporate Persons (all are MSME loans)	11.16	0.00	0.00	3.03	7.78
Total under RFCS	57.38	1.86	0.00	12.50	43.33

*Excludes other facilities to the borrowers which have not been restructured but considered as part of residual debt.

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ii) Number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 of Circular No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 dt. May 5, 2021, 'Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses' are as follows;

No. of Accounts	Nil
Aggregate Exposure as on March 31, 2024 (₹. In Crore)	Nil

5. EXPOSURES

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market and real estate.

a. Exposure to Real Estate Sector

The exposure, representing the higher of funded and non-funded limits sanctioned or outstanding to real estate sector, is given in the table below: (₹ in Crore)

Category	**March 31, 2024**	**March 31, 2023**
a) Direct exposure		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; ***(A)***	1139.55	963.49
Of Which individual Housing loan eligible for inclusion in Priority Sector Advances	654.56	572.03
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; ***(B)***	301.86	261.45
(iii) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures –		
a. Residential,	Nil	Nil
b. Commercial Real Estate.	Nil	Nil
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) ***(C)***	288.09	399.00
Total Exposure to Real Estate Sector (A+B+C)	**1729.50**	**1623.94**

b) Exposure to Capital Market

The exposure, representing the higher of funded and non-funded limits sanctioned or outstanding to capital market sector, is given in the table below: (₹. in Crore)

Particulars	**March 31, 2024**	**March 31, 2023**
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	36.44	64.57

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Particulars	March 31, 2024	March 31, 2023
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	NIL	NIL
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	NIL	NIL
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e., where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds `does not fully cover the advances;	NIL	NIL
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	NIL	NIL
(vi)Loans sanctioned to corporate 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;	NIL	NIL
(vii) Bridge loans to companies against expected equity flows/issues;	NIL	NIL
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	NIL	NIL
(ix) Financing to stockbrokers for margin trading;	NIL	NIL
(x) All exposures to Venture Capital Funds (both registered and unregistered)	NIL	NIL
Total Exposure to Capital Market	**36.44**	**64.57**

Capital market exposure is reported in line with Para 2.3 of RBI's Master Circular on Exposure Norms dated July 1, 2015 (DBR.No. Dir. BC. 12/13.03.00/2015-16).

c) Risk Category wise Country exposure (₹. In Crore)

Risk Category	Exposure (net) as at	Provision held as at	Exposure (net) as at	Provision held as at
	March 31, 2024	March 31, 2024	March 31, 2023	March 31, 2023
Insignificant	Nil	Nil	4.67	Nil
Low	0.19	Nil	4.71	Nil
Moderately Low	0.19	Nil	Nil	Nil
Moderate	Nil	Nil	Nil	Nil
Moderately High	Nil	Nil	Nil	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Total	**0.38**	Nil	**9.38**	Nil

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As the Bank's exposure for the year in respect of risk Category-wise Country Exposure (Foreign Exchange Transactions) is less than 1% of total assets of the Bank, no provision is considered necessary.

d) **Unsecured Advances**

Following are the details of unsecured advances for which intangible securities have been taken.

(₹ in Crores)

Particulars	**March 31, 2024**	**March 31, 2023**
Total Unsecured advances of the Bank	502.94	355.41
Of which, amount of advances outstanding against charge over intangible securities such as rights, Licenses, authority etc.	Nil	Nil
The estimated value of such intangible security as in (i) above	Nil	Nil

e) Factoring Exposures

Bank has no factoring Exposures

f) Intra-Group Exposures

Bank does not have any group entities.

g) Unhedged Foreign Currency Exposure

The Bank has a policy on managing credit risk arising out of foreign currency exposure of its borrowers. In line with the policy, assessment of unhedged foreign currency exposure is a part of assessment of borrowers and is undertaken while proposing limits or at the review stage. The Bank has fixed a maximum limit on unhedged position on borrowers, while sanctioning limits for all clients. The unhedged portion of foreign

currency credit exposure of large corporate/SMEs are monitored and reviewed on a monthly basis. Any sanction of fresh loans/ adhoc loans/ renewal of loans to new/ existing borrowers is done after obtaining/ sharing necessary information. The Bank also maintains incremental provision towards the unhedged foreign currency exposure of its borrowers in line with the extant RBI guidelines. The Bank has maintained a provision of Rs.0.96 (previous year – Rs. 0.12 crore) and no additional capital on account of unhedged foreign currency exposure of its borrowers as at March 31, 2024.

6. Concentration of Deposits, Advances, Exposures and NPAs

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

a). Concentration of Deposits

Particulars	**March 31, 2024**	**March 31, 2023**
Total Deposits of twenty largest depositors (₹. In crore)	3179.70	3027.15
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	22.25%	22.67%

b) Concentration of Advances

Particulars	**March 31, 2024**	**March 31, 2023**
Total Advances to twenty largest borrowers (₹. In crore)	1,556.67	1759.99
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	14.97%	17.86%

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Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

c)Concentration of Exposures

Particulars	March 31, 2024	March 31, 2023
Total Exposure to twenty largest borrowers/customers (₹. In crore)	1691.32	1824.43
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers /customers	14.36%	17.63%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.

d) Concentration of NPAs

Particulars	March 31, 2024	March 31, 2023
Total Exposure to top twenty NPA accounts (₹ in Crore)	**251.83**	**302.45**
Percentage of exposures to the twenty largest NPA exposures to total Gross NPAs.	**59.79%**	**59.17%**

7. **DERIVATIVES**

   a. **Forward Rate Agreement (FRA) / Interest Rate Swaps (IRS)**

The Bank has not entered into Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) during FY 2023-24. The bank had NIL outstanding FRA and IRS position at the end of March 2024.

b Exchange traded Interest Rate Derivatives

Sl. No.	Particulars	March 31, 2024	March 31,2023
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	NIL	NIL
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March (instrument-wise)	NIL	NIL
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)	NIL	NIL
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument- wise)	NIL	NIL

c) Disclosures on risk exposure in Derivatives

Qualitative disclosure

Structure and Organization for Management of risk in derivatives trading: Operations in the Treasury are segregated into three functional areas, namely Front office, Mid office and Back-office, equipped with necessary infrastructure and trained officers, whose responsibilities are well defined. The Bank enters into plain vanilla forward forex contracts only to backup / cover customer transactions as also for proprietary trading purpose. The Bank also enter in to foreign exchange swaps with other banks for hedging own balance sheet items like FCNR/ EEFC etc. The Treasury Management Policy of the Bank clearly lays down the scope of usages, approval process as also the limits like the open position limits, deal size limits and stop loss limits for trading.

The Mid Office is handled by Risk Management Department. Daily report is generated by Risk Management Department for appraisal of the risk profile to the senior management for Asset and Liability management.

1. Scope and nature of risk measurement, risk reporting and risk monitoring systems:

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Outstanding forward contracts are monitored by Risk Management Department against the limits (Counterparty, Stop Loss, Open Position, VaR, Aggregate Gap) fixed by the Board and approved by RBI (wherever applicable) and exceeding, if any, are reported to the appropriate authority / Board for ratification.

2. Policies for hedging and / or mitigating and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants

The Bank's policy lays down that the transactions with the corporate clients are to be undertaken only after the inherent credit exposures are quantified and approved for customer appropriateness and suitability and necessary documents like ISDA agreements etc. are duly executed. The Bank adopts Current Exposure Method for monitoring the credit exposures. While sanctioning the limits, the competent authority stipulates condition of obtaining collaterals / margin as deemed appropriate. The derivative limits are reviewed periodically along with other credit limits.

3. Accounting policy for recording the hedge and non-hedge transactions, recognition of Income premiums and discounts, valuation of outstanding contracts, provisioning, collateral and credit risk mitigation.

Valuation of outstanding forward contracts are done as per FEDAI guidelines in force. Marked to market profit & loss are taken to Profit & Loss account. MTM profit & loss calculated as per Current Exposure method are taken into account while sanctioning forward contract limits to customers and collaterals / cash margins are prescribed for credit and market risks. The Bank undertakes foreign exchange forward contracts for its customers and hedges them with other banks. The credit exposure on account of forward contracts is also considered while arriving at the total exposure of each customer / borrower and counter party banker. The Bank also deals with other banks in proprietary trading duly adhering to risk limits permitted by RBI, set in the policy and is monitored by mid office. The Marked to Market values are monitored on daily basis for foreign exchange forward contracts. The credit equivalent is computed under current exposure method. The operations are conducted in terms of the policy guidelines issued by Reserve Bank of India from time to time and as approved by the Board of the Bank.

ii) **Quantitative Disclosure**

Sl. No	**Particulars**	**March 31, 2024**		**March 31, 2023**	
		Currency Derivatives	**Interest rate derivatives**	**Currency Derivatives**	**Interest rate derivatives**
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	Nil	Nil	Nil	Nil
	b) For trading	Nil	Nil	Nil	Nil
(ii)	Marked to Market Positions [1]				
	a) Asset (+)	4.28	Nil	3.46	Nil
	b) Liability (-)	Nil	Nil	Nil	Nil
(iii)	Credit Exposure [2]	Nil	Nil	Nil	Nil
(iv)	Likely impact of one percentage change in interest rate (100*PV01)	Nil	Nil	Nil	Nil
	a) on hedging derivatives b) on trading derivatives	Nil	Nil	Nil	Nil
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

d)Credit Default Swaps

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year March 31, 2024 and March 31, 2023.

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e) OIS (Overnight Index Swap) position

The Bank has not entered into OIS (Overnight Index Swap) during FY 2023-24. The bank had NIL outstanding OIS position at the end of March 2024 and March 2023.

f) Un-hedged / uncovered foreign currency exposure of the Bank

The Bank's foreign currency exposures as at March 31, 2024 that are not hedged/ covered by either derivative instruments or otherwise are within the Net Overnight Open Position limit (NOOP) and the Aggregate Gap limit, as approved by the Board. NOOP limit is Rs. 10.00 Crore and actual position as on March 31, 2024 was Rs. 1.30 Crore. AGL limit is USD 89 Mio and actual position as on March 31, 2024 was USD 20.61 Million.

g) Currency Futures

The Bank does not deal in exchange traded currency futures during the current and previous Financial Years.

8. Securitization Transactions

Sl. No	Particulars	March 31, 2024	March 31, 2023
i	No of SPEs holding assets for securitization transactions originated by the originator (only the SPVs relating to outstanding securitization exposures to be reported here)	Nil	Nil
ii	Total amount of securitized assets as per books of the SPEs	Nil	Nil
iii	Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet	Nil	Nil
iv	a) Off-balance sheet exposures • First loss • Others b) On-balance sheet exposures • First loss • Others	Nil	Nil
	Amount of exposures to securitisation transactions other than MRR	Nil	Nil
	a) Off-balance sheet exposures • First loss • Others b) On-balance sheet exposures • 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	Nil	Nil
v.	Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	Nil	Nil
vi.	Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.	Nil	Nil

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vii.	Performance of facility provided. Please provide separately for each facility viz. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided. (a) Amount paid (b) Repayment received (c) Outstanding amount	Nil	Nil
viii.	Average default rate of portfolios observed in the past. Please provide breakup separately for each asset class i.e. RMBS, Vehicle Loans etc.	Nil	Nil
	Amount and number of additional/top up loan given on same underlying asset. Please provide breakup separately for each asset class i.e., RMBS, Vehicle Loans, etc.	Nil	Nil
	Investor complaints (a) Directly/Indirectly received and; (b) Complaints outstanding	Nil	Nil

9 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	**Overseas**
Nil	Nil

10 Transfers to Depositor Education and Awareness Fund (DEA Fund)

In accordance with the guidelines issued by RBI, the Bank transfers the amount to the credit of any account 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 to the DEA Fund. Details of amount transferred to DEA Fund are set out below:

(₹ in Crore)

Particulars	March 31, 2024	March 31, 2023
Opening balance of amounts transferred to DEA Fund	79.20	67.51
Add: Amounts transferred to DEA Fund during the year	10.94	12.66
Less: Amounts reimbursed by DEA Fund towards claims	2.46	0.97
Closing balance of amounts transferred to DEA Fund	87.68	79.20

11 Disclosure of Complaints

a) Summary information on complaints received by the bank from customers and from the office of Banking Ombudsman

S. N	Particulars	March 31, 2024	March 31, 2023
	Complaints received by the bank from its customers		
1	Number of complaints pending at beginning of the year	75	113
2	Number of complaints received during the year	6032	6101
3	Number of complaints disposed during the year	6013	6139
3.1	Of which, number of complaints rejected by the bank	217	34
4	Number of complaints pending at the end of the year	94	75
	Maintainable complaints received by the bank from Office of Ombudsman		
5	Number of maintainable complaints received by the bank from Office of Ombudsman	25	32

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5.1	Of 5, number of complaints resolved in favor of the bank by Office of Ombudsman	12	16
5.2	Of 5, number of complaints resolved through conciliation/ mediation/advisories issued by Office of Ombudsman	13	16
5.3	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	0	0
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	NA	NA
	Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.		

b) Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e., complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Financial Year 2023-24					
ATM/Debit Cards	27	2372	-20	20	0
Internet/Mobile/Electronic Banking	35	2632	6	47	0
Account opening/ difficulty in operation of accounts	5	527	42	4	0
Credit Cards	1	150	-3	4	0
Loans and Advances	1	29	26	2	0
Others	6	322	225	17	0
Total	75	6032		94	0
Financial Year 2022-23					
ATM/Debit Cards	76	2972	-58	27	0
Internet/Mobile/Electronic Banking	33	2483	-60	35	0
Account opening/ difficulty in operation of accounts	1	370	-12	5	0
Credit Cards	2	154	18	1	0
Loans and Advances	1	23	-50	1	0
Others	0	99	-52	6	0
Total	113	6101		75	0

12) Penalties Levied by the Reserve Bank of India (Amount in Rs)

During the year 2023-24, Reserve Bank of India levied penalty on the Bank as detailed below

Particulars	**Banking Regulation Act 1949**	**Payment and Settlement Systems Act, 2007**	**Government Securities Act, 2006 (for bouncing of SGL)**

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Nature of the breach	1. Deficiency in soiled note remittance to RBI. 2. Delay in conducting weekly concurrent audit at one of the currency chests. 3. Violation of 'Loans and Advances – Statutory and other Restrictions ', 'Reserve Bank of India Know Your Customer (KYC) Directions, 2016', and 'Reserve Bank of India (Interest Rate on Deposits) Directions 2016'	Nil	Nil
Number of instances of default	1. 15 2. 1 3. 4	Nil	Nil
Quantum of penalty imposed	1. Rs 4,850 2. Rs 5,000 3. Rs 1,20,47,000	Nil	Nil

During the year 2022-23, Reserve Bank of India levied penalty on the Bank as detailed below

1) Soiled Notes Remittance. Details are given below

Particulars	Banking Regulation Act 1949	Payment and Settlement Systems Act, 2007	Government Securities Act, 2006 (for bouncing of SGL)
Nature of the breach	Scheme of penalties for bank branches including currency chests for deficiency in rendering customer service to the members of public – deficiency in soiled notes remittance to RBI	Nil	Nil
Number of instances of default	5	Nil	Nil
Quantum of Penalty imposed.	Rs 2,300	Nil	Nil

Penalties levied by Reserve Bank of India – In the case of default in reverse repo transactions

Particulars	FY 2023-24
Number of instances of default	Nil
Quantum of Penalty paid to RBI	Nil

13) Disclosures on Remuneration

a. Qualitative Disclosures

a	Information relating to the composition and mandate of the Nomination and Remuneration Committee.	**Composition** 1. Dr. Nirmala Padmanabhan, Chairperson 2. Shri. G. Rajagopalan Nair 3. Shri. Sreesankar Radhakrishnan **Terms of Reference** 1. Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors; 2. Reviewing, from time to time, possible candidates for current and potential Board vacancies, including Directors who are to retire and are eligible for re- appointment or re-election and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others; 3. Recommending to the Board, candidates for election (including reelection) or appointment (including reappointment) to the Board; 4. Carrying out evaluation of every Director's performance; 5. Deciding on the matter of whether to extent or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors; 6. Identifying persons who are qualified to became directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and Independence of a Director; 7. Devising a policy on diversity of Board of Directors; 8. Recommending to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees; [The committee shall ensure the following while formulating the policy on the aforesaid matters: a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, key managerial personnel and senior management of the quality required to run the Bank successfully; b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; c) 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.] 9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel

		including performance / achievement bonus, perquisites, retirals, sitting fees. 10. Considering grant of Stock Options to employees. 11. Reviewing the composition of the existing Committees of the Board. 12. Formulation of criteria for performance evaluation of independent directors and the Board; 13. Validation of "fit and proper" status of all Directors on the Board of the Bank in terms of the guidelines issued by the RBI or other regulatory authorities; 14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time **Periodicity of Meetings** At least once in a year; however, the Committee should meet as and when new Directors are proposed to be appointed and when existing Directors are proposed to be re- appointed
b	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	In compliance with standards of corporate governance as well as regulatory reforms put forth by Reserve Bank of India, Bank has in place 'Compensation Policy of Whole time Directors (WTD), Chief Executive Officers, Material Risk Takers (MRTs) and Control Function Staff. For employees who do not fall under the purview of above, we also have a 'Compensation Policy' clearly defining the compensation design in line with banking industry benchmarks, under two streams of employment viz. IBA and CTC.
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.	Based on the Financial Stability Board (FSB) principles for sound compensation practices which also formed a part of regulatory reforms circulated by RBI vide DOR. Appt. BC. No.23/ 29.67.001/2019-20 dated 04.11.2019, effective alignment of compensation with prudent risk taking while ensuring that compensation covers all types of risks including difficult to measure risks is already envisaged in 'Compensation Policy of WTDs, Chief Executive Officers, MRTs and Control Function Staff'. The Policy also touches upon the sensitivity of payout schedule to the time horizon of risks. In order to analyze the long-term consequences viz-a-viz risk appetite, our policy objective is to align regulatory guidelines with prevailing trends / practices in the industry to achieve a balanced scenario wherein 1. compensation is adjusted for all types of risks 2. compensation outcomes are symmetric with risk outcomes 3. compensation payouts are sensitive to the time horizon of risks and 4. mix of cash, equity and other forms of compensation are consistent with risk alignment. Regarding the employees who are not covered under 'Compensation Policy of WTDs, Chief Executive Officers, MRTs and Control Function Staff', the payout falls under either IBA or CTC pattern.

		The former is periodically revised by bi-partite settlements/ joint notes while the latter is linked to bank's performance and the individual's performance, complying with the statutory guidelines and the yardsticks approved by competent authorities.
d	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	Compensation structure for the personnel covered under 'Compensation Policy of WTDs, Chief Executive Officers, MRTs and Control Function Staff' is a mix of fixed pay and variable pay with the latter proportionate to the responsibility/ seniority. Bank will device scoring model with specific parameters in tandem with the rules and authorities handled by the respective positions. The Board will review and finalize the score for each senior management position based on the audited figures of the previous financial year. For employees coming under IBA pattern, the compensation shall be revised once in five years as decided by the bi-partite settlements/ joint notes, subject to granting of bank's mandate. Under CTC pattern the increments shall be linked to bank's performance as well as the employees' performance based on year-on-year yardsticks fixed at the sole discretion of the competent authority.
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.	Norms for grant of share linked instruments shall be in conformity with the provisions of Securities & Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. Share linked instruments shall be fair valued on the date of grant by the bank using Black-Scholes Model. <u>Deferral of Variable Pay</u> In adherence to FSB implementation standards, a minimum of 60% of total Variable Pay shall be under deferral arrangement with further guidelines on cash component as follows: 1) If cash component is part of Variable Pay, at least 50% of the cash bonus shall be under deferral arrangement. 2) If cash component of Variable Pay is under Rs. 0.25Crore, deferral payment for cash portion would not be necessary. <u>Period of Deferral Arrangement</u> Deferral Period shall be fixed as three years applicable to both cash and non-cash components of the Variable Pay. In order to ensure a proper assessment of risks before the application of *ex-post* adjustments, following guidelines shall be ensured for vesting. 1) Deferred portion of Variable Pay shall be spread out on a pro-rata basis, i.e., not more than 33.33% of the total deferred Variable Pay shall vest at the end of first year. Further, not more than 33.33% of total deferred Variable Pay shall vest at the end of second year. 2) The first such vesting shall not be before one year from the commencement of the deferral period. <u>Retention Period</u>

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		There shall be a Retention Period (Lock-in period) of one year for Share-linked instruments forming part of Variable Pay, during which they cannot be sold or accessed.
f	Description of the different forms of variable remuneration (i.e., cash and types of share-linked instruments) that the bank utilizes and the rationale for using these different forms.	Variable pay shall consist of cash/ non-cash compensation by way of share linked instruments assessed on the basis of adequately measured performance of individual/ business unit. <u>Limits on Variable Pay:</u> 1) Total Variable Pay, inclusive of cash and non-cash components for all positions other than Whole Time Directors and MD & CEO shall be 100% of the Fixed Pay (i.e., 50% of total remuneration). 2) For WTDs and MD & CEO, total Variable Pay shall not be less than 100% (i.e., 50% of total remuneration) and shall be limited to a maximum of 300% of the Fixed Pay. 3) If Variable Pay is up to 200% of Fixed Pay, a minimum of 50% of such variable pay shall be in the form of non-cash instruments. 4) If Variable Pay is over and above 200% of Fixed Pay, a minimum of 67% of such variable pay shall be in the form of non-cash instruments. 5) If grant of share-linked instruments is barred by statute or regulation, Variable Pay would be capped at 150% of the Fixed Pay with a lower base of 50%.

b. Quantitative Disclosures

(₹. in Crore)

<table>
<tr><th>Quantitative Disclosures</th><th>March 31,2024</th><th>March 31, 2023</th></tr>
<tr><td>Number of meetings held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.</td><td>10
Sitting fee – Rs 0.126</td><td>8
Sitting fee – Rs 0.075</td></tr>
<tr><td>(i)Number of employees having received a variable remuneration award during the financial year.
(ii) Number and total amount of sign-on/joining bonus made during the financial year.
(iii) Details of severance pay, in addition to accrued benefits, if any.</td><td>1
Nil
Nil</td><td>Nil*</td></tr>
<tr><td>(i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.
(ii) Total amount of deferred remuneration paid out in the financial year.</td><td>1.56#
0.24 **</td><td>1.20
NIL</td></tr>
<tr><td>Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.</td><td><table><tr><th></th><th>Fixed Pay</th><th>Variable Pay</th></tr><tr><td>MD & CEO</td><td>0.60</td><td>0.60</td></tr><tr><td>MRTs</td><td>1.35</td><td>Nil</td></tr></table></td><td><table><tr><th></th><th>Fixed Pay</th><th>Variable Pay</th></tr><tr><td>MD & CEO</td><td>0.60</td><td>0.60*</td></tr><tr><td>MRTs</td><td>2.75</td><td>Nil</td></tr></table></td></tr>
<tr><td>(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.
(ii) Total amount of reductions during the financial year due to ex post explicit adjustments.
(iii) Total amount of reductions during the financial year due to ex post implicit adjustments.</td><td>Nil</td><td>Nil*</td></tr>
</table>

Number of MRTs identified.	**4** (1 MD & CEO, 2. Head- Business Development, 3. Chief Credit Officer 4. Head – Treasury)	**11** MD & CEO, 1 General Manager & 9 Deputy General Manager (excluding Banking Ombudsman)
Number of cases where malus has been exercised. (ii) Number of cases where claw back has been exercised.	Nil	Nil
(iii) Number of cases where both malus and claw back have been exercised.	Nil	Nil
The mean pays for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay. 1) The mean pay for the Bank as a whole (excluding sub staff) *** 2) The deviation of the pay of each of its WTDs from the mean pay • MD & CEO	0.010 0.590	0.009 0.591

*As per the terms of appointment approved by Board of Directors, the Managing Director & CEO is eligible for Variable Pay with cash and non-cash components aggregating to Rs.0.60 Crore in a year upon satisfying specific parameters as per audited figures of the relevant financial year. The actual amount of variable pay can be quantified based on audited figures for FY 2023-24 only.

** Variable Pay of Rs 24 Lakhs for FY 2021-22 paid to MD & CEO in the Financial Year 2023-24.

FY 2021 – 22 Rs 0.36 Crs
FY 2022 – 23 Rs 0.60 Crs
FY 2023 – 24 Rs 0.60 Crs

*** Mean pay is computed on annual fixed pay that includes basic salary, other allowance, and other performance linked incentive/exgratia paid to the employees along with the value of perquisites

c. Remuneration to Non-Executive Directors

The non-executive directors are paid remuneration by way of sitting fees for attending the meetings of the Board and Committee. Sitting Fees were paid at the rate of Rs. 25000 for Board Meeting and Rs. 15000 for meetings of the Board Committees till 31/01/2023. The Board at its meeting held on 31.01.2023 has revised the sitting fees of Board and Board Committees to Rs 40,000/- and Rs 30,000/-respectively

Details of sitting fees paid are given below: (₹.in Crore)

Particulars	March 31, 2024	March 31, 2023
Sitting Fees paid to Non-Executive Directors	1.188	0.675

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14. Other Disclosures

a. BUSINESS RATIOS

S N	Particulars	March 31, 2024	March 31, 2023
(i)	Interest Income as a percentage to Working Funds (%) *	7.49	7.13
(ii)	Non-interest income as a percentage to Working Funds (%) *	0.95	0.50
(iii)	Cost of Deposits (%)	5.30	4.48
(iv)	Net Interest margin (%)	3.22	3.60
(v)	Operating Profit as a percentage to Working Funds (%) *	0.43	0.82
(vi)	Return on Assets (%) *	0.36	0.34
(vii)	Business (Deposits plus net advances) per employee – Rs in Crore #	14.64	13.13
(viii)	Profit/(Loss) per employee - Rs in Crore #	0.03	0.03

* Working funds represents the average of total assets as reported in Return Form X to RBI under Section 27 of the Banking Regulation Act, 1949 during the 12 months of the financial year.

For the purpose of computation of business per employee (deposits plus advances), interbank deposits have been excluded.

b. Bancassurance Business

Details of income earned from bancassurance business: (₹ in Crore)

S. N.	Nature of Income	March 31, 2024	March 31, 2023
1	For selling non-life insurance policies	0.88	1.12
2	For selling Life insurance policies	11.36	14.29
	Total	**12.24**	**15.41**

c. Marketing and Distribution

Bank is not undertaking marketing and distribution function except bancassurance business.

d. Priority Sector Lending Certificate (PSLC)

The Bank purchases PSLC for meeting Priority Sector targets. The fee paid for purchase of PSLC is treated as expense.

- There was no sale of PSLC by bank during year ended March 31, 2024 and March 31, 2023
- There was purchase of PSLC of Rs.860 Cr. by the bank during year ended March 31, 2024 and there was purchase of PSLC of Rs.75 Cr. during March 31, 2023.

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e. Provisions and Contingencies

The breakup of Provisions and Contingencies for the year ended March 31, 2024 and March 31, 2023 are given below:

Rs. In Crore

Particulars	March 31, 2024	March 31, 2023
Provision for NPI	26.01	(3.50)
Provision for Standard Assets	3.78	4.84
Provision against Fraud	Nil	1.16
Provision for NPA (including Bad Debts written off)	(10.79)	94.57
Provision for Restructured Advances	(19.93)	(6.17)
Provision for Unhedged Forex Exposure	0.96	(0.04)
Provision for Income tax	1.26	1.24
Provision for Deferred Tax	11.40	(18.99)
Other Provisions (Net)*	(1.24)	0.73
Total	**11.44**	**73.84**

*Other provision is shown net of current year provision made against other assets and reversal of provisions made during earlier years.

f. Implementation of IFRS converged Indian Accounting Standards (Ind AS)

As per the Road Map of Ministry of Corporate Affairs (MCA) in the Press Release Dated January 18, 2016, Banks shall comply with the Ind AS for the financial statements for the accounting periods beginning from April 01, 2018 onwards with the comparatives for the period ending March 31, 2018. RBI had issued necessary instructions to Banks to take steps to assess the impact of transition to Ind AS, adopt strategies for the effective implementation of Ind AS including disclosure of the strategies adopted and the process made in the Annual Report.

Complying with the RBI direction to achieve the MCA Roadmap of Ind AS implementation, Bank had constituted Steering Committee headed by Managing Director & CEO, comprising members from cross functional areas to oversee the progress of Ind AS implementation. The Bank has also constituted sub-committee comprising members of junior/middle level management for Ind AS implementation and adopted three phased approaches for meeting the deadline.

As advised by RBI, Bank has been furnishing Proforma Ind AS financial statements to the RBI on half-yearly basis with the corresponding comparative financial statements as per the current framework.

