



UTKARSH SMALL FINANCE BANK LIMITED

Utkarsh Small Finance Bank Limited (“Bank”) was incorporated at Varanasi, Uttar Pradesh on April 30, 2016, as a public company under the Companies Act, 2013 and was granted a certificate of incorporation by the Registrar of Companies, Central Registration Centre. Our Promoter, Utkarsh Core Invest Limited (formerly known as Utkarsh Micro Finance Limited), was granted an in-principle approval to establish a small finance bank (“SFB”), by the Reserve Bank of India (“RBI”), pursuant to its letter dated October 7, 2015. Subsequently, our Bank received the final approval of the RBI to carry on the business as an SFB on November 25, 2016. Our Bank commenced its business operations on January 23, 2017 and was included in the second schedule to the Reserve Bank of India Act, 1934, as amended (“RBI Act”) pursuant to a notification issued by the RBI dated October 4, 2017, and published in the Gazette of India (Part III -Section 4) dated November 7, 2017. For details in relation to the changes in name and registered office of our Bank, see “General Information” beginning on page 46. The Board passed a resolution dated September 20, 2024, approving reverse merger of Utkarsh CoreInvest Limited with the Bank to fulfil the regulatory stipulation emanating from Reserve Bank of India Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023, requiring to dilute the Promoter shareholding to 26 % within 15 years from the date of commencement of banking business.

Registered and Corporate Office: Utkarsh Tower, NH - 31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India

Tel: +91 542 660 5555; **Contact Person:** Muthiah Ganapathy, *Company Secretary and Compliance Officer*

E-mail: shareholders@utkarsh.bank; **Website:** www.utkarsh.bank

Corporate Identity Number: L65992UP2016PLC082804

PROMOTER OF OUR BANK: UTKARSH COREINVEST LIMITED

FOR PRIVATE CIRCULATION TO ELIGIBLE EQUITY SHAREHOLDERS AND SPECIFIC INVESTOR(S), AS APPLICABLE OF UTKARSH SMALL FINANCE BANK LIMITED (THE “BANK” OR THE “ISSUER”) ONLY

ISSUE OF UP TO [●] FULLY PAID-UP EQUITY SHARES OF FACE VALUE OF ₹10 EACH OF OUR BANK (THE “RIGHTS EQUITY SHARES”) FOR CASH AT A PRICE OF ₹[●] PER RIGHTS EQUITY SHARE (INCLUDING A PREMIUM OF ₹[●] PER RIGHTS EQUITY SHARE) (“ISSUE PRICE”) AGGREGATING UP TO ₹ 950 CRORE* ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR BANK IN THE RATIO OF [●] ([●]) RIGHTS EQUITY SHARE FOR EVERY [●] ([●]) FULLY PAID-UP EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●] (“RECORD DATE”) (THE “ISSUE”). FOR FURTHER DETAILS, SEE “TERMS OF THE ISSUE” BEGINNING ON PAGE 76.

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

WILFUL DEFAULTERS OR FRAUDULENT BORROWERS

Neither our Bank nor our Promoter or 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 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 (“SEBI”) nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer. Specific attention of investors is invited to the section “Risk Factors” beginning on page 19.

BANK’S ABSOLUTE RESPONSIBILITY

Our Bank, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft 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 Draft 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 Draft 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 of our Bank 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 “in-principle” approvals from NSE and BSE for listing the Rights Equity Shares through their letters dated [●] and [●], respectively. Our Bank will also make applications to NSE and BSE 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.

REGISTRAR TO THE ISSUE



KFin Technologies Limited

Selenium Tower-B, Plot no. 31 and 32 S
Financial District, Nanakramguda, Serilingampally
Hyderabad, Rangareddi 500 032, Telangana, India
E-mail: utkarshbank.rights@kfintech.com

Website: www.kfintech.com

Investor grievance ID: einward.ris@kfintech.com

Contact person: M Murali Krishna

SEBI Registration No.: INR000000221

ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	[●]
ISSUE OPENING DATE	[●]
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS #	[●]
ENTITLEMENTS	
DATE OF CLOSURE OF OFF MARKET TRANSFER OF RIGHTS	[●]
ENTITLEMENTS #	
ISSUE CLOSING DATE*	[●]
FINALISATION OF BASIS OF ALLOTMENT	[●]
DATE OF ALLOTMENT	[●]
DATE OF CREDIT OF RIGHTS EQUITY SHARES	[●]
DATE OF LISTING	[●]

Our Board or the Capital Structuring & Fund Raise 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.