RBI, vide circular DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019, has deferred the implementation of Ind AS until further notice considering the pending legislative amendments required for Ind AS implementation as also the level of preparedness of many banks.

g) Payment of DICGC Insurance premium

(₹ in crore)

Sl. N	Particulars	March 31, 2024	March 31, 2023
i)	Payment of DICGC insurance Premium (including GST)	19.29	17.83
ii)	Arrears in payment of DICGC Premium	0	0

h) Disclosure of facilities granted to Directors and their relatives: Nil

i) Amortization of expenditure on account of enhancement in family pension of employees of banks

Reserve Bank of India vide letter dated October 4, 2021 has permitted all member banks of Indian Banks' Association covered under the 11th Bipartite Settlement to amortize the additional liability on account of revision in family pension over a period not exceeding five years, beginning with the Financial Year ended March 31, 2022. The Bank has recognized the entire additional liability estimated at Rs. 14.29 Crores and opted to amortize the same over a period of five years beginning with the financial year ended March 31, 2022. However, the Bank had amortized an amount of Rs.8.57 Crore during the financial year ended March 31, 2024 in respect of the said additional liability. With this, the entire amount of family pension stands amortized

15.Disclosure as per accounting standards (AS)

a) Net Profit or Loss for the Period, Prior Period items and changes in Accounting Policies (AS 5)

Other operating expenses include correction of excess Input Tax Credit reversal of FY 2017-18, amounting to Rs.1.25 Crores.

b) Employee Benefits (AS 15)

The summarized position of various defined benefits recognized in the profit and loss account and balance sheet along with the funded status are as under:

i)Defined Benefit Pension Plan and Gratuity

a. Expenses recognized in Profit and Loss Account

(₹ in Crore)

Particulars	Pension		Gratuity	
	2023-24	2022-23	2023-24	2022-23
Changes in the present value of the defined benefit obligations				
Present value of obligation at the beginning of the year	173.19	169.16	82.05	73.08
Interest cost	10.57	9.73	6.02	5.61
Current Service Cost	9.12	9.24	4.08	4.91
Benefits paid	(53.13)	(1.19)	(5.15)	3.21
Net actuarial (gain)/loss on obligation	31.31	28.66	(6.13)	(4.77)
Past service cost	Nil	Nil	Nil	Nil
Settlements	Nil	(42.41)	Nil	Nil
Present value of the defined benefit obligation at the end of the year.	171.07	173.19	80.87	82.05

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Change in the fair value of plan assets:				
Fair value of plan assets at the beginning of the year	139.24*	147.62	72.55*	56.94
Expected return on plan assets	9.97	10.43	5.43	4.92
Contributions by employer	37.20	26.39	3.54	16.14
Benefit paid	(53.13)	(1.19)	(5.15)	3.21
Settlements	Nil	(42.41)	Nil	Nil
Actuarial gain/(loss)	(0.50)	(0)	(0.93)	(2.71)
Fair value of plan assets at the end of the year	132.77	140.84	75.45	78.50
Total Actuarial Gain/(Loss) to be recognized immediately	**	(28.66)	**	2.05
		Expenses recognized in Profit and Loss Account		
Current Service Cost	9.12	9.24	4.08	4.91
Interest cost on benefit obligation	10.57	9.73	6.02	5.61
Expected return on plan assets	(9.97)	(10.43)	(5.43)	(4.92)
Net actuarial (gain)/loss recognized in the year	31.82	28.66	(5.20)	(2.05)
Past Service Cost PSL- amortization	Nil	Nil	Nil	Nil
Expenses recognized in the Profit and Loss account	41.54	37.21	(0.53)	3.55
		The amount recognized in the Balance Sheet		
Present Value of obligation at the end of the year (i)	171.07	173.19	80.87	82.05
Fair value of plan assets at the end of the year (ii)	132.77	140.84	75.45	78.50
Difference (ii)-(i)	(38.30)	(32.35)	(5.41)	(3.54)
Unrecognized past service liability	Nil	Nil	Nil	Nil
Net asset/(liability) recognized in the Balance Sheet	(38.30)	(32.35)	(5.41)	(3.54)

*Note: In the valuation of Gratuity and Pension, the closing balance of Plan Assets as on 31.03.2023 was different from the respective Trust Balance Sheets' closing balance of Plan Assets. This was identified during the year and the impact is adjusted in the current year Profit & Loss Account.

b. Details of the Plan Asset

The details of the plan assets (at cost) are as follows: (₹. In crores)

Particulars	**Pension**		**Gratuity**	
	2023-24	**2022-23**	**2023-24**	**2022-23**
Central Government securities	16.90	16.85	-	-
State Government securities	-	-	-	-
Investment in Private Sector Undertakings	-	1.50	-	-
Others	115.87	121.04	75.45	72.62
Total	**132.77**	**139.39**	**75.45**	**72.62**

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c. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	Pension including family pension (wherever applicable)		Gratuity	
	Project Unit Credit Method		Project Unit Credit Method	
	2023-24	2022-23	2023-24	2022-23
Discount rate	7.21%	7.58%	7.23%	7.58%
Expected rate of return on assets	7.58%	7.75%	7.58%	7.00%
Future salary increases	2.50%	2.50%	4.50%	5.00%
Increase in price inflation	Nil	3.50		

d. Pension Plan

Particulars	March 31,2024	March 31,2023	March 31,2022	March 31,2021	March 31,2020	March 31,2019
Defined Benefit Obligations	171.07	173.19	169.16	156.88	147.18	143.48
Plan Assets	132.77	140.84	147.62	124.02	114.73	144.73
Surplus/(Deficit)	38.30	32.35	21.54	32.86	32.45	-1.25

e. Gratuity Plan

Particulars	March 31,2024	March 31,2023	March 31,2022	March 31,2021	March 31,2020	March 31,2019
Defined Benefit Obligations	80.87	82.05	73.08	69.83	62.11	52.80
Plan Assets	75.45	78.50	56.94	60.15	62.29	46.03
Surplus/(Deficit)	5.42	3.55	16.14	9.68	-0.18	6.77

ii) Leave encashment benefit

a) Expenses recognized in Profit and Loss Account (₹.in crores)

Particulars	Leave		Sick Leave	
	2023-24	2022-23	2023-24	2022-23
Changes in the present value of the defined benefit obligations				
Present value of obligation at the beginning of the year	43.42	39.00	3.93	3.83
Interest cost	2.79	3.06	0.29	0.32
Current Service Cost	3.33	2.81	0.39	0.70
Benefits paid	(13.15)	(4.38)	Nil	Nil
Net actuarial (gain)/loss on obligation	12.29	2.93	(0.11)	(0.92)
Past service cost	Nil	Nil	Nil	Nil
Settlements	Nil	Nil	Nil	Nil
Present value of the defined benefit obligation at the end of the year.	48.69	43.42	4.50	3.93
Change in the fair value of plan assets:				
Fair value of plan assets at the beginning of the year	Nil	Nil	Nil	Nil
Expected return on plan assets	Nil	Nil	Nil	Nil

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Contributions by employer	13.15	4.38	Nil	Nil
Benefit paid	(13.15)	(4.38)	Nil	Nil
Settlements	Nil	Nil	Nil	Nil
Actuarial gain/(loss)	Nil	Nil	Nil	Nil
Fair value of plan assets at the end of the year	Nil	Nil	Nil	Nil
Total Actuarial Gain/(Loss) to be recognized immediately		(2.93)		0.92
Expenses recognized in Profit and Loss Account				
Current Service Cost	3.33	2.81	0.39	0.70
Interest cost on benefit obligation	2.79	3.60	0.29	0.32
Expected return on plan assets	Nil	Nil	Nil	Nil
Net actuarial (gain)/loss recognized in the year	12.29	2.93	(0.11)	(0.92)
Past Service Cost PSL- amortization	Nil	Nil	Nil	Nil
Excess provision held in books*	Nil	Nil	Nil	Nil
Expenses recognized in the Profit and Loss account	18.42	8.80	0.57	0.10
The amount recognized in the Balance Sheet				
Present Value of obligation at the end of the year (i)	48.69	43.42	4.50	3.93
Fair value of plan assets at the end of the year (ii)	Nil	Nil	Nil	Nil
Difference (ii)-(i)	(48.69)	(43.42)	(4.50)	(3.93)
Unrecognized past service liability	Nil	Nil	Nil	Nil
Net asset/(liability) recognized in the Balance Sheet	(48.69)	(43.42)	(4.50)	(3.93)

b) Details of the Plan Asset

Leave encashment benefits of employees are provided on an actuarial basis and is unfunded

c) Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

Method used	**Leave**		**Sick Leave**	
	Projected Unit Credit Method		**Projected Unit Credit Method**	
	2023-24	**2022-23**	**2023-24**	**2022-23**
Discount rate	7.22%	7.58%	7.22%	7.58%
Expected rate of return on assets	NA	NA	NA	NA
Future salary increases	4.50%	5.00%	4.50%	5.00%

The above info except otherwise stated is as certified by the actuary and relied upon by the auditors

c) Segment Reporting (AS 17)

The Bank has recognized Business segments as primary reporting segment and Geographical segments as secondary segment in line with RBI guidelines on compliance with Accounting Standard 17.

I. Primary Segments: *Business segments*.

(a) Treasury Operations

(b) Corporate / Wholesale Banking

(c) Retail banking

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(d) Other banking business operations

II. Secondary Segments: *Geographical segments*.

Since the Bank is having domestic operations only, no reporting does arise under this segment.

SEGMENT REPORTING

Business Segments	**Treasury**		**Retail Banking**		**Corporate / Wholesale Banking**		**Other Banking Operations**		**Unallocated**		**Total**	
	Mar 31,2024	**Mar 31,2023**	**Mar 31,2024**	**Mar 31,2023**	**March 31,2024**	**March 31,2023**	**Mar 31,2024**	**Mar 31,2023**	**Mar 31,2024**	**Mar 31,2023**	**Mar 31,2024**	**Mar 31,2023**
Revenue	248.24	197.95	724.30	561.86	373.22	369.03	13.78	16.91	Nil	Nil	1359.55	1145.75
Results	33.64	18.80	35.32	73.61	(13.48)	13.88	13.78	16.91	Nil	Nil	69.26	123.20
Unallocated Expenses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Operating Profit	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	69.26	123.20
Total provisions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(1.22)	91.59
Tax Expenses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	12.66	(17.75)
Extra ordinary items	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit After Tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	57.82	49.36
Other Information	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Segment Assets	4331.81	4261.44	7375.68	6223.26	4139.83	4526.89	Nil	Nil	Nil	Nil	15847.32	15011.59
Unallocated Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	114.57	120.54	114.57	120.54
Total Assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	15961.89	15132.13
Segment Liabilities	4123.10	4023.77	6923.17	5874.22	3885.85	4272.99	Nil	Nil	Nil	Nil	14932.12	14170.98
Unallocated Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1029.77	961.15
Total Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	15961.89	15132.13

d) Related Party Disclosures (AS 18) (₹ in Crore)

Key Management Personnel	Nature of Transaction	March 31, 2024	March 31, 2023
Sri. Shivan J K, MD & CEO*	Remuneration including perquisites	0.60	0.60

Mr Shivan J K, MD & CEO is eligible for Variable pay with cash and non-cash components up to a maximum of Rs 0.60 Crore based on audited figures for FY 2023-24. Suitable provision made for the same.

e) Operating Leases (AS 19)

Operating Leases primarily comprise office premises, staff residences, which are renewable at the option of the Bank. Lease Payments recognized in the Profit and Loss Account are given below: (₹ .in Crore)

Particulars	March 31, 2024	March 31, 2023
Operating Lease Payments	31.30	28.77

The Bank has certain non-cancellable outsourcing contracts for branches on rent. The future minimum lease liabilities for such non-cancellable operating leases are given below: (₹ .in Crore)

Particulars	March 31, 2024	March 31, 2023
Not later than one year	27.56	27.43
Later than one year and not later than five years	77.91	64.20
Later than five years	29.77	15.51
Total	**136.24**	**107.14**

The above information is as certified by the Management and relied upon by the auditors.

f) Earnings per Share (AS 20)

Particulars	March 31,2024	March 31,2023
Net Profit/ (Loss) after tax (₹ in Crore)	57.82	49.36
Weighted average number of equity shares for Basic EPS	253012084	253012084
Weighted average number of equity shares for Diluted EPS	253012084	253012084
Earnings per share (Basic) in Rs	2.29	1.95
Earnings per share (Diluted) in Rs	2.29	1.95

g) Accounting for Taxes on Income (AS 22)

Bank has recognized the provision for Income Tax by exercising the option permitted under Section 115BAA of the Income Tax Act, 1961.The existing Deferred Tax Asset (DTA) recognized on 31st March 2023 amounting to Rs.69.12 crore has been reviewed and re measured and the DTA has been recognized as on 31st March 2024 at Rs.57.72crore. The components of Deferred Tax Assets and Liabilities are shown below:

(₹ .in Crore)

Particulars	March 31, 2024	March 31, 2023
Deferred Tax Asset		
Provision for Loans/Investment/Others	25.26	27.89
Depreciation on Fixed Assets	5.29	6.26
Carry forward loss/Depreciation	28.68	38.64
Total (A)	**59.23**	**72.79**
Deferred Tax Liability		
Special Reserve u/s 36(1)(viii)	1.51	1.51
Enhancement of Family Pension	0.00	2.16
Total (B)	**1.51**	**3.67**
Net Deferred Tax Asset (A-B)	**57.72**	**69.12**

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h) Intangible Assets (AS 26)

Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on a Straight-Line Method (SLM) basis over the estimated useful lives of 3 to 5 years on a pro rata basis.

i) Impairment of Assets (AS 28)

In the opinion of the Bank's management, there is no indication of the impairment to the assets during the year to which the Accounting Standard 28 "Impairment of Assets" applies.

16 ADDITIONAL DISCLOSURES

a) Additional Disclosure of Material items Miscellaneous Income exceeding 1% of Total Income ₹. In Crore

Particulars	2023-24	2022-23
Processing Charges	18.73	17.88
Recovery from Technical written off accounts	30.18	13.94
Income from ATM	10.96	11.47

Other Expenditure exceeding 1% of total expenses Nil (Previous Year Nil) Other liabilities and Provision- Others exceeding 1% of total assets Nil (Previous Year Nil) Other Assets

₹. In Crore

Particulars	2023-24	2022-23
Priority Sector Shortfall Deposits	236.91	255.36

b) Details of single Borrower limit, Group Borrower Limit

The bank had taken single borrower exposure and Group exposure within the prudential limit prescribed by RBI

c) Disclosure of Letter of Comforts (Locs) issued by the Bank

During the year the Bank has not issued Letter of Comforts since. RBI vide Circular No.RBI/2017-18/139 A.P (DIR Series) Circular No.20 dated March 13, 2018 has discontinued issuance of Letters of Undertaking (LoUs) and Letters of Comforts (LoCs).

d) Description of Contingent Liabilities & Capital Commitments

j) Contingent Liabilities

Sr.No	Particulars*	Brief Description
1	Claims against the Bank not acknowledged as debts	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
2	Liability on account of forward exchange and derivative contracts	The Bank enters into foreign exchange contracts and currency swaps with interbank participants and customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts of financial instruments of such foreign exchange contracts and derivatives provide a basis for comparison with instruments

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Sr.No	Particulars*	Brief Description
		recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. Hence the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.
3	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	As a part of its commercial banking activities the Bank issued documentary credit and guarantees on behalf of its customers. Documentary credits such as letters of credit enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.
4	Other items for which the Bank is contingently liable	- Disputed Tax - Amount deposited with RBI under Depositor Education Awareness Fund - Estimated amount of contracts remaining to be executed on capital account and not provided for

*Refer Schedule 12 for amounts relating to Contingent Liability

ii)Capital commitments (₹. In Crore)

March 31, 2024	March 31, 2023
12.75	5.38

e) Dues to Micro, Small and Medium Enterprises

There have been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small and Medium Enterprises.

f) Provision for Long Term Contracts

The Bank has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and recorded adequate provision as required under any law / accounting standards for material foreseeable losses on such long-term contracts (including derivative contracts), if any, in the books of account and disclosed the same under the relevant notes in the financial statements.

g) Provision for Tax

Bank has made the provision for taxes for the financial year ended 31st March 2024 and 31st March 2023 as given below:

(₹. in Crore)

Particulars	March 31, 2024	March 31, 2023
Income Tax	1.26	1.24
Deferred Tax	11.40	(18.99)

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h) Investor Education and Protection Fund

There was no pending amount to be transferred to the Investor Education and Protection Fund by the Bank in the FY 2023-24.

i)Inter-Bank Participation Certificates with Risk Sharing

There was no purchase or sale of Inter Bank Participation Certificate with risk sharing by bank during year ended March 31, 2024 and March 31, 2023.

k) Fixed Assets

i) Software Capitalized under Fixed Assets

The Bank has capitalized software under Fixed Asset amounting to Rs.9.31 Crore and Rs21.45 Crore during the financial year ended March 31, 2023 and March 31, 2024 respectively, as given below:

(₹. in Crore)

Particulars	**As at March 31, 2024**	**As at March 31, 2023**
At cost at March 31st of the preceding year	108.45	99.24
Additions during the year	21.45	9.31
Deductions during the year	0.00	0.10
Depreciation to date	95.31	83.92
Net Block	**34.59**	**24.53**

ii) Revaluation Reserve

There has been no revaluation of assets during the year ended March 31, 2024. An appreciation of Rs.22.58 Crore in the value of land and building consequent upon revaluation by approved valuer was credited to Revaluation Reserve during the year ended March 31,2023.

l) Corporate Social Responsibility (CSR)

Due to losses incurred by the bank from FY 2013 to 2018, in compliance with the provision outlined in Section 198, these losses were offset against profits in subsequent years. Consequently, no profits were available under Section 198 of the Companies Act, for Corporate Social Responsibility purposes. Therefore, the Bank did not undertake any projects under Corporate Social Responsibility for the financial year 2023-24.

17. Comparative Figures

Previous year figures have been re-grouped/ re-classified wherever considered necessary to conform to current year's classification.

18. Disclosure as to Rule 11(e) of the Companies (Audit and Auditors) Rules, 2014

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(s), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the intermediary shall lend or invest in party identified by or on behalf of the Bank ("Ultimate Beneficiaries"). The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Signatories to Schedule 1 to 18

For and on behalf of Board of Directors

Kavitha PA
Chief Financial Officer

Venkatesh H
Company Secretary

Ajith Kumar K K
Managing Director & CEO
DIN: 08504660

In terms of our report attached

For Sagar & Associates
Chartered Accountants
Registration No. 003510S

CA Manohar D, Partner
Membership No.029644

For Abraham & Jose
Chartered Accountants Firm
Firm Registration No. 000010S

CA Mukesh K P, Partner
Membership No.214773

Place: Thrissur.
Date: December 19, 2024

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

Accounting Ratios

The following tables present certain accounting and other ratios computed on the basis of amounts derived from the Reformatted Audited Financial Statements and Reformatted Unaudited Financial Statements included in "*Financial Statements*" on page 100:

Particulars	As at September 30		As at March 31	
	2024	2023	2024	2023
Basic Earnings Per Share (₹)	0.70	2.03	2.29	1.95
Diluted Earnings Per Share (₹)	0.70	2.03	2.29	1.95
Return on Net Worth (%)	2.12	6.47	7.13	6.83
Net Asset Value per Share (₹)	33.16	31.45	32.05	28.57
EBITDA (in ₹ crore)	48.46	77.51	131.47	119.49

The formulae used in the computation of the above ratios are as follows:

Basic EPS	Net Profit after tax for the year attributable to Equity Shareholders divided by weighted average number of equity shares outstanding during the period.
Diluted EPS	Net Profit after tax for the year attributable to Equity Shareholders divided by weighted average number of equity shares outstanding during the period (including convertible securities).
Return on Net Worth	Net Profit after tax for the year attributable to Equity Shareholders divided by Net Worth (excluding revaluation reserves) at the end of the period multiplied by 100.
EBITDA	Aggregate earnings before interest (excluding interest on deposits), tax, depreciation & amortization for the year/ period.
Net Asset Value per Equity Share	Net Worth at the end of period divided by the number of Equity Shares outstanding at the end of the period.

(a) Calculation of Basic and Diluted Earnings per share

(in ₹ crore)

Particulars	As at September 30		As at March 31	
	2024	2023	2024	2023
Profit attributable to Equity shareholders (A)	17.81	51.46	57.82	49.36
Weighted average number of Equity Shares outstanding during the year / period (B)	25,30,12,084	25,30,12,084	25,30,12,084	25,30,12,084
Diluted number of shares (C)	25,30,12,084	25,30,12,084	25,30,12,084	25,30,12,084
Basic EPS (A)/(B)*	**0.70**	**2.03**	**2.29**	**1.95**
Diluted EPS (A)/(C)*	**0.70**	**2.03**	**2.29**	**1.95**

**Six months numbers are not annualized.*
Note:
1. Basic earnings per share (₹) = Net profit/(loss) attributable to equity shareholders for the year/period divided by weighted average number of equity shares outstanding during the year/period. There were no extra ordinary items.
2. Diluted earnings per share (₹) = Net profit/(loss) attributable to equity shareholders for the year/period divided by the sum of weighted average number of equity shares and dilutive potential equity shares outstanding at the year/period end. There are no dilutive potential equity shares and extra ordinary items.

(b) Calculation of Return on Net Worth

(In ₹ crore)

Particulars	As at September 30		As at March 31	
	2024	2023	2024	2023
Profit / (loss) after tax	17.81	51.46	57.82	49.36
Net worth	838.90	795.63	810.90	722.82
Return on Net worth (%)	**2.12%**	**6.47%**	**7.13%**	**6.83%**

(c) Calculation of Net Worth

(In ₹ crore)

Particulars	As at September 30		As at March 31	
	2024	2023	2024	2023
Equity share capital	253.01	253.01	253.01	253.01
Other equity	585.89	542.62	557.89	469.81
Net worth	**838.90**	**795.63**	**810.90**	**722.82**

(d) Calculation of Net Asset Value per Equity Share

(In ₹ crore)

Particulars	As at September 30		As at March 31	
	2024	2023	2024	2023
Net Worth	838.90	795.63	810.90	722.82
Weighted average number of equity shares outstanding during the year /period	25,30,12,084	25,30,12,084	25,30,12,084	25,30,12,084
Net Asset Value per Equity Share (in ₹)*	**33.16**	**31.45**	**32.05**	**28.57**

**Not Annualised*

(e) Calculation of EBITDA

(In ₹ crore)

Particulars	*As at September 30		As at March 31	
	2024	2023	2024	2023
Net Profit/ Loss after Tax	17.81	51.46	57.82	49.36
Add: Interest *(excluding interest on deposits)*	10.07	12.63	22.64	27.33
Add: Taxes	6.75	5.26	12.66	(17.75)
Add: Finance Cost	0	0	0	0
Add: Depreciation and Amortisation Expenses	13.83	8.16	38.35	60.55
EBITDA	**48.46**	**77.51**	**131.47**	**119.49**

**Not Annualised*

Capitalisation Statement

The table below sets forth the capitalisation statement of our Bank as at September 30, 2024 derived from the Reformatted Unaudited Financial Statements, and as adjusted for the Issue:

(In ₹ crore, except percentages)

Particulars	Pre-Issue as at September 30, 2024	As adjusted for the proposed Issue#
Total Borrowings@		
Current Borrowings*	150.00	150.00
Non - Current Borrowings	Nil	Nil
Total Borrowings (I)	**150.00**	**150.00**
Total Equity		
Equity Share Capital*	253.01	394.70
Reserves and Surplus*	802.66	958.51
Total Equity (II)	**1,055.67**	**1,353.21**

Particulars	Pre-Issue as at September 30, 2024	As adjusted for the proposed Issue#
Ratio: Total Borrowings (I)/ Total Equity (II)	**14.21%**	**11.08%**

 # The figures for the respective line items under 'As adjusted for the proposed Issue' column are derived after considering the impact of proposed Allotment of Equity Shares pursuant to the Issue, assuming full subscription to the Issue, and does not include any other transactions or movements for such financial statements line items after September 30, 2024, including impact of estimated Issue related expenses.

@Borrowings indicated above do not include deposits as on September 30, 2024, amounting to ₹ 14,631.48 crore

**These terms shall carry the meaning as per Schedule III of the Companies Act, 2013 (as amended).*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

An investment in Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. This section should be read in conjunction with the sections titled "Risk Factors", "Industry Overview", "Our Business", "Financial Statements", and "Financial Information", on pages 18, 61, 77, 100, and 100, respectively before making an investment decision.

You should read the following discussion and analysis of our financial condition and results of operations together with the "Financial Statements" beginning on page 100. Unless otherwise indicated or the context requires, the financial information for Fiscal 2024 and Fiscal 2023 is derived from our Reformatted Audited Financial Statements for the financial year ended March 31, 2024, with previous year comparatives, and the financial information for six-month periods ended September 30, 2024 and September 30, 2023 is derived from our Reformatted Unaudited Financial Statements for the six-month period ended September 30, 2024 with previous period comparatives, included in this Letter of Offer. We prepare our financial statements in accordance with Indian GAAP. Our financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Paragraph 7 of the Companies (Accounts) Rules, 2014, and Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply, and guidelines issued by the Reserve Bank of India ("RBI"). For the purposes of a comparative analysis in the discussion below, previous years' or periods' figures, as applicable, have been reclassified and regrouped wherever necessary.

Our fiscal year ends on March 31, of each year. Accordingly, all references to a particular fiscal year are to the 12-month period ended on March 31, of that year. Certain non-GAAP measures presented in this section are a supplemental measure of our business, performance and liquidity that are not required by, or presented in accordance with, Indian GAAP, or IFRS. Further, these non-GAAP measures are not a measurement of our financial performance or liquidity under Indian GAAP, or IFRS and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the year/ period or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities derived in accordance with Indian GAAP, or IFRS. In addition, these non-GAAP measures are not standardized terms and hence a direct comparison of similarly titled non-GAAP measures between companies may not be possible. Other companies may calculate the non-GAAP measures differently from us, limiting their usefulness as a comparative measure.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Such statements are subject to certain risks, uncertainties and assumptions that could cause our actual results to differ materially from those anticipated in these forward-looking statements, including those set forth under the section titled "Forward-Looking Statements". Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under "Risk Factors" and elsewhere in this Letter of Offer.

Unless otherwise indicated, industry and market data used in this section has been derived from industry publications and other publicly available information, and includes statistics derived from various government publications and industry sources.

Unless otherwise stated, references to "the Bank", "our Bank" or "we", "us" or "our", are to Dhanlaxmi Bank Limited.

OVERVIEW

We are a private sector bank, incorporated in November 1927 at Thrissur, Kerala and have been in existence for more than 97 years. We became a scheduled commercial bank in 1977. We offer a wide range of banking and financial services primarily to retail, corporate, SME, and microfinance customers. As of September 30, 2024, we have a wide presence through a network of 560 customer outlets which includes 17 business correspondents, 261 branches and 282 ATMs across 14 states and two union territories. Further, as of the same date, 58 of our branches are located in metropolitan cities, 71 in urban areas, 112 in semi-urban areas and 20 branches in rural areas. Our overall customer base is approximately 0.16 crore as of September 30, 2024 with total deposits amounting to ₹14,631.48 crore and total advances of ₹11,018.35 crore as of the same date.

We are a professionally managed bank, governed by a Board of Directors and supported by senior management team of experienced professionals with expertise in banking, accounting, and auditing. Our Managing Director and Chief Executive Officer, Ajith Kumar K.K., brings extensive experience across various facets of banking, including human resources, branch banking, commercial banking and zonal operations. Additionally, two Directors nominated by RBI sit on our Board, providing industry insights. This collective experience has enabled us to develop a deep understanding of the industry-specific aspects of our business and operations.

Our Bank offers a wide range of products and services for individuals, non-individuals, and corporate customers. Through our corporate and commercial portfolio, we cater to the business needs of multinational companies, public enterprises and private companies. We provide deposits, loans and finance facilities to our customers by offering a variety of products such as term loans, short term loans, working capital finance including cash credit, export credit, bill discounting, letters of credit and guarantees. We also extend financial support to the priority sectors including agriculture, MSME, affordable housing and education.

As part of our retail banking, we offer a variety of personal loans such as home loans, gold loans, vehicle loans, education loans, loan against property, lease rental discounting and business loans to our retail customers. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, retail advances were 53.60%, 47.14%, 49.99% and 43.59% respectively of our total advances.

In corporate banking, we offer various kinds of loans to corporate customers, including industrial advances, trade advances , import and export assistance and agriculture assistance. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, corporate advances were 23.74%, 28.05%, 25.39% and 29.53% respectively of our total advances.

As part of SME banking, we offer various kinds of loans to SME customers, including working capital facilities, capacity expansion loans and trade facilities. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, SME advances were 15.47 %, 16.20%, 16.41% and 17.61% respectively of our total advances.

Our microfinance and agricultural banking encompass loans to self-help groups or joint liability groups for empowering women and aiding poverty alleviation, as well as livestock loans, agri term and gold loans, and kissan credit cards. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, these advances were 7.18%, 8.61%, 8.21% and 9.28% respectively of our total advances.

Deposit products include current, savings, and term deposits, as well as foreign currency non-resident account ("**FCNR**") accounts. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, our current account savings accounts ("**CASA**") contributed ₹ 4,632.89 crore or 31.66%, ₹ 4,291.47 crore or 31.06%, ₹ 4,381.44 crore or 30.66% and ₹4,259.64 crore or 31.91% respectively to our total deposits. Further, during the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, retail term deposits contributed ₹ 7876.08 crore or 53.83% of total deposits, ₹ 6,914.51 crore or 50.04%, ₹7,189.75 crore or 50.31% and ₹ 6,586.01crore or 49.32% of total deposits respectively.

Our treasury segment comprises liquidity management by maintaining a level of liquidity, in compliance with the CRR and the SLR requirements of the RBI and monitoring and implementation of non-SLR investments of our Bank. We maintain the SLR through a portfolio of Central Government, State Government and Government-guaranteed securities and other approved securities that we actively manage to optimize yield and benefit from price movements. We are also involved in the trading of debt securities, equity securities and foreign exchange within the limits prescribed by RBI. During the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and Fiscal 2023, our treasury assets accounted for 23.19%, 25.84%, 27.14% and 28.16% respectively of our total assets. In our international business, we are extending our banking services to non-resident Indian customer base to meet their banking requirements.

The distribution of third-party products covers insurance, mutual funds, and sovereign gold bonds. Other products and services include international credit/debit cards, internet and mobile banking, UPI, depository services, payment gateways, locker services, point of sale ("**PoS**"), and funds transfers like RTGS and NEFT. For further information on our Bank's product offerings, see "*Our Products and Services*" on page 84.

The Bank's branch network is seamlessly complemented by its online and mobile banking solutions, providing customers with convenient access to on-demand banking services. We believe our direct banking platforms enhance customer engagement through alternate channels, improving customer retention and increasing the volume of customer transactions.

The following table sets forth key highlights of our Bank's financial performance as of and for the six-month periods ended September 30, 2024, and September 30, 2023 and the Fiscal 2024 and 2023:

(₹ in crore)

Key Highlights	As of and for the six-month period ended September 30		As of and for Fiscal	
	2024	2023	2024	2023
Deposits	14,631.48	13,817.22	14,290.31	13,351.65
Advances	10,717.42	9,885.30	10,102.56	9,451.52
Gross Advances	11,018.35	10,310.55	10,396.90	9,853.73
Interest Earned	634.67	593.04	1,206.99	1,071.24
Interest Expended	413.95	353.45	748.54	595.48
Net Interest Income	220.72	239.59	458.45	475.75
Other Income	83.91	75.79	152.56	74.52
Total Income	718.58	668.83	1,359.55	1,145.75
Net profit/ (loss) after taxes for the year	17.81	51.46	57.82	49.36
Earnings per share (basic) (in ₹)	0.70	2.03	2.29	1.95
Earnings per share (diluted) (in ₹)	0.70	2.03	2.29	1.95
Net Interest Margin	3.02	3.41	3.22	3.60
ROA (based on working funds)	0.22	0.68	0.38	0.34
ROE	3.36	10.03	5.62	5.14
CRAR	13.06%	12.23%	12.71%	12.32%
Gross NPA ratio	3.82%	5.36%	4.05%	5.19%
Net NPA ratio	1.12%	1.29%	1.25%	1.16%
Total Business	25,649.83	24,127.77	24,687.21	23,205.38
Cost / Income Ratio	90.20	76.05	88.66	77.61
Yield on Advances	9.52	9.43	9.59	9.39
Spread	3.01	3.26	3.11	3.52

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The Bank's asset portfolio, financial condition and results of operations have been, and are expected to be, influenced by numerous factors, including but not limited to those described below. These factors are expected to affect the overall growth prospects of the Bank, including its ability to expand its deposit base, maintain asset quality, manage the level of credit extended by the Bank, enhance the value of its asset portfolio and its ability to effectively implement its strategy.

Regulations governing the Indian Banking Sector

Our results of operations and continued growth depend on stable government policies and regulations. The banking industry in India is subject to extensive regulation by governmental organizations and regulatory bodies, such as the RBI. These regulations govern various aspects of our business including loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your-customer, anti-money laundering, and provisioning for NPAs. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, with an objective to provide tighter control and more transparency in India's banking sector. As a bank, we are required to comply with such rules and regulations, which affect our business, operations, cash flows, profitability and financial condition. The RBI also prescribes required levels of lending to "priority sectors" such as agriculture, MSME, export credit, education, housing, social infrastructure, renewable energy etc., which may expose us to higher levels of risk in advances than we may otherwise face.

Basel III reforms are the response of Basel Committee on Banking Supervision ("**BCBS**") to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the pro cyclical amplification of these risks over time.

Monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of advances and deposits. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting its monetary policy. A monetary policy designed to combat inflation typically results in an increase in RBI lending rates. Further, in addition to having gradually established more stringent capital adequacy requirements, the RBI has also instituted several prudential measures including an increase in risk weights for capital adequacy computation and general provisioning for certain types of asset classes.

Macroeconomic environment

As a bank with significant operations in India, the Bank's financial position and results of operations have been and will continue to be significantly affected by overall economic growth patterns in India. The Indian economy presents a picture of stability and strength where the balance between inflation and growth is well-poised. The external sector demonstrates the strength of the economy with forex reserves are scaling new peaks. Fiscal consolidation is underway and the financial sector remains sound and resilient. Real GDP growth for 2024- 25 is projected at 7.2 per cent with Q2 at 7.0 per cent; Q3 at 7.4 per cent; and Q4 at 7.4 per cent. Real GDP growth for Q1:2025-26 is projected at 7.3 per cent. *(Source: RBI Bulletin October 2024)*, Projected GDPs demonstrate the highest growth rate among major economies, propelled by a robust domestic market and government-led investments that have bolstered demand. Strong economic growth tends to positively impact our Bank's results of operations, since it can cause businesses to plan and invest more confidently, in turn driving stronger demand for bank credit as well as other banking products and services that our Bank offers. Stronger economic growth also generally increases the interest income that our Bank is able to generate from the loans it offers and tends to improve the overall creditworthiness of our Bank's customers. The fiscal policy adopted also contributes to our Bank's results of operations.

Economic growth in India is also influenced by inflation. CPI inflation for 2024-25 is projected at 4.5 per cent, with Q2 at 4.1 per cent; Q3 at 4.8 per cent; and Q4 at 4.2 per cent. CPI inflation for Q1:2025- 26 is projected at 4.3 per cent. *(Source: RBI Bulletin October 2024)* The level of inflation may limit monetary easing or cause monetary tightening by the RBI. In periods of high rates of inflation, the Bank's costs, such as financing costs, may increase, which could have an adverse effect on the Bank's results of operations. Inflation may also have a bearing on the overall interest rates which may adversely affect our net interest income.

Kerala Economy

Kerala's economy is diverse with a focus on services, agriculture, and infrastructure. It is a significant contributor to India's GDP and is known for its high human development indices. However, it faces significant challenges like high fiscal stress, dependence on remittances, and vulnerabilities to climate change. By addressing these challenges through prudent fiscal management, diversifying its economy further, and embracing sustainability initiatives, Kerala can continue its growth trajectory.

NPA levels and provisioning

Our profits are impacted by the provisioning for non-performing assets (NPAs), which include advances, investments, and related recovery and litigation costs. If asset quality deteriorates or loans age further as non-performing, we may need to increase provisions, reducing profitability. The level of NPAs affects profitability through provisions for expected losses, recorded as expenses in the profit and loss account.

A non-performing asset is classified based on overdue payments or outstanding amounts, such as loans, advances, or derivative receivables. As per RBI guidelines, NPAs are categorized as "Sub-Standard", "Doubtful", or "Loss" depending on arrears duration.

Our Bank measures the NPA ratio on a gross basis and on a net basis as a percentage of total loans. As of September 30, 2024 and September 30, 2023 and March 31, 2024 and March 31, 2023, our Bank's gross NPA ratio was 3.82%, 5.36%, 4.05%, and 5.19%, respectively, and our Bank's net NPA ratio was, 1.12%, 1.29% and 1.25%, and 1.16%, respectively. RBI guidelines require banks to maintain specific provisioning levels based on NPA classification and asset security. Our Bank's net provisioning coverage ratio as of September 30, 2024 and September 30, 2023 and March 31, 2024 and March 31, 2023, computed as per RBI guidelines, was 88.80%, 89.11%, 88.32% and 90.61%, respectively. See "*Risk Factors —If we are not able to control or reduce the level of non-performing assets in our portfolio or any increase in our non-performing asset portfolio, the Reserve Bank of India mandated provisioning requirements could adversely affect our business, financial conditions and results of operations*" on page 20. Additionally, the RBI's supervisory process may require higher provisions than those currently made.

Our ability to manage NPAs effectively, recover loans, and control provisions is crucial, as these factors directly impact our financial performance

Capital adequacy, liquidity requirements and reserve ratios

As mandated by RBI , we are required to maintain a minimum of 18% of our total net demand and time liabilities in SLR securities effect from April 11, 2020. Our domestic treasury manages the surplus funds from deposits and advances. . Banks do not earn interest on Cash Reserve Ratio (CRR) balance maintained with RBI.

Any increases in the compulsory reserves applicable to our Bank (on account of regulatory changes or otherwise) could impact our profitability by limiting the amount that is available for commercial credit transactions or for investment in higher-yielding securities, thus restricting our ability to grow our business. For example, an increase in CRR, requires our Bank to hold more cash in reserves, reducing our ability to lend to customers or invest for potential gains. We may also be compelled to dispose of certain of our assets and/or take other measures in order to meet more stringent requirements, which may adversely affect our results of operations and financial condition.

The Basel III framework on 'Liquidity Standards' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' ("**NSFR**") and liquidity risk monitoring tools. In June, 2014, the RBI issued guidelines in relation to liquidity coverage ratio ("**LCR**"), liquidity risk monitoring tools and LCR disclosure standards pursuant to the publication of the 'Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools' in January, 2013 and the 'Liquidity Coverage Ratio Disclosure Standards' in January, 2014 by the Basel Committee which provided enhanced guidance on liquidity, risk governance, measurement, monitoring and reporting to the RBI on liquidity positions. The guidelines stipulate that banks were to ensure an LCR of 60% for 2015 with effect from January 1, 2015, minimum 90% with effect from January 1, 2018 and were expected to make a transition to an LCR of 100% on January 1, 2019. In order to accommodate the burden on banks' cash flows on account of the COVID-19 pandemic, RBI issued a notification dated April 17, 2020, permitting banks to maintain LCR as set forth below:

From date of circular to September 30, 2020	80%
October 1, 2020 to March 31, 2021	90%
April 1, 2021 onwards	100%

The LCR measures a bank's ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdowns of unused credit lines. The LCR for the six month period ended September 30, 2024, Fiscal 2024 and Fiscal 2023 was 145.54%, 131.69%, and 189.75% respectively. Further, the Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' on October 31, 2014 and RBI issued the guidelines on NSFR on May 17, 2018 with the objective to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off- balance sheet activities. RBI had published a circular dated November 29, 2018, notifying that the NSFR guidelines shall come into effect from April 1, 2020. RBI had published a circular dated March 27, 2020, which deferred to the implementation.

As of September 30, 2024, the Bank's capital adequacy ratio was 13.06% as per Basel III comprising Tier I capital of ₹ 882.66 crore and Tier II capital of ₹ 70.40 crore. Although it currently exceeds the applicable capital adequacy requirements, adverse developments could affect our Bank's ability to satisfy these requirements in the future, including deterioration in asset quality, decline in the value of investments and inability to meet any regulatory requirements or changes. The regulatory minimum CET1, including capital conservation buffer, is 8% with effect from March 31, 2020.

Interest rates

Interest income has historically been the most significant component of our Bank's revenue. During six-month period ended September 30, 2024 and September 30, 2023 and for Fiscal 2024 and Fiscal 2023, our Bank's interest income was ₹ 634.67 crore, ₹ 593.04 crore, ₹ 1206.99 crore and ₹ 1071.24 crore, respectively, representing 88.32%, 88.67%, 88.78% and 93.50%, respectively, of our Bank's total income. In six-month, period ended September 30, 2024 and September 30, 2023 and for Fiscal 2024 and Fiscal 2023, net interest income was ₹ 220.72 crore, ₹ 239.59 crore, ₹ 458.45 crore and ₹ 475.76 crore, respectively, representing 30.71%, 35.82%, 33.72% and 41.52%, respectively, of our Bank's total income. Net interest income is the difference between the total interest earned on interest-earning assets and the total interest paid on interest-bearing liabilities. Our Bank's net interest income is dependent on a number of factors including the overall prevailing level of interest rates, our ability to allocate funds to assets that provide high interest rates and the cost of funding.

Most of our corporate and commercial loans are priced at a floating rate based on the RBI lending rates, subject to a published minimum lending rate. Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly, subject to a published minimum lending rate. A decrease in the RBI policy rates would signal Indian banks to reassess their base rate and lending rates, potentially impacting net interest income while supporting loan growth and reducing NPAs. Conversely, an increase in RBI policy rates could affect the ability of potential borrowers to take out loans despite partly mitigating higher deposit costs.

Operating expenses

Our ability to effectively manage operating expenses is crucial for maintaining profitability. For six-month period ended September 30, 2024 and September 30, 2023 and for Fiscal 2024 and Fiscal 2023, our total expenditure (excluding provisions and contingencies) were ₹688.74 crore, ₹593.29 crore, ₹1,290.29 crore and ₹1,022.55 crore respectively, of which operating expenses comprised 38.24%, 35.86%, 39.85% and 37.27% of our total income, respectively, in the same periods. We have incurred significant costs to related to our network of banking outlets, employee costs, and improving information technology capabilities for our operations.

Our results of operations are dependent upon the productivity levels of our banking outlets and employees and improving our operational efficiencies, and such productivity 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 level of our operating expenses impacts its profitability, with employee costs representing a significant proportion of our administrative costs.

Competition

We face competition in all key areas of our business. Our primary competitors include public sector banks, private sector banks and foreign banks as well as finance companies, insurance companies, asset and wealth management companies, mutual funds and investment banks. We may also face increased competition from foreign banks if the Indian retail market is further liberalized or if regulations and restrictions upon branch network growth by foreign banks are simplified or reduced. Additionally, foreign banks may operate in India by establishing wholly-owned subsidiaries which are allowed to raise Rupee resources through issue of non-equity capital instruments. Our Bank also faces competition from the small finance banks and the payments banks.

An increase in operations of existing competitors or entry of additional banks offering a similar or broader range of products and services, could increase our competition. In addition, the moderation of growth in the Indian banking sector is expected to lead to greater competition for business opportunities. The GoI is also actively encouraging banks and other financial institutions to significantly increase their lending to the agricultural sector, which will make this segment more competitive. These competitive pressures affect the Indian and international banking industry as a whole, and our future success will largely depend on our ability to respond effectively and timely manner to these competitive pressures.

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. For more information, see "*Risk Factors – The Indian banking industry is very competitive and our growth strategy depends on our ability to compete effectively*." on page 31.

SIGNIFICANT ACCOUNTING POLICIES

I. Revenue Recognition

- Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and revenue can be reliably measured under AS-9 “Revenue Recognition as prescribed under section 133 of the Companies Act, 2013 and as specified by RBI guidelines.
- Income on Advances

  Interest income from loans and advances, investments (including deposits placed with banks and other institutions) are recognized over the period of the loans and advances, Investments, Deposits etc., on accrual basis. However, interest accrued and other dues in the nature of non-interest income relating to Advances/ Investments, classified as Non-performing Advances/ Investments under RBI guidelines, are recognized only on realization.
- Income on Investments
  - Profit or loss on revaluation of Fair Value through Profit and Loss (FVTPL) investments is recognized in the Profit and Loss Account.
  - Broken period interest received and paid should be treated as item of Income and expenditure under ‘Income on Investments’ in Schedule 13 of Profit and Loss account.
  - The discount or premium on acquisition of debt securities are amortized over the remaining life of the instrument and such amortized amount in case of HTM, AFS and FVTPL investments should be reflected in the financial statements under item II ‘Income on Investments’ of Schedule 13: ‘Interest Earned’ with a contra in Schedule 8: ‘Investments’.
  - The net appreciation or depreciation in case of AFS investments shall be credited or debited to a reserve named ‘AFS-Reserve’ without routing through the Profit and Loss account.
  - Upon sale or maturity of a debt instrument in AFS category, the accumulated gain/loss for that security in the AFS-Reserve should be transferred from AFS-Reserve and recognized in the Profit and Los account under item II Profit on sale of investments under Schedule 14 – Other Income.
  - Sale of investments in HTM should be recognized in the Profit and Loss Account under item II of Schedule 14:’Other Income’. This shall be appropriated below the line from the Profit and Loss account to the ‘Capital Reserve Account’.
  - Upon sale of securities in HFT under FVTPL, profit /loss should be credited / debited to Profit and Loss account.
  - Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognized as Income when the right to receive the dividend is established.
- Other Income
  - Interest on income tax refund is recognized in the year of receipt of Assessment Orders
  - Commission on ATM interchange fees are recognized as they accrue.
  - Upfront fees on restructured accounts are apportioned over the restructured period.
  - Profit earned from the sale of gold/silver bullion, if any, (i.e., the difference between the sale price and the purchase price) is included under “Other Income”.
  - Insurance claims, Commission from Distribution of Mutual Fund products and Commission from Depository services are accounted on receipt basis.
  - The recoveries made from NPA accounts are appropriated based on the order of demand applicable to borrowers’ accounts as per Recovery policy.
  - Locker Rent is accounted on receipt basis without spreading it over the remaining lease period. However, locker rent is also accounted on accrual basis, in respect of advance remittances by the customers.

- Commission income on issuance of Bank Guarantee/ Letter of Credit and Discount on Bill Discounted is collected upfront and is recognized over the period of the underlying liability.
- Commission on distribution of Insurance products is accounted on accrual basis.
- Processing fee/ upfront fee, handling charges or income of similar nature collected at the time of sanctioning or renewal of loan/ facility is recognized in the year of receipt without spreading it over the period of loan/ facility.
- Unpaid funded interest on term loans is accounted on realization as per the guidelines of RBI.
- All other amounts collected from customers as non-interest income or recovery of expenses towards provision of various services/ facilities are accounted/ recognized on receipt basis.

II. Expenses recognition

A) Interest Expenses

All interest expenses relating to deposits accepted and borrowings are recognized on accrual basis. Interest on unclaimed matured deposits is provided as per RBI directives.

B) Employee benefits

a) Provident Fund:

The contribution made by the bank to Dhanlaxmi Bank Ltd Employees Provident Fund, administered by the trustees is charged to Profit & Loss account. Provident Fund is a Defined Contribution Plan in which both the employee and the Bank contribute monthly at a pre determined rate. Employers' contribution to provident fund is recognized as expense as and when the services are rendered. The Bank has no liability for future provident fund benefits other than its annual contribution.

b) Pension Fund

The contribution towards Dhanlaxmi Bank Ltd Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognized in the accounts. The actuarial gain or loss arising during the year is recognized in the Profit and Loss Account.

c) Expenditure on account of enhancement in family pension of employees

The expenditure on account of enhancement of family pension, if not fully charged to profit and loss account, be amortized over a period of 5 years, subject to a minimum of 1/5th of the total amount involved being expensed every year. This is as per the RBI Circular DOR.ACC.REC.57/21.04.018/ 2021-22 dated October 4, 2021 and will be applicable up to March 31, 2026.

d) New Pension Scheme (NPS)

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 14% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to Profit and Loss account and the Bank has no further liability beyond the contribution to the fund on this account.

e) Gratuity:

The Bank makes annual contribution to Dhanlaxmi Bank Ltd Employees' Gratuity Trust Fund administered and managed by the trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

f) Compensation for absence on Privilege/ Sick Leave

The employees of the Bank are entitled to compensated absence on account of privilege/ sick leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognized in the accounts.

g) Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employee is recognized during the period when the employee renders the service.

h) Employee Stock Compensation Cost

Measurement of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI) and SEBI (Share Based Employee Benefits) Regulations, 2014.

In accordance with the clarification on Guidelines issued by RBI on Compensation of Whole Time Directors/Chief Executive Officers /Material Risk Takers and Control Function Staff on 30 August, 2021, share-linked instruments are fair valued on the date of grant using Black-Scholes model. The fair value of options computed using the Black-Scholes model, without reducing estimated forfeitures, are recognized as compensation expense over the vesting period. Options are granted at an exercise price, which is equal to the fair market price of the underlying equity shares at the date of the grant or at such a discount as may be approved by NRC/Board from time to time. The fair market price being the closing price of stock exchange which recorded the highest trading volumes in equity shares of the Bank and trading day immediately preceding the date on which the grant of options was approved and recommended to Board by Nomination and Remuneration Committee of Board.

The share linked payments will be governed by Bank’s Scheme for Employee Stock Option Plan.

C) Other Operating Expenses**: -**

Other operating expenses are generally accounted on accrual basis. In the case of Rent, where rent agreement is expired, rent is accounted on the basis of expired agreement till the new rent agreement is signed.

III. Net profit

Net Profit is arrived at after provisions for contingencies, which inter alia, include Provision for:

i) Standard Assets, Restructured Advances and NPAs and NPIs;
ii) Fraud and unhedged foreign currency exposure.
iii) Taxation in accordance with statutory requirements.

IV. Advances

A) Valuation/ Measurement

a) Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, sacrifice provisions on restructured advances and unrealized interest on NPAs. Interest on NPAs is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made at the minimum required level as per the guidelines of the RBI on matters relating to prudential norms.

b) Amounts recovered against debts written off are recognized in the profit and loss account and included under “Other Income”.

c) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

d) For entities with Un-hedged Foreign Currency Exposure (UFCE), provision is made in accordance with the guidelines issued by RBI, which requires to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of un-hedged position. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

e) The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – direct advances to sectors agricultural, Individual housing loans and SME at 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate residential housing at 0.75% and for other sectors at 0.40%.

f) Bank makes additional provision on incremental exposure to borrowers identified as per large exposure framework; on relevant restructuring schemes announced by RBI, borrowers classified as fraud, etc., as per RBI norms.

g) Loss on sale of assets to Asset Reconstruction Companies: - RBI issued Master Direction- Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 on September 24, 2021. In accordance with these guidelines, when the stressed loan is transferred to ARC at a price below the Net Book Value (NBV) at the time of transfer, lenders shall debit the shortfall to the profit and loss account for the year in which the transfer has taken place. when the stressed loan is transferred to an ARC for a value higher than the NBV at the time of transfer, lenders shall reverse the excess provision on transfer to the profit and loss account in the year the amounts are received and only when the sum of cash received by way of initial consideration and / or redemption or transfer of Security Receipts (SR) / Pass Through Certificates (PTCs)/ other securities issued by ARCs is higher than the NBV of the loan at the time of transfer. Further, such reversal shall be limited to the extent to which cash received exceeds the NBV of the loan at the time of transfer.

B) Recording/ Presentation

Provisions created against individual accounts as per RBI guidelines are not netted in the individual account. For presentation in financial statements, provision created for NPA is netted against gross amount of advance without adjusting the same at individual account level. Provision held against an individual account is adjusted against individual account's balance only at the time of write off of the account.

V. Floating Provisions

The Bank has a policy for creation and utilization of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilized only for contingencies under extraordinary circumstances specified in the policy after obtaining the approval of Board of Directors of the Bank and with prior permission of Reserve Bank of India.

VI. Country Risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country. The provision is reflected in Schedule -5 of the Balance Sheet under "Other liabilities and Provisions- Others".

VII. Investments

i. Classification

In accordance with the RBI guidelines the separation of the total investment portfolio is made on the basis of investment objectives and by type of investment. When the investment objectives are taken into consideration, Investments are separated as:

a. Held to Maturity (HTM)
b. Available for Sale (AFS)
c. Fair Value Through Profit & Loss (FVPTL)

Held for Trading (HFT) shall be a separate investment sub-category within FVPTL

The category of the investment shall be decided by the Bank before or at the time of acquisition and the decision shall be properly documented.

The Bank shall continue to present the investments in the Balance Sheet as set out in The Third Schedule to the BR Act (Form A, Schedule 8 - Investments) as under:

i) Government securities; (ii) Other approved securities; (iii) Shares; (iv) Debentures & Bonds; (v) Subsidiaries and / or joint ventures and (vi) Others (to be specified)

a) Held To Maturity

Securities that fulfil the following conditions shall be classified under HTM:

(i) The security is acquired with the intention and objective of holding it to maturity, i.e., the financial assets are held with an objective to collect the contractual cash flows; and

(ii) the contractual terms of the security give rise to cash flows that are solely payments of principal and interest on principal outstanding ('SPPI criterion') on specified dates.

b) AFS

Securities that meet the following conditions shall be classified under AFS:

(i) The security is acquired with an objective that is achieved by both collecting contractual cash flows and selling securities; and

(ii) The contractual terms of the security give rise to cash flows that are solely payments of principal and interest on principal outstanding on specified dates.

c) FVTPL

Securities that do not qualify for inclusion in HTM or AFS are classified under FVTPL.

ii) Initial recognition

All investments shall be measured at fair value on initial recognition. Unless facts and circumstances suggest that the fair value is materially different from the acquisition cost, it shall be presumed that the acquisition cost is the fair value.

ii. Subsequent Measurement

HTM

a) Securities held in HTM shall be carried at cost and shall not be marked to market (MTM) after initial recognition. However, they shall be subject to income recognition, asset classification and provisioning norms.

b) Any discount or premium on the securities under HTM shall be amortized over the remaining life of the instrument. The amortized amount shall be reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8:'Investments'

AFS

a. The securities held in AFS shall be fair valued at least on a quarterly basis, if not more frequently. Any discount or premium on the acquisition of debt securities under AFS shall be amortized over the remaining life of the instrument. The amortized amount shall be reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8:'Investments'.

b. The valuation gains and losses across all performing investments, irrespective of classification (i.e., Government securities, Other approved securities, Bonds and Debentures, etc.), held under AFS shall be aggregated. The net appreciation or depreciation shall be directly credited or debited to a reserve named AFS Reserve without routing through the Profit & Loss Account.

c) Upon sale or maturity of a debt instrument in AFS category, the accumulated gain/ loss for that security in the AFS-Reserve shall be transferred from the AFS Reserve and recognized in the Profit and Loss Account under item II Profit on sale of investments under Schedule 14-Other Income.

d) In the case of equity instruments designated under AFS at the time of initial recognition, any gain or loss on sale of such investments shall be transferred from AFS-Reserve to the Capital Reserve.

FVTPL

(a) The securities held in FVTPL shall be fair valued and the net gain or loss arising on such valuation shall be directly credited or debited to the Profit and Loss Account. Securities that are classified under the HFT sub-category within FVTPL shall be fair valued on a daily basis, whereas other securities in FVTPL shall be fair valued at least on a quarterly, if not on a more frequent basis.

(b) Any discount or premium on the acquisition of debt securities under FVTPL shall be amortized over the remaining life of the instrument. The amortized amount shall be reflected in the financial statements under item II 'Income on Investments' of Schedule 13: 'Interest Earned' with a contra in Schedule 8:'Investments'.

c) Securities under FVTPL shall be subject to income recognition, asset classification and provisioning norms.

iii. Reclassifications between categories

Re-classification after transitioning would be permitted only exceptional circumstances. Such re-classification would require a prior approval of the Board of Directors and the Department of supervision of RBI. Re-classification should be applied prospectively from the re-classification date and banks must disclose the details of such reclassification (including the re-classification adjustments) in the notes to the financial statements. The accounting treatment for reclassifications done if any, is covered under Para 5.3 of Treasury Management Policy.

Accounting treatment on re -classification

From HTM to AFS

- The fair value measured at the re-classification date shall be the revised carrying value
- Any gain or loss arising from a difference between the revised carrying value and the previous carrying value shall be recognized in AFS -Reserve

From HTM to FVTPL

- The fair value measured at the re-classification date shall be the revised carrying value
- Any gain or loss arising from a difference between the revised carrying value and the previous carrying value of the investments shall be recognized in the Profit and Loss account under item III: 'Profit on revaluation of investments' under Schedule 14: 'Other Income'

From AFS to HTM

- The investments are re -classified at its fair value at the reclassification date. However, the cumulative gain / loss previously recognized in the AFS - Reserve shall be withdrawn therefrom and adjusted against the fair value of the investments at the reclassification date to arrive at the revised carrying value. Thus, the revised carrying value shall be the same as if the bank had classified the investment in HTM ab initio itself.

From AFS to FVTPL

- The investments shall continue to be measured at fair value. The cumulative gain or loss previously recognized in AFS -Reserve shall be withdrawn therefrom and recognized in the Profit and Loss Account, under item III: ‘Profit on revaluation of investments’ under Schedule 14: ‘Other Income’.

From FVTPL to HTM or AFS

- The carrying amount representing the fair value at the reclassification date remains unchanged

iv. Sale of investments from HTM

Any profit or loss on the sale of investments in HTM shall be recognized in the Profit and Loss Account under Item II of Schedule 14:’Other Income’. The profit on sale of an investment in HTM shall be appropriated below the line from the Profit and Loss Account to the ‘Capital Reserve Account’. The amount so appropriated shall be net of taxes and the amount required to be transferred to Statutory Reserve.

v. Valuation of Investments

The fair value for the purpose of initial recognition and periodical valuation of investments shall be determined as per the valuation norms. The valuation norms are also covered under Para 5.4 of Treasury Management Policy.

a. Quoted Securities

The fair value for the quoted securities shall be the prices declared by the Financial Benchmarks India Private Ltd. (FBIL) in accordance with the RBI circular FMRD.DIRD.7/14.03.025/2017-18 dtd. March 31, 2018, as amended from time to time. For securities whose prices are not published by FBIL, the fair value of the quoted security shall be based upon quoted price as available from trades / quotes on recognized stock exchanges, reporting platforms or trading platforms authorized by RBI / SEBI or prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b. Unquoted SLR Securities

a) Treasury Bills shall be valued at carrying cost.
b) Unquoted Central / State Government securities shall be valued on the basis of the prices / YTM rates published by the FBIL.
c) Other approved securities shall be valued applying the YTM method by marking them up by 25 basis points above the yields of the Central Government securities of equivalent maturity put out by FBIL.

c. Unquoted Non-SLR securities

3.1 Unquoted debentures and bonds

a) Valued by applying the appropriate mark -up over the YTM rates for Central Government Securities as put out by FBIL / FIMMDA subject to the following:

The mark-up applied shall be determined based on the ratings assigned to the debenture / bonds by the credit rating agencies and shall be subject to the following:

a) The mark up shall be at least 50 basis points above the rate applicable to a Central Government security of equivalent maturity for rated debentures / bonds.
b) The mark-up for unrated debentures or bonds shall not be less than the mark-up applicable to rated debentures or bonds of equivalent maturity.

Provided that the mark -up for the unrated debentures or bonds should appropriately reflect the credit risk borne by the bank.

b) Where the debentures / bonds are quoted and there have been transactions within 15 days prior to the valuation date, the value adopted shall not be higher than the rate at which the transaction has been recorded on the Exchanges / trading platforms / reporting platforms authorized by RBI / SEBI

c) Ujjwal DISCOM Assurance Yojana (UDAY) bonds and bonds issued by state distribution companies (DISCOMs) under financial restructuring plan.

a) UDAY bonds shall be valued on basis of prices / yields published by FBIL.

b) State Government guaranteed bonds issued and serviced by DISCOM shall be valued by applying a mark -up of 75 basis points on YTM rates for Central Government Securities of equivalent maturities as published by FBIL.

c) other bonds issued and serviced by DISCOMs shall be valued by applying a mark-up of 100 basis points on YTM rates for Central Government Securities of equivalent maturities as published by FBIL.

d) Bonds issued and serviced by the State Government shall be valued by applying a mark-up of 50 basis points on YTM rates for Central Government Securities of equivalent maturities as published by FBIL.

c) Special securities, which are directly issued by Government of India, and which do not carry SLR status shall be valued at a spread of 25 basis points above the corresponding yield on Central Government securities of equivalent maturity.

d) Zero Coupon Bonds (ZCBs): In the absence of market value, the ZCBs shall be marked to market with reference to the present value of the ZCB. The fair value so determined should be compared with the carrying cost to determine valuation gain or loss.

3.2 Preference shares

a) When a preference share has been traded on exchange within 15 days prior to the valuation date, the value shall not be higher than the price at which the share was traded.

b) The valuation of unquoted preference shares shall be done on YTM basis with appropriate mark-up over the YTM rates for Central Government Securities of equivalent maturity put out by the FBIL subject to such preference share not being valued above its redemption value. The mark -up shall be graded according to the rating assigned to the preference shares by the rating agencies and shall be subject to the following:

i. The mark-up cannot be negative. i.e., the YTM rate shall not be lower than the coupon rate / YTM for a Central Government India security of equivalent maturity.

ii. The rate used for the YTM for unrated preference shares shall not be less than the rate applicable to rated preference shares of equivalent maturity and shall appropriately reflect the credit risk borne by the bank.

iii. Where the investment in preference shares is made as part of a resolution, the mark-up shall not be lower than 1.5 percentage points.

c) Where preference dividends / coupons are in arrears, no credit should be taken for accrued dividends / coupons and the value determined as above on YTM basis should be discounted further by at least 15 per cent if arrears are for one year, 25 per cent if arrears are for two years, so on and so forth (ie. With 10 per cent increments). The overarching principle should be that valuation shall be based on conservative assessment of cash flows with appropriate discount rates to reflect the risk.

d) Investments in preference shares as part of the project finance shall be valued at par for a period of two years after commencement of production or five years after subscription whichever is earlier.

3.3. Equity Shares

Equity shares for which current quotations are not available i.e., which are classified as illiquid or which are not listed on a recognized exchange, the fair value shall be the break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest audited balance sheet. The date as on which the latest balance sheet is drawn up shall not precede the date of valuation by more than 18 months. In case the latest audited balance sheet is not available or is more than 18 months old, the shares shall be valued at Rs.1 per company. Before Half an hour average (BHAV) price on the BSE and in absence of trading in BSE, BHAV price of NSE for the day / previous trading day shall be taken for valuation of equity and if BSE/NSE quotes are not available, quotes of other exchange /s may be taken. Equity shares for which current quotations are not available or where the shares are not quoted on the stock exchanges should be valued at break-up value which is to be ascertained from the company's latest balance sheet (which should not be more than 18 months prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at Re.1 per company.

3.4. Mutual Funds Unit (MF Units)

a) Investment in unquoted MF units shall be valued on the basis of the latest re-purchase price declared by the MF in respect of each scheme.

b) In case of funds with lock -in period or any other Mutual fund, where repurchase price / market quote is not available, units shall be valued at Net Asset Value (NAV) of the scheme. If NAV is not available, these shall be valued at cost, till the end of the lock -in-period.

3.5. Commercial Paper

Commercial paper shall be valued at the carrying cost.

3.6. Investment in Security Receipts (SRs) and other instruments issued by an Asset Reconstruction Company ARC)

In respect of investments in SRs and other instruments issued by ARCs, the requirements as per the Transfer of Loan Exposures Directions, 2021, as amended from time to time, should be followed

viii) Non-Performing Investments (NPI)

The criterion used to classify an asset as Non-Performing Asset (NPA) as per the extant Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances shall be used to classify an investment as a Non-Performing Investment (NPI). Similarly, an NPI shall only be upgraded to standard when it meets the criteria specified in the IRACP norms.

viii) Transitional Provisions

The balance in provision for depreciation, as at March 31, 2024, shall be reversed into the Revenue/ General Reserve. The balances in Investment Reserve Account (IRA), if any, as of March 31, 2024, shall be transferred to the Revenue/ General Reserve if the bank meets the minimum regulatory requirements of IFR. If the bank does not meet the minimum IFR requirements, the balances in IRA shall be transferred to IFR. The accounting treatment for transition from the previous to the revised framework is given in the table below:

Previous Frame work	Revised Frame work	Opening Accounting Adjustments on April 1, 2024
HTM	HTM	The acquisition cost adjusted for any premium/ discount amortized between date of acquisition and March 31, 2024, shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in any Revenue/General Reserve.
	AFS/ FVTPL	The fair value as at March 31, 2024 shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in AFS Reserve in the case of AFS portfolio and to any Revenue/ General Reserves in the case of FVTPL.
AFS	HTM	The acquisition cost adjusted for any premium/ discount amortized between date of acquisition and March 31, 2024 shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in Revenue/ General Reserve
	AFS/ FVTPL	The fair value of the investment as at March 31, 2024 shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in AFS Reserve in the case of AFS portfolio and to any Revenue/ General Reserves in the case of FVTPL.
HFT	HTM	The acquisition cost adjusted for any premium/ discount amortized between date of acquisition and March 31, 2024 shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in Revenue/ General Reserve
	AFS/ FVTPL	The fair value as at March 31, 2024 shall be the revised carrying value. The difference between the revised carrying value and the previous carrying value shall be adjusted in AFS Reserve in the case of AFS portfolio and to any Revenue/ General Reserves in the case of FVTPL.

ix) Repurchase (REPO) and Reverse Repurchase (Reverse REPO) transactions

The securities sold and purchased under Repo/ Reverse Repo (including transactions conducted under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) with RBI) are accounted as Collateralized lending and borrowing transactions. However, securities are transferred as in the case of normal outright sale/ purchase transactions and such movement of securities is reflected using the Repo/Reverse Repo Accounts and Contra entries. The above entries are reversed on the date of maturity. Costs and revenues are accounted as interest expenditure/income, as the case may be. Balance in Repo Account is classified under Schedule 4 (Borrowings).

All type of reverse repos with the Reserve Bank including those under Liquidity Adjustment Facility shall be presented under sub-item (ii) 'In Other Accounts' of item (II) 'Balances with Reserve Bank of India' under Schedule 6 'Cash and balances with Reserve Bank of India'. Reverse repos with banks and other institutions having original tenors up to and inclusive of 14 days shall be classified under item (ii) 'Money at call and short notice' under Schedule 7 'Balances with banks and money at call and short notice'. Reverse Repo of original tenors more than 14 days shall be classified under Schedule 9 – Advances.

x) Short Sales

The Bank undertakes short sale transactions in Central Government dated securities in accordance with RBI guidelines. The short position is reflected as the amount received on sale and is classified under 'Other Liabilities'. The short position is marked to market and resultant mark-to-market gain/losses are accounted for as per the relevant RBI guidelines for valuation of investments.

VIII. Property, Plant and Equipment/ Fixed Assets

- An item of property, plant and equipment (PPE) that qualify for recognition as an asset are initially recognized and measured at cost.
- After initial recognition, the Bank chooses 'Cost Model' or 'Revaluation Model' for subsequent measurement as its accounting policy and applies that policy to entire class of PPE.
- PPE following 'Cost Model' are carried at Cost less any accumulated depreciation/ amortization and any accumulated impairment losses.
- PPE following 'Revaluation Model' are carried at Revalued Amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation/ amortization and any accumulated impairment losses.
- Revaluations are done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value.
- An increase in the carrying amount of an asset arising on revaluation is credited to owners' interest under "Revaluation Reserve". However, the increase is recognized in the statement of profit and loss to the extent that it reverses a decrease in the revaluation of same asset previously recognized in the profit and loss account. A decrease in the carrying amount of an item of an asset arising on revaluation is charged to the statement of profit and loss. However, the decrease is debited directly to owners' interest under the heading "Revaluation Surplus" to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset.
- Revaluation Surplus included in owners' interest in respect of an item of PPE is transferred to "Revenue Reserves" when the asset is retired or disposed off. The difference between the depreciation based on the revalued carrying amount and the depreciation based on original cost is also transferred to "Revenue Reserves" from "Revaluation Reserve". However, such transfers from "Revaluation Reserve" to "Revenue Reserve" are not made through the statement of profit or loss.
- Cost of an item of PPE includes a)purchase price, including freight, duties and taxes and incidental expenses, after deducting trade discounts and rebates,; (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management viz. cost of employee benefits (as defined in AS-15 ' Employee Benefits') arising directly from the construction or acquisition of the item of property, plant and equipment, cost of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees, cost of testing whether the asset is functioning properly; (c) Taxes like GST paid on fixed assets wherever eligible are availed as ITC as per GST rules. (d) the initial estimate of the cost of dismantling, removing the item and restoring the site on which it is located, referred to as 'decommissioning, restoration and similar liabilities'
- Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefit/ functional capability from/ of such assets.

- Depreciation on fixed assets is charged on a pro rata basis on a straight-line method on the estimated useful life of the asset in compliance with the Schedule II of the Companies Act, 2013. Depreciable amount of an asset is allocated on a systematic basis over the useful life of the asset.
- Residual value and useful life of the asset is reviewed at least at each financial year end, and if expectations differ from previous estimates, such changes are accounted for as a change in accounting estimate in accordance with "AS-5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- Method of depreciation used is assessed and reviewed at each financial year end and if there is a significant change in the pattern of consumption of the future economic benefits embodied in the asset, the method of depreciation is changed to reflect the changed pattern and such a change is accounted for and disclosed as a change in Accounting Estimate in accordance with "AS-5" Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- Amount expended towards acquisition of Software is capitalized where it is reasonably estimated that the software has an enduring useful life. Software is amortized over an estimated useful life of 3 to 5 years on straight-line basis.
- Land and premises owned by the Bank are valued under 'Revaluation Model' and other Fixed Assets are valued under 'Cost Model'.
- Grant related to Specific Fixed Assets – Grant received from the Government/ other agencies related to depreciable assets are treated as deferred income which is recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset.
- Capital Work in progress includes cost of fixed assets that are not ready for their intended use and includes advance paid to vendors to acquire the fixed assets.
- The fixed assets are depreciated at straight-line method based on useful life of the assets stated as under:

S.No	Description of Fixed Assets	Useful life for Depreciation
1	Computer Software	3 to 5 Years
2	Server	6 years
3	Computer Hardware- desktops, laptops etc.	3 years
4	Electrical installations and equipment	10 years
5	Furniture and Fittings	10 years
6	Premises (Buildings)	60 years
7	Motor Vehicles	8 years

IX. Non-Banking Assets

Non-Banking Assets acquired in settlement of debts/dues are accounted at the lower of their cost or net realizable value.

X. Cash and Cash Equivalents

Cash and Cash Equivalents include cash in hand, balances with RBI and Balances with other banks/ institutions and money at call and short notice (including effects of changes in exchange rates on cash and cash equivalents in foreign currency).

XI. Transactions involving foreign exchange

i) Foreign Currency transactions are recorded on initial recognition in the reporting currency by applying the foreign currency amount, the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

ii) Foreign Currency Monetary items at balance sheet date are reported using the Foreign Exchange Dealers Association of India (FEDAI) closing (spot/forward) rates.

iii) Foreign Currency Non-Monetary items, which are carried at historical cost, are reported using the exchange rate on the date of the transaction.

iv) Contingent Liabilities denominated in foreign currency are revalued using the exchange rate notified by FEDAI at the balance sheet date.

v) Outstanding foreign exchange spot and forward contracts held for trading at balance sheet date are revalued at the exchange rate notified by FEDAI for specified maturities and the resulting profit or loss is recognized in the statement of profit and loss.

vi) Foreign Exchange forward contracts which are not intended for trading and are outstanding on the Balance sheet date, are revalued at the closing spot rate. The premium or discount arising at the inception of such contracts is amortized as expense or income over the life of the contract.

vii) Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or as expense in the period in which they arise.

viii) Gains/Losses on account of changes in exchange rates of open position in currency futures trades are settled with the exchange clearing house on daily basis and such gains/losses are recognized in the statement of profit and loss.

XII. Derivative Transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are measured at fair value as at the Balance Sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognized in the Profit and Loss Account.

XIII. Segment Information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI. The disclosure relating to segment information is in accordance with Accounting Standard 17 - "Segment Reporting" and as per RBI Master Direction on Financial Statements-Presentation and Disclosures dated August 30, 2021. As per the Master Direction, the reportable segments are identified as 'Treasury', 'Corporate / Wholesale Banking', 'Retail Banking' and 'Other banking operations.

- Treasury' includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfill the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment. Further, 'Digital Banking' has been identified as a sub-segment of the existing 'Retail Banking' segment as per Reserve Bank of India (RBI) guidelines.
- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under 'Retail Banking'.
- Other Banking Business includes all other banking operations not covered under 'Treasury, 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

XIV. Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

XV. Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognized as an expense in the Profit and Loss Account as per the lease terms.

XVI. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, impairment is recognized for such excess amount. The impairment loss is recognized 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 reduction in revaluation to the extent a revaluation reserve is available for that asset. When there is indication that an impairment loss recognized for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognized.

Impairment of an item of property, plant and equipment is determined by applying the Accounting Standard 28. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the statement of profit and loss when the compensation becomes receivable.

XVII. Taxes on income

The income tax expense comprises current tax and deferred tax. Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognized subject to prudence and judgment that realization is more likely than not. Deferred tax assets and liabilities are measured using tax rates under tax laws that have been enacted before the balance sheet date. Changes in deferred tax assets/ liabilities on account of changes in enacted tax rates are given effect to in the profit and loss account in the period of the change.

XVIII. Provisions, Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. No provision is recognized, and 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 recognized because:
    - 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. The Bank does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. If a favourable Judgement/ Order is already there in respect of disputed items of taxation, no provisions or disclosures would be made in the books, in respect of such matters. Bank do not create provision for the cases pending at first appellate authority and where there are no adverse judgements decided on such disputed matters by the High Court/Supreme Court/ Income Tax Appellate Tribunal/ or other such Appellate Authorities.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

XIX. Share Issue Expenses

Share issue expenses are adjusted from the Share Premium Account in accordance with Section 52 of the Companies Act, 2013.

XX. Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognized in the Profit and Loss Account.

XXI. Priority Sector Lending Certificates (PSLC)

The fee paid for purchase of the PSLC would be treated as an 'Expense' and the fee received for the sale of PSLCs would be treated as 'Miscellaneous Income'.

PRINCIPAL COMPONENTS OF OUR STATEMENT OF PROFIT AND LOSS

Income

Interest Earned

Interest earned consists of interest/ discount on advances and bills, income on investments, interest on balance with Reserve Bank of India and other inter-bank funds and other interest earned. Income from investments consists of interest on investments in India and outside India. Our securities portfolio consists primarily of Government securities, debentures and bonds and equity shares. On the balances that we maintain with RBI to meet our cash reserve requirements, we do not receive any interest.

Other Income

Our non-interest income consists of (i) commission, exchange and brokerage, (ii) profit/loss on the sale of investments (Net), (iii) profit/loss on revaluation of investments, (iv) profit/ loss on the sale of land, buildings and other assets (Net) (v) profit/loss on exchange transactions (Net), (vi) income from insurance, and (vii) miscellaneous income, which primarily includes processing charges, recoveries in assets written off and income from ATMs.

Expenditure

Interest Expended

Our interest expended includes interest on deposits, interest on RBI and inter-bank borrowings and other interest, such as, Tier I and Tier II bond interest as well as borrowings from other financial institutions and debt capital markets.

Operating Expenses

Our operating expenses include, among others, (i) payments to and provisions for employees, (ii) rent, taxes and lighting, (iii) printing and stationery, (iv) advertisement and publicity, (v) depreciation on our Bank's property, (vi) directors' fees, allowances and expenses (vii) auditors' fee and expenses (including branch auditors), (viii) law charges, (ix) postages, telegrams, telephones, etc., (x) repairs and maintenance, (xi) insurance, and (xii) other expenditure.

Provisions and Contingencies

Our provisions and contingencies consist of (1) provision for NPI, (2) provision for standard assets, (3)provision against fraud, (4) provision for NPA (including bad debts written off), (5) provision for restructured advances, (6) provision for unhedged forex exposure, (7) provision for income tax, (8) provision for deferred tax, (9) other provisions (net).

RESULTS OF OUR OPERATIONS FOR SIX MONTH PERIOD ENDED SEPTEMBER 30, 2024 and SEPTEMBER 30, 2023

The following table provides information with respect to our results of operations for six-month periods ended September 30, 2024 and September 30, 2023 from our Reformatted Unaudited Financial Statements.

(in ₹ crore)

Particulars	As at September 30, 2024	% of Total Income	As at September 30, 2023	% of Total Income
Income				
Interest Earned	634.67	88.32%	593.04	88.67%
Other Income	83.91	11.68%	75.79	11.33%
Total	718.58	100.00%	668.83	100.00%
Expenditure				
Interest expended	413.95	57.61%	353.45	52.85%
Operating Expenses	274.79	38.24%	239.84	35.86%
Provisions and Contingencies	12.03	1.67%	24.08	3.60%
Total	700.77	97.52%	617.37	92.31%
Profit/Loss				
Net Profit/(Loss) for the year	17.81	2.48%	51.46	7.69%
Net Interest Income	220.72	30.72%	239.59	35.82%
Profit /(Loss)brought forward	(761.23)	(105.93%)	(788.80)	(117.94%)
Total	(743.42)	(103.46%)	(737.34)	(110.24%)

Interest Income

Our interest earned increased by 7.01% to ₹ 634.67 crore in six-month period ended September 30, 2024 as compared to ₹ 593.04 crore in six-month period ended September 30, 2023. This increase was primarily attributable to (i) 6.81% increase in interest on advances from ₹470.97 crore in Six month period ended September 30, 2023 to ₹503.03 crore in Six month period ended September 30, 2024 (ii) 16.48% increase in interest on balance with the RBI and other inter-bank funds from ₹2.73 crore in Six month period ended September 30, 2023 to ₹3.18 crore in Six month period ended September 30, 2024 and (iii) 8.57% increase in interest received on investments from ₹107.00 crore in Six month period ended September 30, 2023 to ₹116.17 crore in Six month period ended September 30, 2024

Other Income

Other income grew by 10.71% to ₹ 83.91 crore in six-month period ended September 30, 2024 as compared to ₹ 75.79 crore in six-month period ended September 30, 2023 mainly due to (i) 4.21% increase in Commission, Exchange and Brokerage amounted to ₹ 3.71 crore in six-month period ended September 30, 2024 as compared to ₹ 3.56 crore in six-month period ended September 30, 2023 (ii) Profit on sale of Investments (Net) amounted to ₹ 6.59 crore in six-month period ended September 30, 2024 as compared to loss of ₹(4.02) crore in six-month period ended September 30, 2023 (iii) 12.77% increase in miscellaneous income including processing charges, amount written off since recovered, and income from ATM amounting to ₹ 68.87 crore in six-month period ended September 30, 2024 as compared to ₹ 61.07 crore in Six-month period ended September 30, 2023. This was partly offset by ₹nil crore in profit on revaluation of investments in six-month period ended September 30, 2024 as compared to ₹ 10.71 crore

Total Income

Our total income grew by 7.44% from ₹ 668.83 crore in six-month period ended September 30, 2023 as compared to ₹ 718.58 crore in six-month period ended September 30, 2024.

Interest Expense

The interest expended stood at ₹ 413.95 crore in Six-month period ended September 30, 2024 as compared to ₹ 353.45 crore in the Six-month period ended September 30, 2023 on account of increase in deposits and increase in card rate of term deposits in line with RBI repo rate increase/ market rates.

Operating Expense

Operating expenses increase by 14.57% to ₹ 274.79 crore in Six-month period ended September 30, 2024 as compared to ₹ 239.84 crore in the Six-month period ended September 30, 2023, mainly due to: (i) 13.15% increase in Payments to and provisions for employees to ₹ 160.22 crore in Six-month period ended September 30, 2024, as compared to ₹ 141.60 crore in Six-month period ended September 30, 2023 (ii) 10.71% increase in Rent, taxes and lighting amounting to ₹ 26.87 crore in six-month period ended September 30, 2024, as compared to ₹ 24.27 crore in six-month period ended September 30, 2023 (iii) 58.70% increase in Repairs and maintenance to ₹ 21.25 crore in six-month period ended September 30, 2024 as compared to ₹ 13.39 crore in six-month period ended September 30, 2023

Provision & Contingencies

Provisions and contingencies were ₹ 12.03 crore in six-month period ended September 30, 2024 as compared to ₹ 24.08 crore in the six-month period ended September 30, 2023 on account of decrease in provision for loan losses.

Total Expenses

Our total expenses grew by 13.51% to ₹ 700.77 crore in the six-month period ended September 30, 2024 as compared to ₹ 617.37 crore in the six-month period ended September 30, 2023, on account of increase in interest expenses and operating expenses.

Tax expenses

The tax expenses were ₹6.75 crore in six-month period ended September 30, 2024 as compared to ₹5.26 crore in the six-month period ended September 30, 2023.

Net loss / profit for the period

As a result of the foregoing factors, our restated loss was ₹ (743.42) crore in six-month period ended September 30, 2024, compared to restated loss of ₹(737.34) crore in six-month period ended September 30, 2023, an account of a loss of ₹ (761.23) crore being brought forward in six-month period ended September 30, 2024 and a loss of ₹ (788.80) crore being brought forward in six-month period ended September 30, 2023.

Net Interest Margin

Pursuant to the total interest earned and the total interest expended by our Bank, the Net Interest Margin for the six month period ended September 30, 2024 was 3.02 as compared to 3.41 for the six month period ended September 30, 2023.

FISCAL 2024 COMPARED TO FISCAL 2023

The following table provides information with respect to our results of operations for Fiscals 2024 and 2023 from our Reformatted Audited Financial Statements.

in ₹ crore

Particulars	Fiscal 2024	% of total income	For Fiscal 2023	% of total income
INCOME				
Interest Earned	1,206.99	88.78%	1,071.23	93.50%
Other Income	152.56	11.22%	74.52	6.50%
Total	1,359.55	100.00%	1,145.75	100.00%
EXPENDITURE				

Interest expended	748.54	55.06%	595.48	51.97%
Operating Expenses	541.75	39.85%	427.07	37.27%
Provisions and Contingencies	11.44	0.84%	73.84	6.44%
Total	1,301.73	95.75%	1,096.39	95.69%
Profit/Loss				
Net Profit/(Loss) for the year	57.82	4.25%	49.36	4.31%
Net Interest Income	458.45	33.72%	475.75	41.52%
Profit /(Loss)brought forward	(788.80)	(58.02%)	(825.78))	(72.07%)
Total	(730.98)	(53.77%)	(776.42)	(67.77%)
Appropriations				
Transfer to Statutory Reserve	14.46	1.06%	12.38	1.08%
Transfer to Capital Reserve	0.21	0.02%	0.00	0.00%
Transfer to Special Reserve U/s.36(1)(viii) of Income Tax Act	0.00	0.00%	0.00	0.00%
Transfer to Investment Reserve Account	12.77	0.94%	0.00	0.00%
Transfer to Investment Fluctuation Reserve Account	2.81	0.21%	0.00	0.00%
Proposed dividend	0.00	0.00%	0.00	0.00%
Dividend tax	0.00	0.00%	0.00	0.00%
Balance carried over to Balance Sheet	(761.23)	(55.99%)	(788.80)	(68.85%)
Total	(730.97)	(53.77%)	(776.42)	(67.77%)

Interest Income

Our interest earned increased by 12.67% to ₹1,206.99 crore in Fiscal 2024 as compared to ₹1,071.24 crore in Fiscal 2023. The increase in interest income was primarily due to: (i) 16.60% increase in interest on advances from ₹ 825.42 crore in Fiscal 2023 to ₹ 962.45 crore in Fiscal 2024 (ii) an increase in interest on balance with the RBI and other inter-bank funds from ₹ 2.52 crore in Fiscal 2023 to ₹ 7.26 crore in Fiscal 2024. The increase was partly offset by 6.16% decrease in interest received on investments from ₹ 235.10 crore in Fiscal 2023 to ₹ 220.62 crore in Fiscal 2024.

Other Income

Other income grew to ₹152.56 crore in Fiscal 2024 as compared to ₹74.52 crore in Fiscal 2023 due to (i) Profit on revaluation of investment amounting to ₹21.31 crore in Fiscal 2024 as compared to loss of ₹(40.08) crore in Fiscal 2023 (ii) 23.23% increase in Miscellaneous income including processing charges, amount written off since recovered, and income from ATM to ₹113.06 crore in Fiscal 2024 as compared to ₹91.75 crore in Fiscal 2023

Total Income

Our total income grew by 18.66% from ₹1,145.75 crore in Fiscal 2023 as compared to ₹1,359.55 crore in Fiscal 2024.

Interest Expense

The interest expended stood at ₹748.54 crore in Fiscal 2024 as compared to ₹595.48 crore in the Fiscal 2023 on account of account of increase in deposits and increase in card rate of term deposits over the period in line with RBI repo rate increase / market rates

Operating Expense

Operating expenses stood at ₹541.75 crore in Fiscal 2024 as compared to ₹427.07 crore in the Fiscal 2023, on account of the following (i) 33.95% increase in Payments to and provisions for employees to ₹331.20 crore in Fiscal 2024, as compared to ₹247.25 crore in Fiscal 2023 (ii) 25.81% increase in Repairs and maintenance amounting to ₹29.54 crore in Fiscal 2024 as compared to ₹23.48 crore in Fiscal 2023 (iii) 11.73% Increase in Insurance amounted to ₹21.62 crore in Fiscal 2024 as compared to ₹19.35 crore in Fiscal 2023 (iv) 25.13% increase in Other expenditure to ₹69.62 crore as compared to ₹55.64 crore in Fiscal 2023

Provision and Contingencies

Provisions and contingencies were ₹11.44 crore in Fiscal 2024 as compared to ₹73.84 crore in the Fiscal 2023 on account of decrease in loan loss provisions.

Total Expenses

Our total expenses grew by 18.73% to ₹1,301.73 crore in the Fiscal 2024 as compared to ₹1,096.39 crore in the Fiscal 2023, on account of increase in interest expenditure and operating expenses.

Tax expenses

The tax expenses were ₹12.66 crore for the Fiscals 2024.

Net loss / profit for the period

As a result of the foregoing factors, our restated loss was ₹ (730.97) crore in Fiscal 2024, compared to restated loss of ₹ (776.42) crore in Fiscal 2023, an account of a loss of ₹ (788.80) crore being brought forward in Fiscal 2024 and a loss of ₹ (825.78) crore being brought forward in Fiscal 2023.

Net Interest Margin

Pursuant to the total interest earned and the total interest expended by our Bank, the Net Interest Margin for the Fiscal 2024 was 3.22 as compared to 3.60 for the Fiscal 2023.

Financial Condition

Assets

The following table sets forth the principal components of the Bank's assets as of March 31, 2024, and March 31, 2023.

Particulars	Year ended		
	March 31, 2024	March 31, 2023	Change (%)
	(In ₹ crore, except percentages)		
Cash and balances with RBI	760.03	836.34	(9.12%)
Balance with banks and money at call and short notice	214.59	10.29	1,985.42%
Total cash and cash equivalents	974.62	846.63	15.12%
Government securities (net)	3,445.26	3,316.52	3.88%
Shares	18.70	19.98	(6.41%)
Debentures and Bonds	452.61	550.82	(17.83%)
Other securities (net)	25.83	1.32	1842.11%
Total investments (net)	3,942.40	3,888.64	1.38%
Loans and Advances to Banks	-	-	

Particulars	Year ended		
	March 31, 2024	March 31, 2023	Change (%)
	(In ₹ crore, except percentages)		
Loans and Advances to Customers	10,102.16	9,451.52	6.88%
Total loans (net)	10,102.16	9,451.52	6.88%
Fixed assets	274.34	257.57	6.51%
Other assets	668.37	687.77	(2.82%)
Total assets	15,961.89	15,132.13	5.48%

Total assets amounted to ₹ 15,961.89 crore as of Fiscal 2024 compared to ₹15,132.13 crore as of Fiscal 2023, an increase of 5.48%. The primary reason for this increase was due to increase in advances.

Cash and balances with the RBI decreased by 9.12% from ₹ 836.34 crore in Fiscal 2023 to ₹760.03 crore in Fiscal 2024. The primary reason for this decrease was the higher amount parked in Standing Deposit Facility (SDF) and current account balances with RBI.

Balances with banks and money at call and short notice increased by 1,985.42% to ₹214.59 crore as of Fiscal 2024 from ₹10.29 crore as of Fiscal 2023, primarily due to lower balance maintained in nostro accounts.

Total investments increased by 1.38% to ₹3,942.40 crore as of Fiscal 2024 from ₹ 3,888.64 crore as of Fiscal 2023. Investments in government securities increased by 3.88% to ₹3,445.26 crore as of Fiscal 2024 from ₹ 3,316.52 crore as of Fiscal 2023. The primary reason for this increase was due to increase in NDTL.

Investments in Shares decreased by 6.41% to ₹18.70 crore as Fiscal 2024 from ₹ 19.98 crore as of Fiscal 2023. The primary reason for this decrease was due to sale of shares from AFS position.

Investments in debentures and bonds decreased by 17.83% to ₹452.61 crore as of Fiscal 2024, from ₹ 550.82 crore as of Fiscal 2023. The primary reason for this decrease was due to sale and redemption of debentures and bonds.

Investments in other securities bonds increased by 1,842.11% to ₹25.83 crore as of Fiscal 2024, from ₹ 1.33 crore as of Fiscal 2023. The increase was due to addition of security receipts.

Loans and advances to customers increased by 6.88% to ₹10,102.16 crore as of Fiscal 2024, from ₹ 9,451.52 crore as of Fiscal 2023. The primary reason for this increase was increased business activities.

Net fixed assets increased by 6.51% to ₹274.34 crore as of Fiscal 2024, from ₹ 257.57 crore as of Fiscal 2023. The increase was primarily on account of purchase of IT assets.

Other assets decreased by 2.82% to ₹668.37 crore as of Fiscal 2024, from ₹ 687.77 crore as of Fiscal 2023. The decrease was primarily on account of decrease in deferred tax assets and other assets.

Liabilities and Shareholders' Funds

The following table sets forth the principal components of the Bank's liabilities and shareholders' funds as of March 31, 2024, and March 31, 2023.

Particulars	Year ended		
	March 31, 2024	March 31, 2023	Change (%)
	(In ₹ crore, except percentages)		
Capital	253.01	253.01	0.00%
Reserves and surplus	776.75	708.14	9.69%
Deposits	14,290.31	13,351.65	7.03%
Borrowings	299.04	492.38	(39.27%)
Other liabilities and provisions	342.78	326.95	4.84%
Total liabilities and shareholders' funds	15,961.89	15,132.13	5.48%

The total liabilities and shareholders' funds increased by 5.48% to ₹15,961.89 crore in Fiscal 2024 from ₹15,132.13 crore in Fiscal 2023. The primary reason for this increase was on account of increase in deposits by 7.03% from ₹ 13,351.65 crore in Fiscal 2023 to ₹14,290.31 crore in Fiscal 2024. The primary reason for increase in shareholder's funds was on account of net profit for the current year.

Deposits increased by 7.03% from ₹ 13,351.65 crore in Fiscal 2023 to ₹14,290.31 crore in Fiscal 2024, primarily due to increased business activities.

Demand deposits increased by 11.01% to ₹848.38 crore in Fiscal 2024 from ₹ 764.22 crore in Fiscal 2023, due to increased focus on CASA funds. The term deposits increased by 8.98% to ₹9,908.87 crore in Fiscal 2024 from ₹ 9,092.01 crore in the Fiscal 2023, primarily due to increase in retail fixed deposits.

Borrowings decreased by 39.27% from ₹ 492.38 crore in Fiscal 2023 to ₹299.04 crore in Fiscal 2024 due to decrease in bank repo borrowings and triparty repo borrowings.

Other liabilities and provisions increased by 4.84% from ₹ 326.95 crore in Fiscal 2023 to ₹342.78 crore in Fiscal 2024. This increase was primarily due to increase in provisions for employee benefits.

Liquidity and Capital Resources

The Bank regularly monitors its funding levels to ensure that it is able to satisfy requirements of loan disbursements and those that would arise upon maturity of liabilities. The Bank maintains diverse sources of funding (short term and long term) and liquid assets to facilitate flexibility in meeting its liquidity requirements.

Cash Flows

The following table sets forth our Bank's statement of cash flows for the periods indicated:

Particulars	Fiscal 2024	Fiscal 2023
	(₹ crore)	
Net cash from/ (used in) operating activities	17.29	216.40
Net cash from/ (used in) investing activities	110.71	(105.61)
Net cash from/ (used in) financing activities	-	-
Net change in cash and cash equivalents	128.00	110.79

Operating Activities

Fiscal 2024

Net cash from operating activities was ₹17.29 crore. Net profit before tax was ₹70.48 crore in Fiscal 2024 and adjustments to reconcile net profit before tax to net cash flows primarily consisted of increase in investments of ₹ 231.47 crore, increase in advances of ₹ 609.12 crore, increase in deposits of ₹ 938.66 crore, decrease in borrowings of ₹ 193.34 crore, decrease in other assets of ₹ 5.21 crore and increase in other liabilities and provisions of ₹ 21.88 crore.

Fiscal 2023

Net cash from operating activities was ₹216.40 crore. Net profit before tax was ₹31.61 crore in Fiscal 2023 and adjustments to reconcile net profit before tax to net cash flows primarily consisted of a decrease in investments of ₹ 169.75 crore, an increase in advances of ₹ 1408.72 crore, increase in deposits of ₹ 948.76 crore and increase in borrowings of ₹ 342.38 crore, increase in other assets of ₹ 20.12 crore and decrease in other liabilities and provisions of ₹ 11.08 crore.

Investing Activities

Fiscal 2024

Net cash from investing activities was ₹ 110.70 crore in Fiscal 2024, primarily due to purchase of fixed assets (net of sales) of ₹ 41.91 crore. This was offset by decrease in Held to Maturity Investments of ₹152.29 crore and proceeds from sale of fixed assets of ₹ 0.32 crore.

Fiscal 2023

Net cash used in investing activities was ₹ 105.61 crore in Fiscal 2023. The primary reason for the outflow was purchase of fixed assets of ₹35.19 crore and Held to Maturity investments of ₹71.27 crore. This was offset by the proceeds from sale of fixed assets of ₹ 0.85 crore.

Financing Activities

Fiscal 2024

Net cash from financing activities was Nil in Fiscal 2024. The primary reason for the same was that there was no capital fund raising via equity/ bonds during the said period.

Fiscal 2023

Net cash from financing activities was Nil in Fiscal 2023. The primary reason for the same was that there was no capital fund raising via equity/ bonds during the said period.

Capital

We calculate our capital to risk weighted assets ratio under Basel III guidelines. Our Bank's CRAR under Basel III was 13.06% as of September 30, 2024.

We are registered with and subject to supervision by the RBI, including the RBI's detailed guidelines for implementation of Basel III capital regulations that were issued in May 2012. Basel III Capital Regulations are being implemented in India with effect from April 1, 2013, in a phased manner, which our Bank has complied with. Also see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 200.

Our Bank's regulatory capital and capital adequacy ratios calculated under Basel III as of the dates indicated, are as follows:

		As of September 30, 2024
	Regulatory Capital	**(₹ crore)**
	Tier I capital	882.66
	Tier II capital	70.40
	Total Capital	953.06
	Regulatory Capital	
(i)	Common Equity Tier I Ratio	9.60%
(ii)	Capital Conservation Buffer (comprising Common Equity)	2.50%
(iii)	Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	12.10%
(iv)	Additional Tier I capital (CRAR)	0.00%
(v)	Tier I capital adequacy ratio (i) +(iv)	9.60%
(vi)	Tier II capital (CRAR)	0.96%
(vii)	Total Capital Ratio (MTC) (v)+(vi)	10.56%
(viii)	Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	13.06%

Capital expenditure

Our capital expenditure consists principally of purchase of fixed assets net of proceeds from sale of fixed assets and investment in Held to Maturity investments. In Fiscal 2024 and Fiscal 2023 we incurred ₹ 41.59 crore and ₹ 34.34 crore, respectively towards purchase of Fixed Assets (net)., ₹ 152.29 crore received (net) on sale of HTM investments in Fiscal 2024 and ₹ 71.27 crore incurred for investment in HTM in Fiscal 2023.

Our planned future capital expenditure primarily focuses on maintaining and enhancing our technology and communication infrastructure. We do not consider our current capital expenditure plans to be material in amount, given the size, scope and nature of our business. However, our actual expenditure may be higher or lower than our current expectations and could be material in amount. Moreover, we may incur capital expenditure for purposes other than above, based on prevailing business conditions and potential changes in our business plans.

Contingent liabilities

Our contingent liabilities primarily relate to claims against us not acknowledged as debts which represent claims filed against us in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by us. Contingent liabilities also include liabilities on account of outstanding forward exchange contracts that we enter into on our own account and on behalf of our customers. Guarantees provided for other entities, along with acceptances and endorsements and other obligations also form part of our contingent liabilities.

The table below sets forth, as of the dates indicated, the principal components of our Bank's contingent liabilities as of the dates indicated:

Particulars	**For the year ended March 31**		**For the six months period ended September 30, 2024**
	2024	**2023**	
	(In ₹ crore)		
Claims against the Bank not acknowledged as debts	38.77	38.48	38.73
Liability on account of outstanding foreign exchange contracts	118.60	128.03	198.65
Guarantees given on behalf of constituents in India	382.14	390.38	362.00
Acceptances, endorsements and other obligations	5.39	4.98	3.01
Other items for which Bank is contingently liable	120.90	106.31	133.11
Total	**665.81**	**668.18**	735.50

Related party transactions

Our Bank enters into various transactions with related parties in the ordinary course of business. These transactions principally include remuneration paid to KMPs, Senior Management and others. For further information relating to our related party transactions, see "*Financial Statements*" on page 100.

Off balance sheet arrangements

Except as disclosed in the Financial Statements or elsewhere in this Letter of Offer, there are no off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates, other unconsolidated entities or financial partnerships 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.

Auditor observations and matters of emphasis

There are no reservations, qualifications or adverse remarks highlighted by the Statutory Auditors in their reports to our financial statements/results for Fiscal 2024 and Fiscal 2023.

Further, the Statutory Auditors have included the following emphasis of matter in their audit reports to the Financial Statements for Fiscal 2024 and Fiscal 2023.

Period	**Emphasis of matter**
2024	We draw attention to Note No. 14(i) of Schedule 18 to the financial statements regarding amortization of additional liability on account of revision in family pension amounting to Rs. 14.29 crore. As stated therein, the bank has charged an amount of Rs. 8.57 crore to the profit and loss account for the financial year ended March 31, 2024. With this, the entire amount of family pension stands amortized.

	We draw attention to Note No. 1.2(a) of Schedule 18 to the financial statements regarding the treatment of application software as an intangible asset and its deduction in the computation of net worth until September 30, 2023. However, during the quarter ended December 31, 2023, the bank changed its approach and treated the application software as a fixed asset, consequently not deducting it in the computation of net worth from the quarter ended December 31, 2023, onwards. The consequential positive impact on the Capital to Risk Weighted Assets Ratio for the year ended March 31, 2024 is 41 basis points. Our opinion is not modified in respect of these matters.
2023	We draw attention to Note No. 14(i) of Schedule 18 to the financial statements regarding amortization of additional liability on account of revision in family pension amounting to Rs. 14.29 crore. As stated therein, the bank has charged an amount of Rs. 2.86 crore to the profit and loss account for the financial year ended March 31, 2023 and the balance unamortized expenditure of Rs. 8.58 crore has been carried forward. Had the bank recognized the entire additional liability in the previous year, the debit balance in profit and loss account shown under reserves and surplus as at March 31, 2023 would have been higher by Rs.8.58 crore. We draw attention to Note No. 4(g) of Schedule 18 to the financial statements regarding allocation of provision for frauds over a period of four quarters in respect of an advance with outstanding balance of Rs. 59.40 crore declared as fraud during Q2 of this financial year, against which provision of Rs. 14.85 crore was held as on the date of declaring the account as fraud. As stated therein, Bank has charged an amount of Rs. 33.41 crore to the profit and loss account during the year being 75% of the provision required to be made over and above provision already held as on the date of fraud. Bank recovered Rs. 0.35 crore in the account subsequently. The balance amount of Rs. 10.79 crore has now been charged against revenue reserves under reserves and surplus. Had the bank charged the entire provision to the profit and loss account, the Net profit for the year ended March 31, 2023 would have been lower by a sum of Rs. 10.79 crore. Our opinion is not modified in respect of these matters.

Qualitative Disclosure about Risks and Risk Management

We are exposed to various risks that are an inherent part of any banking business, with the major risks being credit risk, market risk, liquidity risk and operational risk. We have various policies and procedures in place to measure, manage and monitor these risks systematically across all its portfolios.

For further information about the types of risks and our risk management policies, see "*Our Business – Risk Management*" on page 92.

New products or business segments

Other than as disclosed in the section titled "*Our Business*" on page 77, our Bank has not 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.

Unusual or infrequent events or transactions

Except as described in this Letter of Offer, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent."

Significant economic changes that materially affect or are likely to affect income from continuing operations

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 our operations identified above and the uncertainties described in the section "*Risk Factors*" on page 18.

Known trends or uncertainties

Other than as described in this Letter of Offer, particularly in this section and "*Risk Factors*" on page 18 to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between cost and income

Other than as described elsewhere in this section and the sections "*Risk Factors*" on page 18 and "*Our Business*" on page 77, to our knowledge, there are no known factors that will have a material adverse impact on our operations and finances.

Competitive Conditions

We operate in a competitive environment. See, "*Our Business*" on page 77, "*Industry Overview*" on page 61, "*Risk Factors*" on page 18, and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 200.

Significant developments after March 31, 2024, that may affect our future results of operations

Except as discussed above and as otherwise stated in this Letter of Offer, to our knowledge, no circumstances have arisen since the date of the last audited financial results as disclosed in this Letter of Offer which materially and adversely affects or is likely to affect, our profitability, or the value of our assets or our ability to pay our liabilities.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

Our Bank is involved in various legal proceedings from time to time. Our Bank solely for the purposes of this Issue, has disclosed in this section all outstanding matters which involve (i) issues of moral turpitude or criminal liability on the part of our Bank, including all criminal proceedings filed against the Bank; (ii) material violations of statutory regulations by our Bank; (iii) outstanding matters in relation to material civil litigation; (iv) economic offences where proceedings have been initiated against our Bank; (v) outstanding tax litigation involving our Bank in a consolidated manner; and(vi) any outstanding matter which has been considered material and reported to the Stock Exchanges in accordance with the LODR Materiality Policy (as defined hereafter).

*All outstanding civil proceedings involving our Bank, where the amount involved in such proceedings is equivalent to or in excess of 5% of the average of absolute value of profit or loss after tax, as per the last three audited financial statements of our Bank, which is determined to be ₹2.38 crore, adopted by the Equity Issuance Committee through its resolution dated November 29, 2024 ("**Materiality Threshold**"), in conformity with the 'Policy for Determination of Materiality of Events' ("**LODR Materiality Policy**") framed in accordance with Regulation 30 of the SEBI LODR Regulations and adopted by our Board, have been disclosed in this section. Additionally, all outstanding matters involving our Bank, where the amount involved is unquantifiable, but which are material in the opinion of our Board or where an adverse outcome may result in material or adverse impact on the operations or financial position of our Bank, have been disclosed in this section.*

Pre-litigation notices received by the Bank from third parties (excluding those notices issued by statutory, regulatory, governmental, judicial, quasi-judicial or taxation authorities) will not be considered as litigation until such time that, as the case may be, our Bank has been impleaded as a defendant or respondent in litigation proceedings before any judicial forum or arbitral tribunal.

Litigations involving our Bank

Proceedings involving issues of moral turpitude or criminal liability on the part of our Bank

1. Narender ("**Complainant**") filed a complaint dated May 22, 2018, under CrPC before the Chief Metropolitan Magistrate, Patiala House Courts, New Delhi, against our Bank and one of our employees for offences including criminal breach of trust and criminal conspiracy under Sections 409 read with Section 120-B and/or 34 of the Indian Penal Code, 1860. The Complainant alleged discrepancies in our Bank's appraisal process, claiming that during the said appraisal, our Bank and its employee replaced the original gold articles mortgaged by the Complainant with spurious gold. In response, our Bank has filed a petition before the Principal District and Sessions Judge, Patiala House Courts, New Delhi, seeking to quash the said Complaint. The matter is currently pending.

Proceedings involving material violations of the statutory regulations by our Bank

NIL

Material litigation involving our Bank

1. Our Bank had advanced certain credit facilities ("**Facilities**") to Air Travel Enterprises India Limited ("**Corporate Debtor**"). Upon the application by other creditors of the Corporate Debtor, CIRP was initiated pursuant to the order of the National Company Law Tribunal, Kochi ("**NCLT, Kochi**") dated December 22, 2023 ("**Order**"). Thereafter, our Bank, as a financial creditor of the Corporate Debtor, submitted a claim under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), 2016, amounting to ₹82.05 crore before NCLT, Kochi. The Order was stayed by the Supreme Court pursuant to order dated April 22, 2024. The matter is currently pending.

2. Our Bank had advanced credit facilities to Future Enterprises Limited ("**Corporate Debtor**"). Upon the application by other creditors of the Corporate Debtor, CIRP was initiated pursuant to the order of the National Company Law Tribunal, Mumbai ("**NCLT Mumbai**") dated March 7, 2023. Thereafter our

Bank, as a financial creditor of the Corporate Debtor, submitted a claim under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), 2016 amounting to ₹34.98 crore before NCLT Mumbai. The matter is currently pending.

3. Our Bank had advanced certain credit facilities to Noida Medicare Centre Limited ("**Corporate Debtor**"). Upon the application by other creditors of the Corporate Debtor, the CIRP was initiated pursuant to the order of the National Company Law Tribunal, New Delhi ("**NCLT, Delhi"**) dated May 27, 2020. Thereafter our Bank, as a financial creditor of the Corporate Debtor, submitted a claim under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), 2016 amounting to ₹23.33 crore before NCLT Delhi. The resolution plan submitted by one of the resolution applicants ("**Resolution Plan**") was accepted by the committee of creditors ("**CoC**") However, our Bank, as a financial creditor of the Corporate Debtor, has voted against the Resolution Plan and has filed an objection application before NCLT, Delhi dated September 18, 2021, for payment of proportionate amount as per voting percentage. The matter is currently pending.

4. Our Bank had advanced credit facilities to Sri Adhikari Brothers Television Network Limited ("**Corporate Debtor**"). Upon the application by other creditors of the Corporate Debtor, the CIRP was initiated pursuant to the order of the National Company Law Tribunal, Mumbai ("**NCLT Mumbai**") dated December 20, 2019. Thereafter our Bank, as a financial creditor of the Corporate Debtor, submitted a claim under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), 2016 amounting to ₹11.15 crore before NCLT Mumbai. The matter is currently pending.

5. Our Bank, as a member of the consortium of banks, had advanced certain credit facilities ("**Facilities**") to Kwality Limited ("**Borrower**"). JTPL Private Limited ("**Corporate Guarantor**") is the corporate guarantor for the Facilities. The Borrower defaulted in the repayment of the Facilities. Thereafter the National Company Law Tribunal, New Delhi ("**NCLT Delhi**"), passed an order for the liquidation of the Borrower dated January 11, 2020**.** Subsequently**,** Bank of India filed an application against the Corporate Guarantor which was admitted by the NCLT Delhi pursuant to its order dated April 15, 2024 commencing the CIRP against the Corporate Guarantor. Our Bank, as a financial creditor of the Borrower, submitted a claim under Regulation 8 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), 2016 amounting to ₹73.37 crore before NCLT Delhi. The matter is currently pending.

6. As on date of this Letter of Offer, the Bank is involved in 264 proceedings for recovery of debt against the defaulting borrowers with the aggregate amount involved being ₹ 244.43 crore, of which there are 23 cases which meet the Materiality Threshold aggregating to ₹175.63 crore which are currently pending before debt recovery tribunals.

Tax matters involving our Bank

Particulars	**Number of cases**	**Aggregate amount involved to the extent ascertainable (in ₹ crore) ^**
Direct Tax	36	158.00
Indirect Tax	16	606.73
Total	52	764.73

^ *Excluding interest and penalty*

Other pending matters against our Bank which, if they result in an adverse outcome would materially and adversely affect the operations or financial position of our Bank

NIL

Economic offences where proceedings have been initiated against our Bank

NIL

GOVERNMENT AND OTHER APPROVALS

We are not required to obtain any licenses or approvals from any government or regulatory authority for the objects of this Issue. For further details, please see "*Objects of the Issue*" at page 53.

MATERIAL DEVELOPMENTS

No material developments have occurred since the date of last balance sheet i.e. September 30, 2024, which materially or adversely affect or are likely to affect: (a) trading, revenue, profitability, performance or prospects of our Bank; or (b) the value of its assets; or (c) the ability of our Bank to pay its liabilities in the next 12 months.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of the Board of Directors passed at its meeting held on October 22, 2024, pursuant to Section 62(1)(a) of the Companies Act. This Letter of Offer has been approved by our Board pursuant to its resolution dated December 19, 2024. The terms and conditions of the Issue including the Rights Entitlement, Issue Price, Record Date, timing of the Issue and other related matters, have been approved by a resolution passed by our Board at its meeting held on December 19, 2024.

The Board, in its meeting held on December 19, 2024 has resolved to issue the Equity Shares to the Eligible Equity Shareholders, at Issue Price of ₹ 21.00 per Rights Equity Share (including a premium of ₹11.00 per Rights Equity Share) aggregating up to ₹297.54 crore*, in the ratio of 14 Rights Equity Share for every 25 Equity Shares, as held on the Record Date. The Issue Price of ₹ 21.00 per Rights Equity Share has been arrived at by our Bank in consultation with the Lead Manager, prior to determination of the Record Date.

**Assuming full subscription with respect to Rights Equity Shares*

Our Bank has received in-principle approvals from BSE and NSE in accordance with Regulation 28(1) of the SEBI Listing Regulations for listing of the Rights Equity Shares to be allotted in this Issue pursuant to their letters dated December 4, 2024 and December 13, 2024, respectively. Our Bank will also make applications to BSE and NSE to obtain their trading approvals for the Rights Entitlements as required under the SEBI ICDR Master Circular.

Our Bank has been allotted the ISIN INE680A20011 for the Rights Entitlements to be credited to the respective demat accounts of the Equity Shareholders of our Bank. For details, see *"Terms of the Issue"* on page 242.

Prohibition by SEBI or Other Governmental Authorities

Our Bank and our Directors have not been and are not prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Further, our Directors are not promoter(s) or director(s) of any other company which is debarred from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of our Directors are declared fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018.

Prohibition by RBI

Neither our Bank nor any of our Directors have been or are identified or categorised as Wilful Defaulters or Fraudulent Borrowers.

Eligibility for the Issue

Our Bank is a listed company and has been incorporated under the Indian Companies Act, 1913. Our Equity Shares are presently listed on the Stock Exchanges. Our Bank is eligible to offer Equity Shares pursuant to this Issue in terms of Chapter III and other applicable provisions of the SEBI ICDR Regulations. Further, our Bank is undertaking this Issue in compliance with Part B of Schedule VI to the SEBI ICDR Regulations.

Compliance with Regulations 61 and 62 of the SEBI ICDR Regulations

Our Bank is in compliance with the conditions specified in Regulations 61 and 62 of the SEBI ICDR Regulations, to the extent applicable. Further, in relation to compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Bank has made applications to the Stock Exchanges and has received their in-principle approvals for listing of the Rights Equity Shares to be issued pursuant to this Issue. NSE is the Designated Stock Exchange for the Issue.

Compliance with conditions of Fast Track Issue

Our Bank satisfies the following conditions specified in Regulation 99 of the SEBI ICDR Regulations, and accordingly, our Bank is eligible to make this Issue by way of a 'fast track issue':

(1) Our Equity Shares have been listed on BSE and NSE, each being a recognised stock exchange having, nationwide trading terminals, for a period of at least three years immediately preceding the date of filing this Letter of Offer with the Designated Stock Exchange;

(2) The entire shareholding of the members of our Promoter Group is held in dematerialised form as at the date of filing this Letter of Offer;

<u>Not applicable. Our Bank is a professionally managed Bank with no identifiable promoters hence, the condition that the entire shareholding of the promoter group of our Bank should be held in dematerialized form as on the date of the filing of the Letter of Offer is not applicable to our Bank.</u>

(3) The average market capitalisation of the public shareholding (as defined under the SEBI ICDR Regulations) of our Bank is at least ₹250 crore, in at least one of the recognised stock exchanges with nationwide trading terminal, where its securities are listed, calculated as per Explanation (i) of the Regulation 99 of SEBI ICDR Regulations;

(4) The annualised trading turnover of our Equity Shares during six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 2% of the weighted average number of Equity Shares listed during such six-months period on each of the Stock Exchanges;

(5) The annualised delivery-based trading turnover of our Equity Shares during six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 10% of the annualised trading turnover of Equity Shares during such six-month period on each of the Stock Exchanges;

(6) Our Bank has been in compliance with the equity listing agreement entered into with the Stock Exchanges and the SEBI Listing Regulations, for a period of at least three years immediately preceding the date of filing this Letter of Offer;

(7) Our Bank has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month at the date of filing this Letter of Offer;

(8) No show-cause notices, excluding proceedings for imposition of penalty, have been issued by SEBI and are pending against our Bank or whole-time Directors. Further, no show cause notices have been issued by the SEBI or an Adjudicating Officer in a proceeding for imposition of penalty and/or no prosecution proceedings have been initiated by SEBI, against our Bank or whole-time Directors;

(9) Our Bank or our Directors have not settled any alleged violations of securities laws through the settlement mechanism with SEBI during the three years immediately preceding the date of filing this Letter of Offer;

(10) Our Equity Shares have not been suspended from trading as a disciplinary measure during three years immediately preceding the date of filing this Letter of Offer;

(11) There is no conflict of interest between the Lead Manager and our Bank or our Group Companies in accordance with applicable regulations;

(12) Our Promoters and Promoter Group shall mandatorily subscribe to their rights entitlement and shall not renounce their rights, except to the extent of renunciation within our Promoter Group or for the purpose of complying with minimum public shareholding norms prescribed under the SCRR;
<u>Not applicable. Our Bank is a professionally managed company and does not have a promoter or promoter group in terms of the SEBI ICDR Regulations or the Companies Act, 2013.</u>

(13) Our Promoters have undertaken and confirmed in relation to this Issue to subscribe on their own account, and not through any nominated entity or person to:

(a) the full extent of their Rights Entitlement in the Issue in accordance with the applicable provisions of the SEBI Takeover Regulations; and

(b) the full extent of any rights entitlement in the Issue that may be renounced in their favour by any of the members of our Promoter Group in accordance with the applicable provisions of the SEBI Takeover Regulations. - Not applicable. Our Bank is a professionally managed company and does not have a promoter or promoter group in terms of the SEBI Regulations or the Companies Act, 2013.

(14) There were no qualifications in the audit report(s) on the audited financial statements for the financial year ended March 31, 2024 (with comparatives as on for the financial year ended March 31, 2023), and the unaudited financial results of the Bank for the six-month period ended September 30, 2024 (with comparatives as on six-month period ended September 30, 2023), included in the Letter of Offer.

Compliance with Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations

Our Bank is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations as explained below:

(1) Our Bank has been filing periodic reports, statements and information in compliance with the Listing Agreement or the SEBI Listing Regulations, as applicable for the last one year immediately preceding the date of filing of this Letter of Offer with the SEBI.

(2) The reports, statements and information referred to above are available on the website of BSE and NSE.

(3) Our Bank has an investor grievance-handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by our Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As our Bank satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations, and is not covered under the conditions specified in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations. Disclosures in this Letter of Offer have been made in terms of Clause (4) of Part B of Schedule VI of SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER 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 LETTER OF OFFER. THE LEAD MANAGER, BEING BOB CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THIS LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOB CAPITAL MARKETS LIMITED, THE LEAD MANAGER, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 19, 2024, WHICH READS AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION, INCLUDING COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL WHILE FINALISING THIS LETTER OF OFFER OF THE SUBJECT ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION, CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE BANK, WE CONFIRM THAT:

(a) THE LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS WHICH ARE MATERIAL TO THE ISSUE;

(b) ALL MATERIAL LEGAL REQUIREMENTS RELATING TO THE ISSUE AS SPECIFIED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE MATERIAL DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 2013, THE SEBI ICDR REGULATIONS AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(3) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID. COMPLIED WITH

(4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOT APPLICABLE

(5) WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE LETTER OF OFFER WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE LETTER OF OFFER. NOT APPLICABLE

(6) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO EQUITY SHARES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAVE BEEN AND SHALL BE DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION(S) HAVE BEEN MADE IN THE LETTER OF OFFER. NOT APPLICABLE

(7) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO RECEIPT OF PROMOTER'S CONTRIBUTION PRIOR TO OPENING OF THE ISSUE, SHALL BE COMPLIED WITH. ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE AND THE STATUTORY AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE BANK ALONG WITH THE PROCEEDS OF THE ISSUE. NOT APPLICABLE

(8) NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE CREDITED OR TRANSFERRED TO A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL

THE STOCK EXCHANGES, AND THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKER(S) TO THE ISSUE AND THE BANK SPECIFICALLY CONTAINS THIS CONDITION. COMPLIED WITH AND NOTED FOR COMPLIANCE

(9) THE EXISTING BUSINESS AS WELL AS ANY NEW BUSINESS OF THE BANK FOR WHICH THE FUNDS ARE BEING RAISED FALL WITHIN THE 'MAIN OBJECTS' IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE BANK AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED IN LAST TEN YEARS ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. COMPLIED WITH TO THE EXTENT APPLICABLE

(10) FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:

(a) AN UNDERTAKING FROM THE BANK THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE BANK, EXCLUDING SUPERIOR EQUITY SHARES, WHERE THE COMPANY HAS OUTSTANDING SUPERIOR EQUITY SHARES. COMPLIED WITH (THE BANK HAS NOT ISSUED ANY SUPERIOR RIGHTS EQUITY SHARES); AND

(b) AN UNDERTAKING FROM THE BANK THAT IT SHALL COMPLY WITH ALL DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI. COMPLIED WITH

(11) WE SHALL COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENTS IN TERMS OF THE SEBI ICDR REGULATIONS. NOTED FOR COMPLIANCE

(12) IF APPLICABLE, THE BANK IS ELIGIBLE TO LIST ON THE INNOVATORS GROWTH PLATFORM IN TERMS OF THE PROVISIONS CHAPTER X OF THE SEBI ICDR REGULATIONS. NOT APPLICABLE

(13) NONE OF THE INTERMEDIARIES NAMED IN THIS LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY. COMPLIED WITH

(14) THE BANK IS ELIGIBLE TO MAKE A FAST TRACK ISSUE IN TERMS OF REGULATION 99 OF THE SEBI ICDR REGULATIONS. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION BY THE BANK HAS ALSO BEEN DISCLOSED IN THIS LETTER OF OFFER. COMPLIED WITH

(15) THE ABRIDGED LETTER OF OFFER CONTAINS ALL DISCLOSURES AS SPECIFIED IN THE SEBI ICDR REGULATIONS. COMPLIED WITH

(16) ALL MATERIAL DISCLOSURES IN RESPECT OF THE BANK HAVE BEEN MADE IN THIS LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE BANK OR RELATING TO THE BANK UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE EQUITY SHARES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN. COMPLIED WITH AND NOTED FOR COMPLIANCE

(17) AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE BANK. COMPLIED WITH

THE FILING OF THE LETTER OF OFFER 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 LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

Disclaimer clauses from our Bank and the Lead Manager

Our Bank and the Lead Manager accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by our Bank or by any other persons at the instance of our Bank and anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the Issue will be deemed to have represented to our Bank, the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Rights Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in the Issue.

CAUTION

Our Bank and the Lead Manager shall make all information available to the Eligible Equity Shareholders in accordance with the SEBI ICDR Regulations and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer.

No dealer, salesperson or other person is authorised to give any information or to represent anything not contained in this Letter of Offer. You must not rely on any unauthorised information or representations. This Letter of Offer is an offer to sell only the Rights Equity Shares and rights to purchase the Rights Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Letter of Offer is current only as at its date.

Our Bank, the Lead Manager and its directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Applicant on whether such Applicant is eligible to acquire any Rights Equity Shares.

The Lead Manager and its affiliates may engage in transactions with and perform services for our Bank or our affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Bank or our affiliates, for which they have received and may in the future receive, compensation.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, Maharashtra only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue is NSE.

Disclaimer Clause of the BSE

BSE Limited ("the Exchange"). has given, vide its letter dated December 4, 2024 permission to this Company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company

and it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the

Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever

Disclaimer Clause of NSE

As required, a copy of this letter of offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref. No. NSE/LIST/45578 dated December 13, 2024 permission to the Issuer to use the Exchange's name in this letter of offer as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer.

It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the letter of offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of RBI

A license authorising our Bank to carry on banking business has been obtained from the RBI in terms of Section 22 of the Banking Regulation Act. It must be distinctly understood, however, that in issuing the license the RBI does not undertake any responsibility for the financial soundness of our Bank.

Filing

This Letter of Offer is being filed with the Stock Exchanges as per the provisions of the SEBI ICDR Regulations. Further, our Bank will simultaneously while filing the Letter of Offer with the Stock Exchanges, do an online filing with SEBI through the SEBI intermediary portal at www.siportal.sebi.gov.in, in terms of the SEBI ICDR Master Circular.

Mechanism for Redressal of Investor Grievances

Our Bank has adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements in compliance with the Listing Agreements and the SEBI Listing Regulations. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI Circular no. CIR/OIAE/2/2011 dated June 3, 2011 and shall comply with the SEBI/HO/OIAE/CIR/P/2023/156 dated September 20, 2023 and any other circulars issued by SEBI in this regard in relation to redressal of investor grievances through SCORES. Consequently, investor grievances are also tracked online by our Bank through the SCORES mechanism.

Our Bank has a Stakeholders Relationship Committee which meets at least once every year and as and when required. Its terms of reference include considering and resolving grievances of shareholders in relation to transfer of shares and effective exercise of voting rights. Kfin Technologies Limited is our Registrar. All investor grievances received by us have been handled by the Registrar in consultation with our Company Secretary and Compliance Officer.

The investor complaints received by our Bank are generally disposed of within 10-15 days from the date of receipt of the complaint.

Investors may contact the Registrar or our Company Secretary and Compliance Officer for any pre Issue or post Issue related matter. All grievances relating to the ASBA process may be addressed to the Registrar, with a copy to the SCSBs, giving full details such as name, address of the Applicant, contact number(s), e mail address of the sole/ first holder, folio number or demat account number, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the Application Form or the plain paper application, as the case may be, was submitted by the

Investors along with a photocopy of the acknowledgement slip. For details on the ASBA process, please see *"Terms of the Issue"* on page 242.

The contact details of Registrar to the Issue and our Company Secretary and Compliance Officer are as follows:

Registrar to the Issue

M/s. KFin Technologies Limited
Selenium Tower B
Plot No.31 & 32
Financial District, Nanakramguda
Serilingampally
Hyderabad, Rangareddi - 500 032
Telangana, India
Tel: +91 1800 309 4001/ + 91 40 6716 2222
E-mail: dhanlaxmi.rights@kfintech.com
Investor Grievance E-mail: einward.ris@kfintech.com
Website: www.kfintech.com
Contact Person: M. Murali Krishna
SEBI registration no.: INR000000221

Company Secretary and Compliance Officer

Venkatesh. H is the Company Secretary and Compliance Officer of our Bank. His details are as follows:

Venkatesh. H
Company Secretary and Compliance Officer Dhanlaxmi Bank Limited,
Registered Office, Naickanal Thrissur – 680 001
Kerala, India
Tel: 0487-2999711/ 0487-7107124
E-mail: venkatesh.h@dhanbank.co.in

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

This section is for the information of the Investors proposing to apply in this Issue. Investors should carefully read the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Bank and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigation and ensure that the Application Form is accurately filled up in accordance with instructions provided therein and this Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, Investors proposing to apply in this Issue can apply only through ASBA or by any other mode which may be notified by SEBI.

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association of our Bank, the provisions of the Companies Act, 2013, the FEMA, the FEMA Rules, the SEBI ICDR Regulations, SEBI ICDR Master Circular, the SEBI Listing Regulations and the guidelines, notifications, circulars and regulations issued by SEBI, the RBI, the Government of India and other statutory and regulatory authorities from time to time, approvals, if any, from RBI or other regulatory authorities, the terms of the Listing Agreements entered into by our Bank with Stock Exchanges and the terms and conditions as stipulated in the Allotment Advice.

Please note that our Bank has opened a separate demat suspense escrow account (namely, Dhanlaxmi Bank Limited RE Unclaimed Suspense Account' opened with the Stock Holding Corporation of India Limited) ("Demat Suspense Account") and would credit Rights Entitlements on the basis of the Equity Shares: (a) held by Eligible Equity Shareholders which are held in physical form as on Record Date; or (b) which are held in the account of the Investor Education and Protection Fund ("IEPF") authority; or (c) of the Eligible Equity Shareholder whose demat accounts are frozen or where the Equity Shares are lying in the unclaimed suspense account / demat suspense account (including those pursuant to Regulation 39 of the SEBI Listing Regulations) or details of which are unavailable with our Bank or with the Registrar on the Record Date or where Equity Shares have been kept in abeyance or where entitlement certificate has been issued or where instruction has been issued for stopping issue or transfer or where letter of confirmation lying in escrow account (d) such other cases where our Bank is unable to credit Rights Entitlements for any other reasons. Please also note that our Bank has credited Rights Entitlements to the Demat Suspense Account on the basis of information available with our Bank and to serve the interest of relevant Eligible Equity Shareholders to provide them with a reasonable opportunity to participate in the Issue. The credit of the Rights Entitlements to the Demat Suspense Account by our Bank does not create any right in favour of the relevant Eligible Equity Shareholders for transfer of Rights Entitlement to their demat account or to receive any Equity Shares in the Issue.

With respect to the Rights Entitlements credited to the Demat Suspense Account, the Eligible Equity Shareholders are requested to provide relevant details (such as applicable regulatory approvals, self-attested PAN and client master sheet of demat account, details/ records confirming the legal and beneficial ownership of their respective Equity Shares, etc.) to our Bank or the Registrar no later than two clear Working Days prior to the Issue Closing Date, i.e., by Thursday, January 23, 2025 to enable credit of their Rights Entitlements by way of transfer from the Demat Suspense Account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Bank or the Registrar account is active to facilitate the aforementioned transfer. In the event that the Eligible Equity Shareholders are not able to provide relevant details to our Bank or the Registrar by the end of two clear Working Days prior to the Issue Closing Date, Rights Entitlements credited to the Demat Suspense Account shall lapse and extinguish in due course and such Eligible Equity Shareholder shall not have any claim against our Bank and our Bank shall not be liable to any such Eligible Equity Shareholder in any form or manner.

Further, with respect to Equity Shares for which Rights Entitlements are being credited to the Demat Suspense Account, the Application Form along with the Rights Entitlement Letter shall not be dispatched till the resolution of the relevant issue/concern and transfer of the Rights Entitlements from the Demat Suspense Account to the respective demat account other than in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date who will receive the Application Form along with the Rights Entitlement Letter. Upon submission of such documents /records no later than two clear Working Days prior to the Issue Closing Date, to the satisfaction of our Bank, our Bank shall make available the Rights Entitlement on such Equity Shares to the identified Eligible Equity Shareholder. The identified Eligible Equity Shareholder shall be entitled to subscribe to Equity Shares pursuant to the Issue during the Issue Period with respect to these Rights Entitlement and subject to the same terms and conditions as the Eligible Equity Shareholder.

I. DISPATCH AND AVAILABILITY OF ISSUE MATERIALS

Pursuant to the requirements of the SEBI ICDR Regulations and other applicable laws, the Rights Entitlements will be credited to the demat account of the Eligible Equity Shareholders (being the Equity Shareholders as on the Record Date), however, the Issue Materials will be sent/ dispatched only to the Eligible Equity Shareholders who have provided their Indian address to our Bank. Only such Eligible Equity Shareholders who have provided an Indian address to our Company are permitted to participate in the Issue. The credit of Rights Entitlement does not constitute an offer, invitation to offer or solicitation for participation in the Issue, whether directly or indirectly, and only dispatch of the Issue Material shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Material. Further, receipt of the Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in (i) the United States or (ii) any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed, in part or full. Accordingly, persons receiving a copy of the Issue Materials should not distribute or send the Issue Materials in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Bank or its affiliates or the Lead Manager or its affiliates to any filing or registration requirement (other than in India). If any Issue Materials are received by any person in any such jurisdiction or the United States, they must not seek to subscribe to the Rights Equity Shares. For more details, see "*Restrictions on Purchases and Resales*" beginning on page 273.

In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, the Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard.

Investors can access this Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Rights Equity Shares under applicable laws) on the websites of:

(i) our Bank at www.dhanbank.com;

(ii) the Registrar at https://rights.kfintech.com/

(iii) the Lead Manager at www.bobcaps.in;

(iv) the Stock Exchanges at www.bseindia.com and www.nseindia.com.

To update the respective Indian addresses/e-mail addresses/phone or mobile numbers in the records maintained by the Registrar or by our Bank, Eligible Equity Shareholders should visit https://rights.kfintech.com/.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.* https://rights.kfintech.com/*)* by entering their DP ID and Client ID or folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as at Record Date) and PAN. The link for the same shall also be available on the website of our Bank (*i.e.*, www.dhanbank.com).

Please note that neither our Bank nor the Registrar nor the Lead Manager shall be responsible for not sending the physical copies of Issue materials, including this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form or delay in the receipt of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to nonavailability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in the transit.

Further, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, ("**Guidelines**"), no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold, either directly or indirectly, 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. Further, the Guidelines prescribe the following limits on ownership for all shareholders in our Bank, (a) 10% of the paid up share capital or voting rights of our Bank in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with large industrial houses and financial institutions that are owned to the extent of 50% or more or controlled by individuals (including the relatives and persons acting in concert); and (b) 15% of the paid-up share capital or voting rights of our Bank in case of certain financial institutions, supranational institutions, public sector undertaking and central/state government.

Our Bank is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will send this Letter of Offer, Abridged Letter of Offer, the Application Form and other applicable Issue materials primarily to email addresses of Eligible Equity Shareholders who have provided a valid e-mail addresses and an Indian address to our Bank.

The Letter of Offer will be provided, primarily through e-mail, by the Registrar on behalf of our Bank to the Eligible Equity Shareholders who have provided their Indian addresses to our Bank and who make a request in this regard.

II. PROCESS OF MAKING AN APPLICATION IN THE ISSUE

In accordance with Regulation 76 of the SEBI ICDR Regulations, the SEBI ICDR Master Circular and the ASBA Circulars, all Investors desiring to make an Application in this Issue are mandatorily required to use the ASBA process. Investors should carefully read the provisions applicable to such Applications before making their Application through ASBA.

The Application Form can be used by the Eligible Equity Shareholders as well as the Renouncees, to make Applications in this Issue basis the Rights Entitlement credited in their respective demat accounts or demat suspense account, as applicable. For further details on the Rights Entitlements and demat suspense account, please see "*Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" on page 256.

Please note that one single Application Form shall be used by Investors to make Applications for all Rights Entitlements available in a particular demat account. In case of Investors who have provided details of demat account in accordance with the SEBI ICDR Regulations, such Investors will have to apply for the Rights Equity Shares from the same demat account in which they are holding the Rights Entitlements and in case of multiple demat accounts, the Investors are required to submit a separate Application Form for each demat account. Investors may apply for the Rights Equity Shares by submitting the Application Form to the Designated Branch of the SCSB or online/electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors are also advised to ensure that the Application Form is correctly filled up stating therein the ASBA Account in which an amount equivalent to the amount payable on Application as stated in the Application Form will be blocked by the SCSB.

Applicants should note that they should very carefully fill-in their depository account details and PAN in the Application Form or while submitting application through online/electronic Application through the website of the SCSBs (if made available by such SCSB). Please note that incorrect depository account details or PAN or Application Forms without depository account details shall be treated as incomplete and shall be rejected. For details, please see "*Grounds for Technical Rejection*" on page 251. Our Bank, the Lead Manager, the Registrar and the SCSBs shall not be liable for any incomplete or incorrect demat details provided by the Applicants.

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application and that Eligible Equity Shareholders making an application in this Issue by way of plain paper applications shall not be permitted to renounce any portion of their Rights Entitlements. For details, - please see "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process"* on page 247.

Options available to the Eligible Equity Shareholders

The Rights Entitlement Letter will clearly indicate the number of Rights Equity Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies in this Issue, then such Eligible Equity Shareholder can:

(i) apply for its Rights Equity Shares to the full extent of its Rights Entitlements; or

(ii) apply for its Rights Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or

(iii) apply for Rights Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or

(iv) apply for its Rights Equity Shares to the full extent of its Rights Entitlements and apply for Additional Rights Equity Shares; or

(v) renounce its Rights Entitlements in full.

Making of an Application through the ASBA process

An Investor, wishing to participate in this Issue through the ASBA facility, is required to have an ASBA enabled bank account with SCSBs, prior to making the Application. Investors desiring to make an Application in this Issue through ASBA process, may submit the Application Form in physical mode to the Designated Branches of the SCSB or online/ electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors should ensure that they have correctly submitted the Application Form and have provided an authorisation to the SCSB, *via* the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Money mentioned in the Application Form, as the case may be, at the time of submission of the Application.

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34.

Please note that subject to SCSBs complying with the requirements of the SEBI circular bearing reference number CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, Applications may be submitted at the Designated Branches of the SCSBs. Further, in terms of the SEBI circular bearing reference number CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making Applications by SCSBs on their own account using ASBA facility, each such SCSB should have a separate account in its own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making an Application in this Issue and clear demarcated funds should be available in such account for such an Application.

The Lead Manager, our Bank, their directors, their employees, affiliates, associates and their respective directors and officers and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc., in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts.

Investors applying through the ASBA facility should carefully read the provisions applicable to such Applications before making their Application through the ASBA process.

Do's for Investors applying through ASBA:

(a) Ensure that the necessary details are filled in the Application Form including the details of the ASBA Account.

(b) Ensure that the details about your Depository Participant, PAN and beneficiary account are correct and the beneficiary account is activated as the Rights Equity Shares will be Allotted in the dematerialised form only.

(c) Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.

(d) Ensure that there are sufficient funds (equal to {number of Rights Equity Shares (including Additional Rights Equity Shares) applied for} X {Application Money of Equity Shares}) available in ASBA Account mentioned in the Application Form before submitting the Application to the respective Designated Branch of the SCSB.

(e) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.

(f) Ensure that you have a bank account with SCSBs providing ASBA facility in your location and the Application is made through that SCSB providing ASBA facility in such location.

(g) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form or plain paper Application.

(h) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form and the Rights Entitlement Letter.

(i) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated Feb 13, 2020 read with press release dated June 25, 2021, September 17, 2021, March 30, 2022 and March 28, 2023.

Don'ts for Investors applying through ASBA:

(a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

(b) Do not apply if you have not provided an Indian address.

(c) Do not submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.

(d) Do not send your physical Application to the Lead Manager, the Registrar to the Issue, a branch of the SCSB which is not a Designated Branch of the SCSB or our Bank; instead submit the same to a Designated Branch of the SCSB.

(e) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.

(f) Do not submit Application Form using third party ASBA account.

(g) Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.

(h) Do not submit Multiple Applications Forms.

Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process

An Eligible Equity Shareholder who has provided an Indian address who is eligible to apply under the ASBA process may make an Application to subscribe to this Issue on plain paper in case of non-receipt of Application Form as detailed above. In such cases of non-receipt of the Application Form through physical delivery (where applicable) and the Eligible Equity Shareholder not being in a position to obtain it from any other source may make an Application to subscribe to this Issue on plain paper with the same details as per the Application Form that is available on the website of the Registrar, Stock Exchanges or the Lead Manager. An Eligible Equity Shareholder shall submit the plain paper Application to the Designated Branch of the SCSB for authorising such SCSB to block Application Money in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any Eligible Equity Shareholder who has not provided an Indian address.

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application. If an Eligible Equity Shareholder makes an Application both in an Application Form as well as on plain paper, both applications are liable to be rejected.

Please note that in terms of Regulation 78 of the SEBI ICDR Regulations, the Eligible Equity Shareholders who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilise the Application Form for any purpose including renunciation even if it is received subsequently.

The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with his/her bank, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

1. Name of our Bank, being ‘Dhanlaxmi Bank Limited’;

2. Name and address of the Eligible Equity Shareholder including joint holders (in the same order and as per specimen recorded with our Bank or the Depository);

3. Folio number (in case of Eligible Equity Shareholders who hold Equity Shares in physical form as at Record Date)/DP and Client ID;

4. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Rights Equity Shares applied for pursuant to this Issue;

5. Number of Equity Shares held as at Record Date;

6. Allotment option – only dematerialised form;

7. Number of Rights Equity Shares entitled to;

8. Number of Rights Equity Shares applied for within the Rights Entitlements;

9. Number of Additional Rights Equity Shares applied for, if any (applicable only if entire Rights Entitlements have been applied for);

10. Total number of Rights Equity Shares applied for;

11. Total amount paid at the rate of ₹ 21.00 per Rights Equity Share;

12. Details of the ASBA Account such as the SCSB account number, name, address and branch of the relevant SCSB;

13. In case of non-resident Eligible Equity Shareholders making an application with an Indian address, details of the NRE / FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;

14. Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;

15. Signature of the Eligible Equity Shareholder (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB);

16. An approval obtained from any regulatory authority, if required, shall be obtained by the Eligible Equity Shareholders and a copy of such approval from any regulatory authority, as may be required, shall be sent to the Registrar at https://rights.kfintech.com/; and

17. All such Eligible Equity Shareholders shall be deemed to have made the representations, warranties and agreements set forth in "*Restrictions on Purchases and Resales*" on page 273, and shall include the following:

    "I/We hereby make representations, warranties acknowledgments and agreements set forth in "Restrictions on Purchases and Resales - Transfer Restrictions, Representations, Warranties and Agreements by Purchasers" on page 279 of the Letter of Offer. I/ We acknowledge that the Bank, the Lead Manager, its affiliates and others will rely upon the truth and accuracy of the representations, warranties, acknowledgments and agreements set forth therein."

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account or in demat suspense account, as applicable, including cases where an Investor submits Application Forms along with a plain paper Application, such Applications shall be liable to be rejected.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an Application being rejected, with our Bank, the Lead Manager and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar at https://rights.kfintech.com/.

Our Bank, the Lead Manager and the Registrar shall not be responsible if the Applications are not uploaded by the SCSB or funds are not blocked in the Investors' ASBA Accounts on or before the Issue Closing Date.

Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form

Please note that in accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, the credit of Rights Entitlements and Allotment of Rights Equity Shares shall be made in dematerialised form only. Accordingly, Eligible Equity Shareholders holding Equity Shares in physical form as at Record Date and desirous of subscribing to Rights Equity Shares in this Issue are advised to furnish the details of their demat account to the Registrar or our Bank at least two clear

Working Days prior to the Issue Closing Date, to enable the credit of their Rights Entitlements in their respective demat accounts at least one day before the Issue Closing Date.

Prior to the Issue Opening Date, the Rights Entitlements of those Eligible Equity Shareholders, among others, who hold Equity Shares in physical form, and whose demat account details are not available with our Bank or the Registrar, shall be credited in a demat suspense account opened by our Bank.

Eligible Equity Shareholders, who hold Equity Shares in physical form as at Record Date and who have opened their demat accounts after the Record Date, shall adhere to following procedure for participating in this Issue:

(a) The Eligible Equity Shareholders shall send a letter to the Registrar containing the name(s), folio no., address, e-mail address, contact details and the details of their demat account along with copy of self-attested attested PAN and self-attested client master sheet of their demat account either by e-mail, post, speed post, courier, or hand delivery so as to reach to the Registrar no later than two clear Working Days prior to the Issue Closing Date;

(b) The Registrar to the Issue shall, after verifying the details of such demat account, transfer the Rights Entitlements of such Eligible Equity Shareholders to their demat accounts at least one day before the Issue Closing Date;

(c) The remaining procedure for Application shall be same as set out in "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" on page 247.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as at the Record Date will not be allowed to renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialised Rights Entitlements are transferred from the suspense demat account to the respective demat accounts within prescribed timelines, can apply for Additional Rights Equity Shares while submitting the Application through ASBA process.

Application for Additional Rights Equity Shares

Investors are eligible to apply for Additional Rights Equity Shares over and above their Rights Entitlements, provided that they are eligible to apply for Equity Shares under applicable law and they have applied for all the Rights Equity Shares forming part of their Rights Entitlements without renouncing them in whole or in part. Where the number of Additional Rights Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment finalised in consultation with the Designated Stock Exchange. Applications for Additional Rights Equity Shares shall be considered, and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner as set out in "*Basis of Allotment*" on page 264.

Eligible Equity Shareholders who renounce their Rights Entitlements cannot apply for Additional Rights Equity Shares. Non-resident Renouncees who are not Eligible Equity Shareholders cannot apply for Additional Rights Equity Shares.

Additional general instructions for Investors in relation to making of an Application

(a) Please read the Letter of Offer carefully to understand the Application process and applicable settlement process.

(b) Please read the instructions on the Application Form sent to you. Application should be complete in all respects. The Application Form found incomplete with regards to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form are liable to be rejected. The Application Form must be filled in English.

(c) In case of non-receipt of Application Form, Application can be made on plain paper mentioning all necessary details as mentioned under "*—Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" on page 247.

(d) Applications should be submitted to the Designated Branch of the SCSB or made online/electronic through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts. Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

(e) Applications should not be submitted to the Bankers to the Issue, our Bank or the Registrar or the Lead Manager.

(f) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-tax Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no Allotment and credit of Rights Equity Shares pursuant to this Issue shall be made into the accounts of such Investors.

(g) Ensure that the demographic details such as address, PAN, DP ID, Client ID, bank account details and occupation ("**Demographic Details**") are updated, true and correct, in all respects. Investors applying under this Issue should note that on the basis of name of the Investors, DP ID and Client ID provided by them in the Application Form or the plain paper Applications, as the case may be, the Registrar will obtain Demographic Details from the Depository. Therefore, Investors applying under this Issue should carefully fill in their Depository Account details in the Application. These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor and/or refund. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. **The Allotment Advice and the intimation on unblocking of ASBA Account or refund (if any) would be mailed to the address of the Investor as per the Indian address provided to our Bank or the Registrar or Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Rights Equity Shares are not Allotted to such Investor. Please note that any such delay shall be at the sole risk of the Investors and none of our Bank, the SCSBs, Registrar or the Lead Manager shall be liable to compensate the Investor for any losses caused due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, (a) names of the Investors (including the order of names of joint holders), (b) DP ID, and (c) Client ID, then such Application Forms are liable to be rejected.**

(h) By signing the Application Forms, Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

(i) For physical Applications through ASBA at Designated Branches of SCSB, signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application as per the specimen signature recorded with the SCSB.

(j) Investors should provide correct DP ID and Client ID/ Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) while submitting the Application. Such DP ID and Client ID/ Folio number should match the demat account details in the records available with Bank and/or Registrar, failing which such Application is liable to be rejected. Investor will be solely responsible for any error or inaccurate detail provided in the Application. Our Bank, the Lead Manager, SCSBs or the Registrar will not be liable for any such rejections.

(k) In case of joint holders and physical Applications through ASBA process, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the SCSB. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.

(l) All communication in connection with Application for the Rights Equity Shares, including any change in contact details of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in this Issue quoting the name of the first/sole Applicant, folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as at Record Date)/DP ID and Client ID and Application Form number, as applicable. In case of any change in contact details of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant, or to our Bank or the Registrar in case of Eligible Equity Shareholders holding Equity Shares in physical form.

(m) Investors are required to ensure that the number of Rights Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

(n) Do not apply if you are ineligible to participate in this Issue under the securities laws applicable to your jurisdiction.

(o) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.

(p) Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.

(q) Do not pay the Application Money in cash, by money order, pay order or postal order.

(r) Do not submit multiple Applications.

(s) An Applicant being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as an incorporated non-resident must do so in accordance with the FDI Circular 2020 and FEMA Rules.

(t) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated Feb 13, 2020 and press release dated June 25, 2021, September 17, 2021, March 30, 2022 and March 28, 2023.

Grounds for Technical Rejection

Applications made in this Issue are liable to be rejected on the following grounds:

(a) DP ID and Client ID mentioned in Application does not match with the DP ID and Client ID records available with the Registrar.

(b) Details of PAN mentioned in the Application does not match with the PAN records available with the Registrar.

(c) Sending an Application to our Bank, the Lead Manager, Registrar, to a branch of a SCSB which is not a Designated Branch of the SCSB.

(d) Insufficient funds are available in the ASBA Account with the SCSB for blocking the Application Money.

(e) Funds in the ASBA Account whose details are mentioned in the Application Form having been frozen pursuant to regulatory orders.

(f) Account holder not signing the Application or declaration mentioned therein.

(g) Submission of more than one Application Form for Rights Entitlements available in a particular demat account.

(h) Multiple Application Forms, including cases where an Investor submits Application Forms along with a plain paper Application.

(i) Submitting the GIR number instead of the PAN (except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts).

(j) Applications by persons not competent to contract under the Indian Contract Act, 1872, except Applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.

(k) Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.

(l) Application Forms which are not submitted by the Investors within the time periods prescribed in the Application Form and this Letter of Offer.

(m) Physical Application Forms not duly signed by the sole or joint Investors, as applicable.

(n) Application Forms accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.

(o) If an Investor is (a) debarred by SEBI; or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlements.

(p) Applications which: (i) appear to our Bank or its agents to have been executed in, electronically transmitted from or dispatched from the United States or jurisdictions where the offer and sale of the Rights Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is outside the United States, and is eligible to subscribe for the Rights Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; and our Bank shall not be bound to issue or allot any Rights Equity Shares in respect of any such Application Form.

(q) Applications which have evidence of being executed or made in contravention of applicable securities laws.

(r) Application from Investors that are residing in U.S. address as per the depository records.

(s) Applicants not having the requisite approvals to make Application in the Issue.

IT IS MANDATORY FOR ALL THE INVESTORS APPLYING UNDER THIS ISSUE TO APPLY THROUGH THE ASBA PROCESS, TO RECEIVE THEIR RIGHTS EQUITY SHARES IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY THE INVESTOR AS ON THE RECORD DATE. ALL INVESTORS APPLYING UNDER THIS ISSUE SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DP ID AND BENEFICIARY ACCOUNT NUMBER/ FOLIO NUMBER IN THE APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE APPLICATION FORM OR PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.

Multiple Applications

In case where multiple Applications are made using same demat account in respect of the same Rights Entitlement, such Applications shall be liable to be rejected. A separate Application can be made in respect of Rights Entitlements in each demat account of the Investors and such Applications shall not be treated as multiple applications. Similarly, a separate Application can be made against Equity Shares held in dematerialised form and Equity Shares held in physical form, and such Applications shall not be treated as multiple applications. Further supplementary Applications in relation to further Rights Equity Shares with/without using Additional Rights Entitlement will not be treated as multiple application. A separate Application can be made in respect of each scheme of a mutual fund registered with SEBI and such Applications shall not be treated as multiple applications. For details, please see "*Procedure for Applications by Mutual Funds*" on page 254.

In cases where Multiple Application Forms are submitted, including cases where (a) an Investor submits Application Forms along with a plain paper Application or (b) multiple plain paper Applications (c) or multiple applications on through ASBA, such Applications shall be treated as multiple applications and are liable to be rejected.

Procedure for Applications by certain categories of Investors

Procedure for Applications by FPIs

In terms of applicable FEMA Rules and the SEBI FPI Regulations, investments by FPIs in the Equity Shares is subject to certain limits, *i.e.*, the individual holding of an FPI (including its investor group (which means multiple entities registered as foreign portfolio investors and directly and indirectly having common ownership of more than 50% of common control)) shall be below 10% of our post-Issue Equity Share capital. In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Bank, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants that may be issued by our Bank, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and RBI in this regard and our Bank and the investor will also be required to comply with applicable reporting requirements. Further, the aggregate limit of all FPIs investments is up to the sectoral cap applicable to the sector in which our Bank operates.

FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. FPIs who wish to participate in the Issue are advised to use the Application Form for non-residents. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an 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 registered as Category I FPI under the SEBI FPI Regulations; (ii) such offshore derivative instruments are issued only to persons who are eligible for registration as Category I FPIs (where an entity has an investment manager who is from the Financial Action Task Force member country, the investment manager shall not be required to be registered as a Category I FPI); (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) compliance with other conditions as may be prescribed by SEBI.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by or on its behalf, is carried out subject to, *inter alia*, the following conditions:

(a) such offshore derivative instruments are transferred only to persons in accordance with the SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre – approved by the FPI.

Procedure for Applications by AIFs, FVCIs, VCFs and FDI route

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Further, venture capital funds registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility. Otherwise, applications of such AIFs are liable for rejection.
No investment under the FDI route (*i.e.*, any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of our Bank or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Manager and our Bank will not be responsible for any Allotments made by relying on such approvals.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA Rules, an NRI or Overseas Citizen of India ("**OCI**") may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, *inter alia*, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid- up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Further, in accordance with press note 3 of 2020, the FDI Circular 2020 has been amended to state that all investments by entities incorporated in a country which shares land border with India or where beneficial owner of an investment into India is situated in or is a citizen of any such country ("**Restricted Investors**"), will require prior approval of the Government of India. It is not clear from the press note whether or not an issue of the Rights Equity Shares to Restricted Investors will also require prior approval of the Government of India and each Investor should seek independent legal advice about its ability to participate in the Issue. In the event such prior approval has been obtained, the Investor shall intimate our Bank and the Registrar about such approval within the Issue Period.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being 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 exchange traded funded 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.

*Procedure for Applications by Systemically Important Non-Banking Financial Companies ("**NBFC-SI**")*

In case of an application made by NBFC-SI registered with RBI, (a) the certificate of registration issued by RBI under Section 45IA of RBI Act, 1934 and (b) net worth certificate from its statutory auditors or any independent chartered accountant based on the last audited financial statements is required to be attached to the application.

Last date for Application

The last date for submission of the duly filled in the Application Form or a plain paper Application is Tuesday, January 28, 2025, *i.e.*, Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the Application Form is not submitted with an SCSB, uploaded with the Stock Exchanges and the Application Money is not blocked with the SCSB, on or before the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in this Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as set out in "*Basis of Allotment*" on page 264.

Please note that on the Issue Closing Date, Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

Please ensure that the Application Form and necessary details are filled in. In place of Application number, Investors can mention the reference number of the e-mail received from Registrar informing about their Rights Entitlement or last eight digits of the demat account. Alternatively, SCSBs may mention their internal reference number in place of application number.

Withdrawal of Application

An Investor who has applied in this Issue may withdraw their Application at any time during Issue Period by approaching the SCSB where application is submitted. However, no Investor, whether applying through ASBA facility, may withdraw their Application post the Issue Closing Date.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by our Bank. However, the Designated Branches of the SCSBs receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form.

Our Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money will be unblocked in the respective ASBA Accounts, in case of Applications through ASBA. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Rights Equity Shares Allotted, will be refunded / unblocked in the respective bank accounts from which Application Money was received / ASBA Accounts of the Investor within a period of 4 days from the Issue Closing Date. In case of failure to do so, our Bank shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the Application Form carefully.

In accordance with Section 12B of the Banking Regulation Act, 1949 read with the RBI (Acquisition and Holding of Shares of Voting in Banking Companies) Directions, 2023, dated January 16, 2023 and the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, dated January 16, 2023, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI.

Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise: (i) after subscription to the Equity Shares in the Issue by you, your relatives, your associate enterprises or persons acting in concert with you, aggregated with any pre-Issue shareholding in the Bank of you, your relatives, your associate enterprises or persons acting in concert; or (ii) after subscription to the Equity Shares in the Issue by you aggregated with any pre-Issue shareholding in our Bank of you, your relatives, your associate enterprises or persons acting in concert with you, shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI; In the event, your aggregate shareholding, whether direct or indirect, beneficial or otherwise, aggregating to 5% or more, as applicable of the total paid-up share capital of our Bank, you are required to submit the approval obtained from the RBI to the Bank prior to the finalisation of the Allotment.

In case of failure by you to submit the approval obtained from the RBI within the above time period, our Bank may Allot maximum number of Equity Shares, that will limit your aggregate shareholding (along with your relatives, associate, enterprises or persons acting in concert with you and including existing shareholding, if any) to less than 5% of the post-Issue paid-up share capital of our Bank.

III. CREDIT OF RIGHTS ENTITLEMENTS IN DEMAT ACCOUNTS OF ELIGIBLE EQUITY SHAREHOLDERS

Rights Entitlements

As your name appears as a beneficial owner in respect of the issued and paid-up Equity Shares held in dematerialised form or appears in the register of members of our Bank as an Eligible Equity Shareholder in respect of our Equity Shares held in physical form, as at the Record Date, you may be entitled to subscribe to the number of Rights Equity Shares as set out in the Rights Entitlement Letter.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.,* https://rights.kfintech.com/) by entering their DP ID and Client ID or folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as at Record Date) and PAN. The link for the same shall also be available on the website of our Bank (*i.e.*, www.dhanbank.com).

In this regard, our Bank has made necessary arrangements with NSDL and CDSL for crediting of the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders in a dematerialised form. A separate ISIN for the Rights Entitlements has also been generated, which is ISIN: INE680A20011. The said ISIN shall remain frozen (for debit) until the Issue Opening Date. The said ISIN shall be suspended for transfer by the Depositories post the Issue Closing Date.

Additionally, our Bank will submit the details of the total Rights Entitlements credited to the demat accounts of the Eligible Equity Shareholders and the Demat Suspense Account to the Stock Exchanges after completing the corporate action. The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar after keying in their respective details along with other security control measures implemented thereat.

Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. Further, if no Application is made by the Eligible Equity Shareholders of Rights Entitlements on or before Issue Closing Date, such Rights Entitlements shall lapse and shall be extinguished after the Issue Closing Date. No Rights Equity Shares for such lapsed Rights Entitlements will be credited, even if such Rights Entitlements were purchased from market and purchaser will lose the premium paid to acquire the Rights Entitlements. Persons who have the Rights Entitlements credited in their demat account(s) are required to make an Application to apply for Rights Equity Shares offered under Rights Issue for subscribing to the Rights Equity Shares offered under the Issue.

If Eligible Equity Shareholders holding Equity Shares in physical form as at Record Date, have not provided the details of their demat accounts to our Bank or to the Registrar, they are required to provide their demat account details to our Bank or the Registrar not later than two clear Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the Demat Suspense Account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (*i.e.*, https://rights.kfintech.com/). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialised form only. Prior to the Issue Opening Date, our Bank shall credit the Rights Entitlements to (i) the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form against the Equity Shares held by them as on the record date.

Eligible Equity Shareholders are requested to provide relevant details (such as copies of self-attested PAN and client master sheet of demat account etc., details/ records confirming the legal and beneficial ownership of their respective Equity Shares) to our Bank or the Registrar not later than two clear Working Days prior to the Issue Closing Date, *i.e.*, by Tuesday, January 28, 2025 to enable the credit of their Rights Entitlements by way of transfer from the Demat Suspense Account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Bank or the Registrar account is active to facilitate the aforementioned transfer.

IV. RENUNCIATION AND TRADING OF RIGHTS ENTITLEMENT

Renouncees

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

Renunciation of Rights Entitlements

This Issue includes a right exercisable by Eligible Equity Shareholders to renounce the Rights Entitlements credited to their respective demat account either in full or in part.

The renunciation from non-resident Eligible Equity Shareholder(s) to resident Indian(s) and *vice versa* shall be subject to provisions of FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time. However, the facility of renunciation shall not be available to or operate in favour of an Eligible Equity Shareholders being an erstwhile OCB unless the same is in compliance with the FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time.

The renunciation of Rights Entitlements credited in your demat account can be made either by sale of such Rights Entitlements, using the secondary market platform of the Stock Exchanges or through an off-market transfer. In accordance with the SEBI ICDR Master Circular, Shareholders holding shares in physical form shall be required to provide their demat account details to the Bank and the Registrar for credit of Rights Entitlements not later than two Working Days prior to the Issue Closing Date, such that credit of Rights Entitlements in their demat account takes place at least one day before the Issue Closing Date.

Procedure for Renunciation of Rights Entitlements

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts, either in full or in part (a) by using the secondary market platform of the Stock Exchanges (the "**On Market Renunciation**"); or (b) through an off-market transfer (the "**Off Market Renunciation**"), during the Renunciation Period. The Investors should have the demat Rights Entitlements credited / lying in his/her own demat account prior to the renunciation. The trades through On Market Renunciation and Off Market Renunciation will be settled by transferring the Rights Entitlements through the depository mechanism.

Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of trading in the Rights Entitlements. Investors who intend to trade in the Rights Entitlements should consult their tax advisor or stock-broker regarding any cost, applicable taxes, charges and expenses (including brokerage) that may be levied for trading in Rights Entitlements.

Please note that the Rights Entitlements which are neither renounced nor subscribed by the Investors on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.

Payment Schedule of Rights Equity Shares

₹ 21.00 per Rights Equity Share (including premium of ₹ 11.00 per Rights Equity Share) shall be payable in full on Application.

The Lead Manager and our Bank accept no responsibility to bear or pay any cost, applicable taxes, charges and expenses (including brokerage), and such costs will be incurred solely by the Investors.

(a) *On Market Renunciation*

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by trading/selling them on the secondary market platform of the Stock Exchanges through a registered stock-broker in the same manner as the existing Equity Shares of our Bank.

In this regard, in terms of provisions of the SEBI ICDR Regulations and the SEBI ICDR Master Circular, the Rights Entitlements credited to the respective demat accounts of the Eligible Equity Shareholders shall be admitted for trading on the Stock Exchanges under ISIN: INE680A20011 subject to requisite approvals. Prior to the Issue Opening Date, our Bank will obtain the approval from the Stock Exchanges for trading of Rights Entitlements. No assurance can be given regarding the active or sustained On Market Renunciation or the price at which the Rights Entitlements will trade. The details for trading in Rights Entitlements will be as specified by the Stock Exchanges from time to time.

The Rights Entitlements are tradable in dematerialised form only. The market lot for trading of Rights Entitlements is 1 Rights Entitlement.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, *i.e.*, from Wednesday, January 8, 2025 to Thursday, January 23, 2025 (both days inclusive).

The Investors holding the Rights Entitlements who desire to sell their Rights Entitlements will have to do so through their registered stock-brokers by quoting the ISIN: INE680A20011 and indicating the details of the Rights Entitlements they intend to trade. The Investors can place order for sale of Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The On Market Renunciation shall take place electronically on secondary market platform of BSE and NSE under automatic order matching mechanism and on 'T+1 rolling settlement basis', where 'T' refers to the date of trading. The transactions will be settled on trade-for-trade basis. Upon execution of the order, the stockbroker will issue a contract note in accordance with the requirements of the Stock Exchanges and the SEBI.

(b) *Off Market Renunciation*

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only.

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date to enable Renouncees to subscribe to the Rights Equity Shares in the Issue.

The Investors holding the Rights Entitlements who desire to transfer their Rights Entitlements will have to do so through their depository participant by issuing a delivery instruction slip quoting the ISIN: INE680A20011, the details of the buyer and the details of the Rights Entitlements they intend to transfer. The buyer of the Rights Entitlements (unless already having given a standing receipt instruction) has to issue a receipt instruction slip to their depository participant. The Investors can transfer Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The instructions for transfer of Rights Entitlements can be issued during the working hours of the depository participants.

The detailed rules for transfer of Rights Entitlements through off-market transfer shall be as specified by the NSDL and CDSL from time to time.

V. MODE OF PAYMENT

All payments against the Application Forms shall be made only through ASBA facility. The Registrar will not accept any payments against the Application Forms, if such payments are not made through ASBA facility.

Under ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorising the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor's ASBA Account. The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on Application mentioned in the Application Form. Subsequent to the acceptance of the Application by the SCSB, our Bank would have a right to reject the Application on technical grounds as set forth in this Letter of Offer.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the Application Money mentioned in the Application Form until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Registrar, of the receipt of minimum subscription and pursuant to the finalisation of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account into the Allotment Account(s) which shall be a separate bank account maintained by our Bank, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB.

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stock invest scheme has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.

Mode of payment for Resident Investors

All payments on the Application Forms shall be made only through ASBA facility. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the Application by non-resident Investors, payment must be made only through ASBA facility and using permissible accounts in accordance with FEMA, FEMA Rules and requirements prescribed by RBI and subject to the following:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Rights Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income-Tax Act. However, please note that conditions applicable

at the time of original investment in our Bank by the Eligible Equity Shareholder including repatriation shall not change and remain the same for subscription in the Issue or subscription pursuant to renunciation in the Issue.

2. Subject to the above, in case Rights Equity Shares are Allotted on a non-repatriation basis, the dividend and sale proceeds of the Rights Equity Shares cannot be remitted outside India.

3. In case of an Application Form received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines and rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

4. Application Forms received from non-residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Rights Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by RBI under FEMA, in respect of matters including Refund of Application Money and Allotment.

5. In the case of NRIs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account.

6. Non-resident Renouncees who are not Eligible Equity Shareholders must submit regulatory approval for applying for Additional Rights Equity Shares.

VI. BASIS FOR THIS ISSUE AND TERMS OF THIS ISSUE

The Rights Equity Shares are being offered for subscription to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of our Equity Shares held in dematerialised form and on the register of members of our Bank in respect of our Equity Shares held in physical form at the close of business hours on the Record Date. For principal terms of Issue such as face value, Issue Price, Rights Entitlement ratio, please see "*Terms of The Issue*" on page 242.

Fractional Entitlements

The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of 14 Equity Share for every 25 Equity Shares held on the Record Date. For Equity Shares being offered on a rights basis under this Issue, if the shareholding of any of the Eligible Equity Shareholders is less than 25 Equity Shares or not in the multiple of 25 Equity Shares, the fractional entitlement of such Eligible Equity Shareholders shall be ignored in the computation of the Rights Entitlement. However, the Eligible Equity Shareholders whose fractional entitlements are being ignored, will be given preferential consideration for the allotment of one additional Rights Equity Share each if they apply for additional Rights Equity Shares over and above their Rights Entitlement, if any subject to availability of Rights Equity Shares in the Issue post allocation towards Rights Entitlements applied for.

Further, the Eligible Equity Shareholders holding less than 2 Equity Shares shall have 'zero' entitlement in the Issue. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and will be given preference in the allotment of one additional Equity Share if, such Eligible Equity Shareholders apply for the additional Equity Shares. However, they cannot renounce the same in favour of third parties and the application forms shall be non-negotiable.

Ranking

The Rights Equity Shares to be issued and Allotted pursuant to this Issue shall be subject to the provisions of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association, the provisions of the Companies Act, 2013, FEMA, the SEBI ICDR Regulations, the SEBI Listing Regulations, and the guidelines, notifications and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by our Bank with the Stock Exchanges and the terms and conditions as stipulated in the Allotment advice. The

Rights Equity Shares to be issued and Allotted under this Issue shall, upon being fully paid-up rank *pari passu* with the existing Equity Shares, in all respects including dividends.

Listing and trading of the Rights Equity Shares to be issued pursuant to this Issue

Subject to receipt of the listing and trading approvals, the Rights Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges. Unless otherwise permitted by the SEBI ICDR Regulations, the Rights Equity Shares Allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of necessary formalities for listing and commencement of trading in the Rights Equity Shares will be taken within such period prescribed under the SEBI ICDR Regulations. Our Bank has received in-principle approval from the BSE through letter bearing reference number LOD/Rights/HC/FIP/1444/2024-25 dated December 4, 2024, and from the NSE through letter bearing reference number NSE/LIST/45578 dated December 13, 2024. Our Bank will apply to the Stock Exchanges for final approvals for the listing and trading of the Rights Equity Shares subsequent to their Allotment. No assurance can be given regarding the active or sustained trading in the Rights Equity Shares or the price at which the Rights Equity Shares offered under this Issue will trade after the listing thereof.

The existing Equity Shares are listed and traded on BSE (Scrip Code: 532180) and NSE (Scrip Code: DHANBANK) under the ISIN: INE680A01011. The Rights Equity Shares shall be credited to a temporary ISIN which will be frozen until the receipt of the final listing/ trading approvals from the Stock Exchanges. Upon receipt of such listing and trading approvals, the Rights Equity Shares shall be debited from such temporary ISIN and credited to the new ISIN for the Rights Equity Shares and thereafter be available for trading and the temporary ISIN shall be permanently deactivated in the depository system of CDSL and NSDL.

The listing and trading of the Rights Equity Shares issued pursuant to this Issue shall be based on the current regulatory framework then applicable. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

In case our Bank fails to obtain listing or trading permission from the Stock Exchanges, our Bank shall refund through verifiable means/unblock the respective ASBA Accounts, the entire monies received/blocked within four days of receipt of intimation from the Stock Exchanges, rejecting the application for listing of the Rights Equity Shares, and if any such money is not refunded/ unblocked within four days after our Bank becomes liable to repay it, our Bank and every director of our Bank who is an officer-in-default shall, on and from the expiry of the fourth day, be jointly and severally liable to repay that money with interest at rates prescribed under applicable law.

Subscription to this Issue by our Promoters and members of our Promoter Group

Our Bank is a professionally managed company and does not have a promoter or promoter group in terms of the SEBI ICDR Regulations or the Companies Act, 2013.

Rights of Holders of Rights Equity Shares

Subject to applicable laws, Equity Shareholders who have been Allotted Rights Equity Shares pursuant to the Issue shall have the following rights:

(a) The right to receive dividend, if declared;

(b) The right to receive surplus on liquidation;

(c) The right to receive offers for rights shares and be allotted bonus shares, if announced;

(d) The right to free transferability of Rights Equity Shares;

(e) The right to attend general meetings of our Bank and exercise voting powers in accordance with law, unless prohibited / restricted by law and as disclosed in this Letter of Offer; and

(f) Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the Memorandum of Association and the Articles of Association.

VII. GENERAL TERMS OF THE ISSUE

Market Lot

The Rights Equity Shares shall be tradable only in dematerialised form. The market lot for the Rights Equity Shares in dematerialised mode is 1 Equity Share.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in our Articles of Association. In case of Equity Shares held by joint holders, the Application submitted in physical mode to the Designated Branch of the SCSBs would be required to be signed by all the joint holders (in the same order as appearing in the records of the Depository) to be considered as valid for allotment of the Rights Equity Shares offered in this Issue.

Nomination

Nomination facility is available in respect of the Rights Equity Shares in accordance with the provisions of the Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debenture) Rules, 2014.

Since the Allotment is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be Allotted in this Issue. Nominations registered with the respective DPs of the Investors would prevail. Any Investor holding Equity Shares in dematerialised form and desirous of changing the existing nomination is requested to inform its Depository Participant.

Arrangements for Disposal of Odd Lots

The Rights Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one Rights Equity Share and hence, no arrangements for disposal of odd lots are required.

Restrictions on transfer and transmission of shares and on their consolidation/splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant this Issue. However, the Investors should note that pursuant to the provisions of the SEBI LODR Regulations, with effect from April 1, 2019, except in case of transmission or transposition of securities, the request for transfer of securities shall not be affected unless the securities are held in the dematerialized form with a depository.

Notices

In accordance with the SEBI ICDR Regulations and the SEBI ICDR Master Circular, the Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other applicable Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

All notices to the Eligible Equity Shareholders required to be given by our Bank shall be published in one English language national daily newspaper with wide circulation, one Hindi language national daily newspaper with wide circulation and one Malayalam language daily newspaper with wide circulation (Malayalam being the regional language of Thrissur, where our Registered Office is located).

This Letter of Offer, the Abridged Letter of Offer and the Application Form shall also be submitted with the Stock Exchanges for making the same available on their websites.

Offer to Non-Resident Eligible Equity Shareholders/Investors

As per Rule 7 of the FEMA Rules, RBI has given general permission to a person resident outside India and having investment in an Indian company to make investment in rights equity shares issued by such company subject to certain conditions. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, subject to the conditions set out therein (i) subscribe for additional shares over and above their rights entitlements; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Rights Equity Shares shall be, amongst other things, subject to the conditions imposed from time to time by RBI under FEMA in the matter of Application, refund of Application Money, Allotment of Rights Equity Shares and issue of Rights Entitlement Letters/ letters of Allotment/Allotment advice. If a non-resident or NRI Investor has specific approval from RBI or any other governmental authority, in connection with his shareholding in our Bank, such person should enclose a copy of such approval with the Application details and send it to the Registrar at https://rights.kfintech.com/. It will be the sole responsibility of the investors to ensure that the necessary approval from the RBI or the governmental authority is valid in order to make any investment in the Issue and the Lead Manager and our Bank will not be responsible for any such allotments made by relying on such approvals.

The Abridged Letter of Offer, the Rights Entitlement Letter and Application Form shall be sent only to the Indian addresses of the non-resident Eligible Equity Shareholders on a reasonable efforts basis, who have provided an Indian address to our Bank and located in jurisdictions where the offer and sale of the Rights Equity Shares may be permitted under laws of such jurisdictions, Eligible Equity Shareholders can access this Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Rights Equity Shares under applicable securities laws) from the websites of the Registrar, our Bank, the Lead Manager and the Stock Exchanges. Further, Application Forms will be made available at Registered Office of our Bank for the non-resident Indian Applicants. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment. The Rights Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Rights Equity Shares are issued on rights basis.

In case of change of status of holders, *i.e.,* from resident to non-resident, a new demat account must be opened. Any Application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Bank and the Lead Manager.

Please also note that pursuant to Circular No. 14 dated September 16, 2003 issued by RBI, OCBs have been derecognised as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and to obtain prior approval from RBI for applying in this Issue as an incorporated non-resident must do so in accordance with the FDI Circular 2020 and FEMA Rules.

The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar and our Bank by submitting their respective copies of self-attested proof of address, passport, etc. by email to investors@dhanbank.co.in.

ALLOTMENT OF THE RIGHTS EQUITY SHARES IN DEMATERIALISED FORM

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALISED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, PLEASE SEE –*ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS*” ON PAGE 265.

VIII. ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	Tuesday, January 7, 2025

ISSUE OPENING DATE	Wednesday, January 8, 2025
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	Thursday, January 23, 2025
ISSUE CLOSING DATE*	Tuesday, January 28, 2025
FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	Monday, February 3, 2025
DATE OF ALLOTMENT (ON OR ABOUT)	Tuesday, February 4, 2025
DATE OF CREDIT (ON OR ABOUT)	Wednesday, February 5, 2025
DATE OF LISTING (ON OR ABOUT)	Monday, February 10, 2025

 # Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

** Our Board or the Equity Issuance Committee thereof will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Bank or to the Registrar, they are required to provide their demat account details to our Bank or the Registrar not later than two clear Working Days prior to the Issue Closing Date, *i.e.*, Thursday, January 23, 2025, to enable the credit of the Rights Entitlements by way of transfer from the Demat Suspense Account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, Monday, January 27, 2025. If demat account details are not provided by the Eligible Equity Shareholders holding Equity Shares in physical form to the Registrar or our Bank by the date mentioned above, such shareholders will not be allotted any Rights Equity Shares nor such Rights Equity Shares be kept in suspense account on behalf of such shareholder in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Bank or the Registrar, is active to facilitate the aforementioned transfer. Eligible Equity Shareholders holding Equity Shares in physical form can update the details of their demat accounts on the website of the Registrar (*i.e.*, www.kfintech.com). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts. Eligible Equity Shareholders can obtain the details of their Rights Entitlements from the website of the Registrar (*i.e.*, https://rights.kfintech.com/) by entering their DP ID and Client ID or Folio Number (in case of Eligible Equity Shareholders holding Equity Shares in physical form) and PAN. The link for the same shall also be available on the website of our Bank.

IX. BASIS OF ALLOTMENT

Subject to the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to Allot the Rights Equity Shares in the following order of priority:

(a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlements of Rights Equity Shares either in full or in part and also to the Renouncee(s) who has or have applied for Rights Equity Shares renounced in their favour, in full or in part.

(b) Eligible Equity Shareholders whose fractional entitlements are being ignored and Eligible Equity Shareholders with zero entitlement, would be given preference in allotment of one Additional Rights Equity Share each if they apply for Additional Rights Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Rights Equity Shares after allotment under (a) above. If number of Rights Equity Shares required for Allotment under this head are more than the number of Rights Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.

(c) Allotment to the Eligible Equity Shareholders who having applied for all the Rights Equity Shares offered to them as part of this Issue, have also applied for Additional Rights Equity Shares. The Allotment of such Additional Rights Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Rights Equity Shares after making full Allotment in (a) and (b) above. The Allotment of such Rights Equity Shares will be at the sole discretion of our Board or its Equity Issuance Committee in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(d) Allotment to Renouncees who having applied for all the Rights Equity Shares renounced in their favour, have applied for Additional Rights Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Rights Equity Shares will be made on a proportionate basis in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(e) Allotment to any other person, subject to applicable laws, that our Board may deem fit, provided there is surplus available after making Allotment under (a), (b), (c) and (d) above, and the decision of our Board in this regard shall be final and binding.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Controlling Branches, a list of the Investors who have been allocated Rights Equity Shares in this Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Bank for this Issue, for each successful Application;

2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

Further, the list of Applicants eligible for refund with corresponding amount will also be shared with Banker to the Issue to refund such Applicants.

As required in terms of the Master Direction - Issue and Pricing of shares by Private Sector Banks, Directions, 2016 issued by RBI, our Bank shall report to RBI, upon completion of the Allotment process, complete details of the issue including date of the issue, details of the type of issue, issue size, details of pricing, name and number of the allottees, post allotment shareholding position.

X. ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS

Our Bank will send/ dispatch Allotment advice, refund intimations, if applicable or demat credit of securities and/or letters of regret, only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, Allotment advice, refund intimations or demat credit of securities and/or letters of regret will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Allotment advice, refund intimations or demat credit of securities and/or letters of regret will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them along with crediting the Allotted Rights Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in a demat suspense account (in respect of Eligible Equity Shareholders holding Equity Shares in physical form on the Allotment Date) or issue instructions for unblocking the funds in the respective ASBA Accounts, if any, within a period of 15 days from the Issue Closing Date. In cases where refunds are applicable, such refunds shall be made within a period of 15 days and interest shall be payable in case of delay. In case of failure to do so, our Bank and our Directors who are "officers in default" shall pay interest at 15% p.a. and such other rate as specified under applicable law from the expiry of such 15 days' period.

The Rights Entitlements will be credited in the dematerialised form using electronic credit under the depository system and the Allotment advice shall be sent, through a mail, to the Indian mail address provided to our Bank or at the address recorded with the Depository.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, unblocking refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts.

Where an Applicant has applied for Additional Rights Equity Shares in the Issue and is Allotted a lesser number of Rights Equity Shares than applied for, the excess Application Money paid/blocked shall be unblocked. The unblocking of ASBA funds / refund of monies shall be completed be within such period as prescribed under the SEBI ICDR Regulations. In the event that there is a delay in making refunds beyond such period as prescribed under applicable law, our Bank shall pay the requisite interest at such rate as prescribed under applicable law.

XI. PAYMENT OF REFUND

Mode of making refunds

The payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes.

(a) Unblocking amounts blocked using ASBA facility.

(b) **NACH** – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by RBI, where such facility has been made available. This would be subject to availability of complete bank account details including a Magnetic Ink Character Recognition ("**MICR**") code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

(c) **National Electronic Fund Transfer** ("**NEFT**") – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code ("**IFSC Code**"), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as at a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine-digit MICR number and their bank account number with the Registrar to our Bank or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

(d) **Direct Credit** – Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Bank.

(e) **RTGS** – If the refund amount exceeds ₹2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Application Form. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Bank. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.

(f) For all other Investors, the refund orders will be dispatched through speed post or registered post subject to applicable laws. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

(g) Credit of refunds to Investors in any other electronic manner, permissible by SEBI from time to time.

Refund payment to non-residents

The Application Money will be unblocked in the ASBA Account of the non-resident Applicants, details of which were provided in the Application Form.

XII. ALLOTMENT ADVICE OR DEMAT CREDIT OF SECURITIES

The demat credit of securities to the respective beneficiary accounts will be credited within 15 days from the Issue Closing Date or such other timeline in accordance with applicable laws.

Receipt of the Rights Equity Shares in Dematerialised Form

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALISED FORM AND TO (A) THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE, OR (B) THE DEPOSITORY ACCOUNT, DETAILS OF WHICH HAVE BEEN PROVIDED TO OUR BANK OR THE REGISTRAR AT LEAST TWO CLEAR WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE BY THE ELIGIBLE EQUITY SHAREHOLDER HOLDING EQUITY SHARES IN PHYSICAL FORM AS ON THE RECORD DATE.

Investors shall be Allotted the Rights Equity Shares in dematerialised (electronic) form. Our Bank has signed two agreements with the respective Depositories and the Registrar to the Issue, which enables the Investors to hold and trade in the securities issued by our Bank in a dematerialised form, instead of holding the Equity Shares in the form of physical certificates:

a) Tripartite agreement dated March 26, 2001 amongst our Bank, NSDL and the Registrar to the Issue; and

b) Tripartite agreement dated March 26, 2001 amongst our Bank, CDSL and the Registrar to the Issue

INVESTORS MAY PLEASE NOTE THAT THE RIGHTS EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALISED FORM

The procedure for availing the facility for Allotment of Rights Equity Shares in this Issue in the dematerialised form is as under:

1. Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Bank. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Bank). In case of Investors having various folios in our Bank with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account(s) need not adhere to this step.

2. It should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Bank or the Depositories.

3. The responsibility for correctness of information filled in the Application Form *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's depository participant.

4. If incomplete or incorrect beneficiary account details are given in the Application Form, the Investor will not get any Rights Equity Shares and the Application Form will be rejected.

5. The Rights Equity Shares will be allotted to Applicants only in dematerialised form and would be directly credited to the beneficiary account as given in the Application Form after verification or Demat Suspense Account (pending receipt of demat account details for resident Eligible Equity Shareholders holding Equity Shares in physical form/ with Investor Education and Protection Fund (IEPF) authority/ in suspense, *etc*.). Allotment advice, refund order (if any) would be sent through physical dispatch, by the Registrar but the Applicant's depository participant will provide to him the confirmation of the credit of such Rights Equity Shares to the Applicant's depository account.

6. Non-transferable Allotment advice/ refund intimation will be directly sent to the Investors by the Registrar, through physical dispatch.

7. Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Rights Equity Shares in this Issue. In case these details are incomplete or incorrect, the Application is liable to be rejected.

8. Dividend or other benefits with respect to the Equity Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to our Bank as on the date of the book closure.

9. Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, and who have not provided the details of their demat accounts to our Bank or to the Registrar at least two Working Days prior to the Issue Closing Date, shall not be able to apply in this Issue.

XIII. IMPERSONATION

Attention of the Investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

"*Any person who –*

a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or

c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447."

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹0.1 crore or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹0.1 crore or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹0.5 crore or with both.

XIV. UTILISATION OF GROSS PROCEEDS

Our Board declares that:

A. All monies received out of this Issue shall be transferred to a separate bank account;

B. Details of all monies utilized out of this Issue referred to under (A) above shall be disclosed, and continue to be disclosed till the time any part of the Gross Proceeds remains unutilised, under an appropriate separate head in the balance sheet of our Bank indicating the purpose for which such monies have been utilised; and

C. Details of all unutilized monies out of this Issue referred to under (A) above, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Bank indicating the form in which such unutilized monies have been invested.

XV. UNDERTAKINGS BY OUR BANK

Our Bank undertakes the following:

1) The complaints received in respect of this Issue shall be attended to by our Bank expeditiously and satisfactorily.

2) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken by our Board within the period prescribed by SEBI.

3) The funds required for making refunds / unblocking to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar by our Bank.

4) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Applicant within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.

5) In case of refund / unblocking of the Application Money for unsuccessful Applicants or part of the Application Money in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.

6) Adequate arrangements shall be made to collect all ASBA Applications.

7) As of the date of this Letter of Offer, our Bank had not issued any outstanding compulsorily convertible debt instruments. Further, our Bank has not issued any outstanding convertible debt instruments.

8) Our Bank shall comply with such disclosure and accounting norms specified by SEBI from time to time.

XVI. INVESTOR GRIEVANCES, COMMUNICATION AND IMPORTANT LINKS

1) Please read this Letter of Offer carefully before taking any action. The instructions contained in the Application Form, Abridged Letter of Offer and the Rights Entitlement Letter are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.

2) All enquiries in connection with this Letter of Offer, Abridged Letter of Offer, Application Form or Rights Entitlement Letter must be addressed (quoting the registered folio number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as at Record Date or the DP ID and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and superscribed "Dhanlaxmi Bank Limited- Rights Issue" on the envelope and postmarked in India) to the Registrar at the following address:

M/s. KFin Technologies Limited
Selenium Tower B,
Plot No.31 & 32,
Financial District, Nanakramguda,
Serilingampally,
Hyderabad, Rangareddi - 500 032
Telangana, India

Tel: +91 1800 309 4001/ + 91 40 6716 2222
E-mail: dhanlaxmi.rights@kfintech.com
Investor Grievance E-mail: einward.ris@kfintech.com
Website: www.kfintech.com
Contact Person: M. Murali Krishna
SEBI registration no.: INR000000221

3) In accordance with SEBI ICDR Master Circular, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (https://rights.kfintech.com/).

4) Further, helpline number provided by the Registrar for guidance on the Application process and resolution of difficulties is https://rights.kfintech.com/.

5) The Investors can visit following links for the below-mentioned purposes:

   a) Frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors: https://rights.kfintech.com/

   b) Updation of Indian address/ e-mail address/ phone or mobile number in the records maintained by the Registrar or our Bank: einward.ris@kfintech.com

   c) Updation of demat account details by Eligible Equity Shareholders holding shares in physical form: einward.ris@kfintech.com

   d) Submission of self-attested PAN, client master sheet and demat account details by non- resident Eligible Equity Shareholders: einward.ris@kfintech.com

   This Issue will remain open for a minimum 7 days. However, our Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Closing Date).

For further information, please see *"Terms of the Issue"* on page 242.

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, 1991, 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. Accordingly, the process for foreign direct investment ("**FDI**") and approval from the Government of India will not be handled by the concerned ministries or departments, in consultation with the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (formerly known as the Department of Industrial Policy and Promotion) ("**DPIIT**"), Ministry of Finance, Department of Economic Affairs through the FDI Circular 2020 (defined below).

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The DPIIT issued the Consolidated FDI Policy Circular of 2020 ("**FDI Circular 2020**"), which, with effect from October
15, 2020, consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as at October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Circular 2020 will be valid until the DPIIT issues an updated circular. Under the current policy, the total foreign ownership in a private sector bank cannot exceed 74% (49% under the automatic route and above 49% and up to 74% under the government approval route) of the paid-up capital. 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.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict, the relevant notification under the
FEMA Rules will prevail. The payment of inward remittance and reporting requirements are stipulated under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 issued by RBI. The FDI Circular 2020, issued by the DPIIT, consolidates the policy framework in place as at October 15, 2020, and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as at October 15, 2020.

On October 17, 2019, Ministry of Finance, Department of Economic Affairs, had notified the FEMA Rules, which had replaced the Foreign Exchange Management (Transfer and Issue of Security by a Person Resident Outside India) Regulations 2017. Foreign investment in this Offer shall be on the basis of the FEMA Rules. Further, in accordance with Press Note No. 3 (2020 Series), dated April 17, 2020 issued by the DPIIT and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, any investment, subscription, purchase or sale of equity instruments by entities of a country which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country ("**Restricted Investors**"), will require prior approval of the Government, as prescribed in the Consolidated FDI Policy and the FEMA Rules. Further, in the event of transfer of ownership of any existing or future foreign direct investment in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the aforesaid restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government. Furthermore, on April 22, 2020, the Ministry of Finance, Government of India has also made a similar amendment to the FEMA Rules. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2020 issued on December 8, 2020, a multilateral bank or fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such bank of fund in India.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that (i) the activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the SEBI 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 SEBI and RBI.

The Banking Regulation Act, 1949 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 holding more than 5.00% 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' by the RBI. Pursuant to Section 12(2) of the Banking Regulation Act, 1949, the RBI has, on July 21, 2016, notified that 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, the RBI may, by passing an order, restrict any person holding more than 5.00% 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' by the RBI. In this regard, the RBI has issued master directions for prior approval for acquisition of shares or voting rights on January 16, 2023 (the "**Master Directions for Acquisitions**").

Please also note that pursuant to Circular no. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("**OCBs**") have been derecognised as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as an incorporated non-resident must do so in accordance with the FDI Circular 2020 and FEMA Rules. Further, while investing in the Issue, the Investors are deemed to have obtained the necessary approvals, as required, under applicable laws and the obligation to obtain such approvals shall be upon the Investors. Our Bank shall not be under an obligation to obtain any approval under any of the applicable laws on behalf of the Investors and shall not be liable in case of failure on part of the Investors to obtain such approvals.

The above information is given for the benefit of the Applicants / Investors. Our Bank and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Rights Equity Shares applied for do not exceed the applicable limits under laws or regulations. Investors are cautioned to consider any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer.

RESTRICTIONS ON PURCHASES AND RESALES

Eligibility and Restrictions

General

No action has been taken or will be taken to permit an offering of the Rights Entitlements or the Rights Equity Shares to occur in any jurisdiction, or the possession, circulation, or distribution of this Letter of Offer or any other Issue Material in any jurisdiction where action for such purpose is required, except that this Letter of Offer will be filed with SEBI and the Stock Exchanges.

The Rights Entitlements and the Rights Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer and any other Issue Materials may not be distributed, in whole or in part, in or into in (i) the United States or (ii) or any jurisdiction other than India except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer or any other Issue Materials (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone (i) in the United States or (ii) any jurisdiction in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Letter of Offer and any other Issue Materials must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or re-distributed. Accordingly, persons receiving a copy of this Letter of Offer and any other Issue Materials should not distribute or send this Letter of Offer or any such documents in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Bank or its affiliates or the Lead Manager or its affiliates to any filing or registration requirement (other than in India). If this Letter of Offer or any other Issue Material is received by any person in any such jurisdiction or the United States, they must not seek to subscribe to the Rights Equity Shares.

Investors are advised to consult their legal counsel prior to accepting any provisional allotment of Rights Equity Shares, applying for excess Rights Equity Shares or making any offer, sale, resale, pledge or other transfer of the Rights Entitlements or the Rights Equity Shares.

Our Bank reserves the right to require a person in any jurisdiction not listed below to give it an opinion of legal counsel that the purchase of Rights Equity Shares by such person in accordance with the terms of this Letter of Offer was in accordance with the laws of such jurisdiction.

This Letter of Offer and its accompanying documents are supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Each person who exercises the Rights Entitlements and subscribes for the Rights Equity Shares, or who purchases the Rights Entitlements or the Rights Equity Shares shall do so in accordance with the restrictions set out above and below.

Australia

This Letter of Offer is not a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) ("**Corporations Act**") and has not been lodged with the Australian Securities and Investments Commission and it does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act.

No offer is being made under this Letter of Offer to investors to whom disclosure is required to be made under Chapter 6D of the Corporations Act. Except for Eligible Equity Shareholders resident in Australia that have received this Letter of Offer from our Bank and who are not applying for any Rights Equity Shares over and above their Rights Entitlements, holders of Rights Entitlements in Australia may not subscribe to the Rights Equity Shares unless they are (a) either a "sophisticated investor" or a "professional investor" and (b) not a "retail client" within the meaning of those terms in the Corporations Act.

As per section 708 of the Corporations Act, Eligible Equity Shareholders that are not "sophisticated investors" or "professional investors" within the meaning of those terms in the Corporations Act may only subscribe for a maximum of 2,000,000 Australian dollars of Rights Equity Shares in total. To ensure our Bank complies with this requirement, except for each person who is not a "sophisticated investor" or "professional investor" and is not a "retail client" within the meaning of those terms in the Corporations Act and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for Rights Equity Shares, each person in Australia who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is either a "sophisticated investor" or a "professional investor" and that not it is a "retail client" within the meaning of those terms in the Corporations Act.

The Rights Equity Shares acquired in the Offer in Australia must not be offered for sale in Australia in the period of 12 months after the date of the Allotment, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under Section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act. Each purchaser of the Rights Equity Shares in Australia shall be deemed to undertake to our Bank that it will not, for a period of 12 months from the date of issue of the Rights Equity Shares, offer, transfer, assign or otherwise alienate those Rights Equity Shares to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where the offer is pursuant to a disclosure document that complies with Chapter 6D of the Corporations Act.

No financial product advice is provided in this Letter of Offer and nothing in this Letter of Offer should be taken to constitute a recommendation or statement of opinion that is intended to influence a person or persons in making a decision to invest in the Right Equity Shares.

This Letter of Offer does not take into account the objectives, financial situation or needs of any particular person. Before acting on the information contained in this Letter of Offer or making a decision to invest in the Rights Equity Shares, prospective investors should seek professional advice as to whether investing in the Rights Equity Shares is appropriate in light of their own circumstances.

Neither the Lead Manager nor any of its affiliates is the holder of an Australian Financial Services Licence.

Bahrain

This Letter of Offer and the Rights Entitlements and the Rights Equity Shares that are offered pursuant to this Letter of Offer have not been registered, filed, approved or licensed by the Central Bank of Bahrain ("**CBB**"), the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism ("**MOICT**") or any other relevant licensing authorities in the Kingdom of Bahrain.

The CBB, the Bahrain Bourse and the MOICT of the Kingdom of Bahrain takes no responsibility for the accuracy of the statements and information contained in this Letter of Offer, nor shall they have any liability to any person, investor or otherwise for any loss or damage resulting from reliance on any statements or information contained herein. This Letter of Offer is only intended for Accredited Investors as defined by the CBB and the securities offered by way of private placement may only be offered in minimum subscriptions of USD100,000 (or equivalent in other currencies). We will not make any invitation to the public in the Kingdom of Bahrain to subscribe to the Rights Equity Shares and this Letter of Offer will not be issued to, passed to, or made available to the public generally in the Kingdom of Bahrain. All marketing and offering of the Rights Equity Shares shall be made outside the Kingdom of Bahrain. The CBB has not reviewed, nor has it approved this Letter of Offer and any related offering documents or the marketing thereof in the Kingdom of Bahrain. The CBB is not and will not be responsible for the performance of Rights Equity Shares.

Cayman Islands

No offer or invitation to subscribe for the Rights Entitlements and the Rights Equity Shares may be made to the public in the Cayman Islands.

European Economic Area

In relation to each Member State of the European Economic Area (each a "**Relevant State**"), an offer to the public of any Rights Entitlements or Rights Equity Shares may not be made in that Relevant State, except if the Rights Entitlements or Rights Equity Shares are offered to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation (EU) 2017/1129 (and any amendment thereto) (the "**Prospectus Regulation**"):

- to any legal entity that is a qualified investor, as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation);
- or in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Rights Entitlements or Rights Equity Shares shall result in a requirement for the publication by our Bank or the Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement of a prospectus pursuant to Article 23 of the Prospectus Regulation. This Letter of Offer is not a prospectus for the purposes of the Prospectus Regulation.

For the purposes of this subsection, the expression an "offer to the public" in relation to any Rights Entitlements or Rights Equity Shares in any Relevant State means a communication to persons in any form and by any means presenting sufficient information on the terms of the Issue so as to enable an investor to decide to purchase or subscribe for the Rights Entitlements or Rights Equity Shares.

Except for each person who is not a qualified investor as defined in the Prospectus Regulation and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for or purchase Rights Equity Shares, each person in a Relevant State who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is a qualified investor as defined in the Prospectus Regulation.

Hong Kong

This Letter of Offer has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Letter of Offer has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorised by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Issue. If recipients are in any doubt about any of the contents of this Letter of Offer, they should obtain independent professional advice.

This Letter of Offer does not constitute an offer or invitation to the public in Hong Kong to acquire any Rights Entitlements or Rights Equity Shares nor an advertisement of the Rights Entitlements or Rights Equity Shares in Hong Kong. This Letter of Offer and any other Issue Materials must not be issued, circulated or distributed in Hong Kong other than to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**") and no more than 50 persons in Hong Kong who are not Professional Investors.

Except for each person who is not a Professional Investor and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for or purchase Rights Equity Shares, each person in Hong Kong who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is a Professional Investor.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Rights Entitlements or Rights Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to Rights Entitlements or Rights Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors and no more than 50 persons in Hong Kong who are not Professional Investors.

No person who has received a copy of this Letter of Offer may issue, circulate or distribute this Letter of Offer in Hong Kong or make or give a copy of this Letter of Offer to any other person.

No person allotted Rights Equity Shares may sell, or offer to sell, such Rights Equity Shares to the public in Hong Kong within six months following the date of issue of such Rights Equity Shares.

Japan

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law. No. 25 of 1948 as amended) (the "**FIEA**") and disclosure under the FIEA has not been and will not be made with respect to the Rights Entitlements and the Rights Equity Shares.

No Rights Entitlements or Rights Equity Shares are, directly or indirectly, being offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan as defined in the first sentence of Article 6, Paragraph 1, Item 5 of the Foreign Exchange and Foreign Trade Contract Act of Japan (Law No. 228 of 1949, as amended) ("**Japanese Resident**") or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any Japanese Resident except (i) pursuant to an exemption from the registration requirements of the FIEA and (ii) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

If an offeree does not fall under a "qualified institutional investor" (tekikaku kikan toshika), as defined in Article 10, Paragraph 1 of the Cabinet Office Ordinance Concerning Definition Provided in Article 2 of the Financial Instruments and Exchange Act (Ordinance of the Ministry of Finance No. 14 of 1993, as amended) (the "**Qualified Institutional Investor**"), the Rights Entitlements and Equity Shares will be offered in Japan by a private placement to no more than 49 investors (shoninzu muke kanyu), as provided under Article 23- 13, Paragraph 4 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Any purchaser of the Rights Equity Shares in Japan who is not a Qualified Institutional Investor agrees that it shall not, directly or indirectly, resell, assign, transfer, or otherwise dispose of the Rights Equity Shares to any Japanese Resident, other than in "a lump sum" to a single person; and (b) that it shall deliver a notification indicating (a) and (b) herein to the transferee of the Rights Equity Shares.

If an offeree is a Qualified Institutional Investor, the Rights Entitlements and the Rights Equity Shares will be offered in Japan by a private placement to the Qualified Institutional Investor (tekikaku kikan toshikamuke kanyu), as provided under Article 23-13, Paragraph 1 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Any Qualified Institutional Investor purchasing Rights Equity Share agrees that it will not, directly or indirectly, resell, assign, transfer, or otherwise dispose of the Rights Equity Shares to any Japanese Resident other than to another Qualified Institutional Investor.

Except for each person who is not a Qualified Institutional Investor and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for or purchase Rights Equity Shares, each person in Japan who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is a Qualified Institutional Investor.

Kuwait

This Letter of Offer does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Rights Entitlements or the Rights Equity Shares in the State of Kuwait. The Rights Entitlements and the Rights Equity Shares have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Rights Entitlements and the Rights Equity Shares in State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of financial services/products in the State of Kuwait. No private or public offering of the Rights Entitlements or the Rights Equity Shares is or will be made in the State of Kuwait, and no agreement relating to the sale of the Rights Entitlements or the Rights Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Rights Entitlements or the Rights Equity Shares in the State of Kuwait.

Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of the Rights Entitlements and the Rights Equity Shares may be made to the public in Mauritius without, amongst other things, the prior approval of the Mauritius Financial Services Commission. This Letter of Offer has not been approved or registered by the Mauritius Financial Services Commission. Accordingly, this Letter of Offer does not constitute a public offering. This Letter of Offer is for the exclusive use of the person to whom it has been given our Bank and is a private concern between our Bank and the recipient.

Qatar (excluding the Qatar Financial Centre)

This Letter of Offer does not, and is not intended to, constitute an invitation or an offer of Rights Equity Shares in the State of Qatar and accordingly should not be construed as such. The Rights Equity Shares offered in the

Offer have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Rights Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Letter of Offer, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) none of this Letter of Offer, the Rights Entitlements or the Rights Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, or any other authority or agency in the State of Qatar; (b) our Bank is not authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority or any other authority or agency in the State of Qatar, to market or sell the Rights Equity Shares within the State of Qatar; (c) this Letter of Offer may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Rights Entitlements or the Rights Equity Shares shall be consummated within the State of Qatar.

No marketing of the Offer has been or will be made from within the State of Qatar and no subscription to the Rights Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Rights Equity Shares shall be received from outside of Qatar. This Letter of Offer shall not form the basis of, or be relied on in connection with, any contract in Qatar. Our Corporation and the Members of the Syndicate are not, by distributing this Letter of Offer, advising individuals resident in the State of Qatar as to the appropriateness of purchasing Equity Shares in the Offer. Nothing contained in this Letter of Offer is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

Qatar Financial Centre

This Letter of Offer does not, and is not intended to, constitute an invitation or offer of Rights Equity Shares from or within the Qatar Financial Centre ("**QFC**"), and accordingly should not be construed as such. This Letter of Offer has not been reviewed or approved by or registered with the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority or any other competent legal body in the QFC. This Letter of Offer is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof. Our Corporation has not been approved or licenced by or registered with any licensing authorities within the QFC.

Singapore

This Letter of Offer has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). The offer of Rights Equity Shares pursuant to the Rights Entitlements to Eligible Equity Shareholders in Singapore is made in reliance on the offering exemption under Section 273(1)(cd) of the SFA.

Except for Eligible Equity Shareholders resident in Singapore that have received this Letter of Offer from our Bank and who are not applying for any additional Rights Equity Shares over and above their Rights Entitlements, holders of Rights Entitlements in Singapore may subscribe to the Rights Equity Shares only (i) if they are an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) if they are a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any Rights Equity Shares are purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired such Rights Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **"CMP Regulations 2018"**), our Bank has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA) that the Rights Entitlements and the Rights Equity Shares are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United Kingdom

No Rights Entitlements or Rights Equity Shares may be offered in the Issue to the public in the United Kingdom prior to the publication of a prospectus in relation to the Rights Entitlements and Rights Equity Shares which is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Article 74 (transitional provisions) of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019/1234, except that our Bank may make an offer to the public in the United Kingdom of Rights Entitlements and Rights Equity Shares at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation); or

(c) in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation,

provided that no such offer of Rights Entitlements or Rights Equity Shares shall result in a requirement for the publication by our Bank or the Lead Manager of a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Entitlements or Rights Equity Shares in means a communication to persons in any form and by any means presenting sufficient information on the terms of the Issue so as to enable an investor to decide to purchase or subscribe for the Rights Entitlements or Rights Equity Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Except for each person who is not a qualified investor as defined in the UK Prospectus Regulation and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for or purchase Rights Equity Shares, each person in the United Kingdom who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is a qualified investor as defined in the UK Prospectus Regulation.

In addition, this Letter of Offer may not be distributed or circulated to any person in the United Kingdom other than to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); and (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Financial Promotion Order (each such person being referred to as a "**Relevant Person**"). If you are not a Relevant Person, you should not take any action on the basis of this Letter of Offer and you should not act or rely on it or any of its contents. Except for each person who is not a Relevant Person and who has notified our Bank of such fact in writing and has received the consent of our Bank in writing to subscribe for or purchase Rights Equity Shares, each person in the United Kingdom who acquires Rights Equity Shares shall be deemed to have represented and warranted that it is a Relevant Person.

United Arab Emirates (excluding the Dubai International Financial Centre)

No offering, marketing, promotion, advertising or distribution (collectively, "**Promotion"**) of this Letter of Offer. The Rights Entitlements or Rights Equity Shares may be made in the United Arab Emirates (the "**UAE**") unless: (a) such Promotion has been approved by the UAE Securities and Commodities Authority (the "**SCA**") and is made in accordance with the laws and regulations of the UAE, including SCA Board of Directors' Chairman Decision no. (3/R.M.) of 2017 (the "**Promotion and Introduction Regulations**"), and is made by an entity duly licensed to conduct such Promotion activities in the UAE; or (b) such Promotion is conducted by way of private placement made: (i) only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations); or (ii) otherwise in accordance with the laws and regulations of the UAE; or (c) such Promotion is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE.

The Promotion of this Letter of Offer, the Rights Entitlements and the Rights Equity Shares has not been and will not be approved by the SCA and, as such, this Letter of Offer does not constitute an offer to the general public in the UAE to acquire any Rights Equity Shares. Except where the Promotion of this Letter of Offer, the Rights Entitlements and the Rights Equity Shares is carried out by way of reverse solicitation only upon an initiative made in writing by an investor in the UAE, the Promotion of this Letter of Offer, the Rights Entitlements and the Rights Equity Shares in the UAE is being made only to Qualified Investors who are not High Net Worth Individuals (as such terms are defined in the Promotion and Introduction Regulations).

None of the SCA, the Central Bank of the United Arab Emirates or any other regulatory authority in the UAE has reviewed or approved the contents of this Letter of Offer and nor does any such entity accept any liability for the contents of this Letter of Offer.

Dubai International Financial Centre

The Rights Entitlements and the Rights Equity Shares offered in the Issue are not being offered to any persons in the Dubai International Financial Centre except on that basis that an offer is: (i) an "Exempt Offer" in accordance with the Markets Rules (MKT) (the "**Markets Rules**") adopted by the Dubai Financial Services Authority (the "**DFSA**"); and (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook and are not natural Persons. This Letter of Offer must not be delivered to, or relied on by, any other person. The DFSA has not approved this Letter of Offer nor taken steps to verify the information set out in it, and has no responsibility for it. Capitalised terms not otherwise defined in this subsection have the meaning given to those terms in the Markets Rules.

The Rights Equity Shares may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Rights Equity Shares should conduct their own due diligence on the Rights Equity Shares. If you do not understand the contents of this Letter of Offer, you should consult an authorised financial adviser.

United States

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Rights Entitlements are being issued and the Rights Equity Shares are being offered and sold only outside the United States in offshore transactions as defined in and in reliance on Regulation S.

The Rights Entitlements and the Rights Equity Shares are transferable only in accordance with the restrictions described in "- *Transfer Restrictions and Representations, Warranties and Agreements by Purchasers*" below and each purchaser of Rights Entitlements and the Rights Equity Shares will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "- *Transfer Restrictions and Representations, Warranties and Agreements by Purchasers*" below.

Transfer Restrictions, Representations, Warranties and Agreements by Purchasers

In addition to the applicable representations, warranties and agreements set forth above, each purchaser by accepting the delivery of this Letter of Offer and its accompanying documents, submitting an Application Form for the exercise of any Rights Entitlements and subscription for any Rights Equity Shares and accepting delivery of any Rights Entitlements or any Rights Equity Shares, will be deemed to have represented, warranted and agreed as follows on behalf of itself and, if it is acquiring the Rights Entitlements or the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, on behalf of each owner of such account (such person being the "purchaser", which term shall include the owners of the investor accounts on whose behalf the person acts as fiduciary or agent):

1. The purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares, and, if the purchaser is exercising the Rights Entitlements and acquiring the Rights Equity Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full

power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Rights Equity Shares on behalf of each owner of such account.

2. The purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Rights Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Rights Equity Shares are a speculative investment.

3. The purchaser understands (and each account for which it is acting has been advised and understands) that no action has been or will be taken to permit an offering of the Rights Entitlements or the Rights Equity Shares in any jurisdiction (other than the filing of this Letter of Offer with SEBI and the Stock Exchanges); and it will not offer, resell, pledge or otherwise transfer any of the Rights Entitlements except in India or the Rights Equity Shares which it may acquire, or any beneficial interests therein, in any jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale, solicitation or invitation except under circumstances that will result in compliance with any applicable laws and/or regulations.

4. None of the purchaser, any of its affiliates or any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to, or which might be expected to, cause or result in the stabilization or manipulation of the price of any security of the Bank to facilitate the sale or resale of the Rights Entitlements or the Rights Equity Shares pursuant to the Issue.

5. Prior to making any investment decision to exercise the Rights Entitlements and subscribe for the Rights Equity Shares, the purchaser (i) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent it has deemed necessary; (ii) will have carefully read and reviewed a copy of this Letter of Offer and its accompanying documents; (iii) will have possessed and carefully read and reviewed all information relating to our Bank and our Group and the Rights Entitlements and the Rights Equity Shares which it believes is necessary or appropriate for the purpose of making its investment decision, including, without limitation, the Exchange Information (as defined below); (v) will have conducted its own due diligence on our Bank and this Issue, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisers as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of our Bank, the Lead Manager or its affiliates (including any research reports) (other than, with respect to our Bank and any information contained in this Letter of Offer); and (vi) will have made its own determination that any investment decision to exercise the Rights Entitlements and subscribe for the Rights Equity Shares is suitable and appropriate, both in the nature and number of Rights Equity Shares being subscribed.

6. Without limiting the generality of the foregoing, the purchaser acknowledges that the Rights Equity Shares are listed on BSE Limited and National Stock Exchange of India Limited and our Bank is therefore required to publish certain business, financial and other information in accordance with the rules and practices of BSE Limited and National Stock Exchange of India Limited (which includes, but is not limited to, a description of the nature of our Bank's business and our Bank's most recent balance sheet and profit and loss account, and similar statements for preceding years together with the information on its website and its press releases, announcements, investor education presentations, annual reports, collectively constitutes "**Exchange Information**"), and that it has had access to such information without undue difficulty and has reviewed such Exchange Information as it has deemed necessary; and (ii) none of our Bank, any of its affiliates, the Lead Manager or any of its affiliates has made any representations or recommendations to it, express or implied, with respect to our Bank, the Rights Entitlements, the Rights Equity Shares or the accuracy, completeness or adequacy of the Exchange Information.

7. The purchaser acknowledges that (i) any information that it has received or will receive relating to or in connection with this Issue, and the Rights Entitlements or the Rights Equity Shares, including this Letter of Offer and the Exchange Information (collectively, the "**Information**"), has been prepared solely by our Bank; and (ii) neither the Lead Manager nor any of its affiliates has verified such Information, and no recommendation, promise, representation or warranty (express or implied) is or has been made or given by the Lead Manager or its affiliates as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise,

representation or warranty by the Lead Manager or any of its affiliates.

8. The purchaser will not hold our Bank, the Lead Manager or its affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Bank to it. It acknowledges that no written or oral information relating to this Issue, and the Rights Entitlements or the Rights Equity Shares has been or will be provided by the Lead Manager or its affiliates to it.

9. The purchaser understands and acknowledges that the Lead Manager is assisting our Bank in respect of this Issue and that the Lead Manager is acting solely for our Bank and no one else in connection with this Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe or purchase any Rights Entitlements or Rights Equity Shares nor providing advice to it in relation to our Bank, this Issue or the Rights Entitlements or the Rights Equity Shares. Further, to the extent permitted by law, it waives any and all claims, actions, liabilities, damages or demands it may have against the Lead Manager arising from its engagement with our Bank and in connection with this Issue.

10. The purchaser understands that its receipt of the Rights Entitlements and any subscription it may make for the Rights Equity Shares will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this Letter of Offer and the Application Form. The purchaser understands that none of our Bank, the Registrar, the Lead Manager or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Manager or any other person acting on behalf of us have reason to believe is in the United States, or is ineligible to participate in this Issue under applicable securities laws.

11. The purchaser is aware that the Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act or the securities law of any state of the United States and that the offer of the Rights Entitlements and the offer and sale of the Rights Equity Shares to the purchaser was made in reliance on Regulation S.

12. The purchaser was outside the United States at the time the offer of the Rights Entitlements and Rights Equity Shares was made to it and the purchaser was outside the United States when the purchaser's buy order for the Rights Equity Shares was originated.

13. The purchaser did not accept the Rights Entitlements or subscribe to the Rights Equity Shares as a result of any "directed selling efforts" (as defined in Regulation S).

14. The purchaser subscribed to the Rights Equity Shares for investment purposes and not with a view to the distribution or resale thereof. If in the future the purchaser decides to offer, sell, pledge or otherwise transfer any of the Rights Equity Shares, the purchaser shall only offer, sell, pledge or otherwise transfer such Rights Equity Shares (i) outside the United States in a transaction complying with Rule 903 or Rule 904 of Regulation S and in accordance with all applicable laws of any other jurisdiction, including India or (ii) in the United States pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws;

15. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Rights Equity Shares are, entitled to subscribe for the Rights Equity Shares.

16. If the purchaser is outside India, the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Bank or the Lead Manager with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

17. If the purchaser is outside India, the purchaser, and each account for which it is acting, satisfies (i) all suitability standards for investors in investments in the Rights Entitlements and the Rights Equity Shares imposed by all jurisdictions applicable to it, and (ii) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of all jurisdictions of residence.

18. The purchaser is authorized to consummate the purchase of the Rights Equity Shares sold pursuant to

this Issue in compliance with all applicable laws and regulations.

19. Except for the sale of Rights Equity Shares on one or more of the Stock Exchanges, the purchaser agrees, upon a proposed transfer of the Rights Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Rights Equity Shares being sold.

20. The purchaser shall hold our Bank and the Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of its representations, warranties or agreements set forth above and elsewhere in this Letter of Offer. The indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.

21. The purchaser acknowledges that our Bank, the Lead Manager, its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

SECTION VIII: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank) which are or may be deemed material have been entered or are to be entered into by our Bank. Copies of the following contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Bank between 10 a.m. and 5 p.m. on all working days from the date of this Letter of Offer until the Issue Closing Date, and will also be available on the website of our Bank at https://www.dhanbank.com/investor-relations/ from the date of this Letter of Offer until the Issue Closing Date.

A. Material Contracts for the Issue

1. Issue agreement dated December 19, 2024 between our Bank and the Lead Manager.
2. Registrar agreement dated December 19, 2024 between our Bank and the Registrar to the Issue.
3. Bankers to the Issue agreement dated December 19, 2024 between our Bank, the Lead Manager, the Registrar to the Issue and the Bankers to the Issue.

B. Material Documents

1. Certified copies of the updated Memorandum of Association and Articles of Association of our Bank, as amended.
2. Certificate of incorporation dated November 14, 1927, and fresh certificate of incorporation dated August 10, 2010, issued pursuant to the change of name of our Bank to '*Dhanlaxmi Bank Limited*' from '*Dhanalakshmi Bank Limited*'.
3. License bearing reference number MUM-89 dated September 28, 2010, issued by the RBI under the Banking Regulation Act to carry on banking business in India.
4. Letter of offer dated January 31, 2008, in respect of the rights issue of equity shares of face value of ₹10 each, aggregating to ₹ 198.76 crore by our Bank.
5. Consents of the Directors, Company Secretary and Compliance Officer, the Lead Manager, the Banker to the Issue, the legal counsel to our Bank, and the Registrar to the Issue for inclusion of their names in this Letter of Offer to act in their respective capacities and such consents have not been withdrawn up to the time of delivery of this Letter of Offer.
6. Consent letters dated December 19, 2024 from our Joint Statutory Auditors, M/s. Sagar and Associates and Abraham & Jose, Chartered Accountants to include their names in this Letter of Offer, as an "expert" as defined under Section 2(38) of the Companies Act, 2013, in respect of and inclusion of FY 2024 Reformatted Audited Financial Statements and the audit report dated December 19, 2024, issued thereon, and such consent has not been withdrawn as of the date of this Letter of Offer.
7. Our Audited Financial Statements and the audit report thereon dated May 22, 2024.
8. Our unaudited financial statements for the six-month period ended September 30, 2024.
9. Report on Reformatted Audited Financial Statements and Reformatted Unaudited Financial Statements dated December 19, 2024.
10. Resolution of our Board dated October 22, 2024 in relation to this Issue and other related matters.
11. Resolution of our Board dated December 19, 2024 approving and adopting the Letter of Offer.
12. Resolutions of our Board dated December 19, 2024 in relation to the terms of the Issue including the Record Date, the Issue Price and the Rights Entitlement Ratio.
13. Statement of possible special tax benefits dated December 19, 2024 from M/s. Sagar and Associates and Abraham & Jose, Chartered Accountants included in this Letter of Offer.
14. Annual reports of our Bank in respect of the Financial Years 2024, 2023, 2022, 2021 and 2020.
15. Due Diligence Certificate dated December 19, 2024 addressed to SEBI from the Lead Manager.
16. In-principle listing approval dated December 4, 2024, issued to our Bank by BSE.

17. In-principle listing approval dated December 13, 2024, issued to our Bank by NSE.

18. Tripartite agreement dated March 26, 2001, entered into among our Bank, NSDL and the Registrar to the Issue.

19. Tripartite agreement dated March 26, 2001, entered into among our Bank, CDSL and the Registrar to the Issue.

Any of the contracts or documents mentioned in this Letter of Offer 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 reference to the Eligible Equity Shareholders, subject to compliance with applicable law.

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

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K.N Madhusoodanan

Chairman and Non-Executive Independent Director

Date: December 19, 2024

Place: Thiruvananthapuram

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with. I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

Ajith Kumar K.K

Managing Director and Chief Executive Officer

Date: December 19, 2024

Place: Thrissur

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

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G. Rajagopalan Nair

Non-Executive Independent Director

Date: December 19, 2024

Place: Thiruvananthapuram

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

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D.K. Kashyap

RBI Additional Director

Date: December 19, 2024

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

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Sreesankar Radhakrishnan

Non-Executive Independent Director

Date: December 19, 2024
Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

Dr. Nirmala Padmanabhan

Non-Executive Independent Director

Date: December 19, 2024

Place: Ernakulam

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

Vardhini Kalyanaraman

Non-Executive Independent Director

Date: December 19, 2024

Place: Chennai

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

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Nageswara Rao Chatradi

RBI Additional Director

Date: December 19, 2024

Place: Chennai

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE BANK

Dr. Jineesh Nath C.K

Non-Executive Non-Independent Director

Date: December 19, 2024

Place: Koottanad

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act, or the rules made thereunder or regulations issued thereunder, as the case may be. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF THE BANK

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Kavitha T. A.

Chief Financial Officer

Date: December 19, 2024

Place: Thrissur