**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.*

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TABLE OF CONTENTS

SECTION I - GENERAL	1
DEFINITIONS AND ABBREVIATIONS	1
NOTICE TO INVESTORS	9
PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION	12
FORWARD LOOKING STATEMENTS	14
SUMMARY OF THE DRAFT LETTER OF OFFER	16
SECTION II: RISK FACTORS	19
SECTION III: INTRODUCTION	45
THE ISSUE.....	45
GENERAL INFORMATION	46
CAPITAL STRUCTURE.....	50
OBJECTS OF THE ISSUE	52
STATEMENT OF SPECIAL TAX BENEFITS	55
SECTION IV: ABOUT OUR BANK.....	57
OUR BUSINESS.....	57
OUR MANAGEMENT.....	64
SECTION V: FINANCIAL INFORMATION.....	67
FINANCIAL STATEMENTS	67
FINANCIAL INFORMATION.....	68
OTHER REGULATORY AND STATUTORY DISCLOSURES.....	70
SECTION VI: ISSUE INFORMATION	74
TERMS OF THE ISSUE.....	74
RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES	98
RESTRICTIONS ON PURCHASES AND REALES	99
SECTION VII: OTHER INFORMATION.....	102
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	102
DECLARATION	104

SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft 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, clarification or policy shall be to such legislation, act, regulation, rule, guideline or policy as amended, supplemented or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision. The words and expressions used in this Draft Letter of Offer, but not defined herein shall have the meaning ascribed to such terms under the SEBI ICDR Regulations, the SEBI LODR Regulations, the Companies Act, the SCRA, the Depositories Act, and the rules and regulations made thereunder.

The following list of capitalised terms used in this Draft Letter of Offer is intended for the convenience of the reader/prospective investor only and is not exhaustive. However, terms used in the sections entitled “Summary of the Draft Letter of Offer”, “Risk Factors”, “Financial Statements”, and “Statement of Special Tax Benefits”, “Terms of the Issue” on pages 16, 19, 69, 55 and 74 respectively, shall, unless indicated otherwise, have the meanings ascribed to such terms in the respective sections/ chapters.

General Terms

Term	Description
“Bank”, “our Bank”, “the Bank”, “the Issuer” or “USFBL” or “we”, “our” or “us”	Utkarsh Small Finance Bank Limited, a company incorporated under the Companies Act, 2013 and registered as a small finance bank with the RBI, having its Registered and Corporate Office at Utkarsh Tower, NH -31 (Airport Road), Sehmalpur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India

Bank Related Terms

Term	Description
“Articles of Association” or “Articles”	Articles of association of our Bank, as amended from time to time
“Associates”	As on the date of this Draft Letter of Offer our Bank has no Associates
“Audit Committee”	The committee of the Board of Directors constituted as our Bank’s audit committee in accordance with the provisions of Section 177 of the Companies Act, 2013 read with Regulation 18 of the SEBI (LODR) Regulations.
“Auditors” or “Joint Statutory Auditors”	The joint statutory auditors of our Bank, being M/s M. M. Nissim & Co LLP, Chartered Accountants and M/s KKC & Associates LLP, Chartered Accountants
“Board of Directors” or “Board” or “our Board”	The board of directors of our Bank. For details, see “Our Management - Board of Directors” on page 64
Chairperson	The chairperson of the Board of our Bank, Dr. Kshatrapati Shivaji. For details, see “Our Management - Board of Directors” on page 64
“Chief Executive Officer” or “CEO” or “Managing Director” or “MD”	The managing director and chief executive officer of our Bank, Mr. Govind Singh. For details, see “Our Management - Board of Directors” on page 64
“Chief Financial Officer” or “CFO”	The chief financial officer of our Bank, Mr. Sarjukumar Pravin Simaria.
“Company Secretary and Compliance Officer”	The company secretary and compliance officer of our Bank, Mr. Muthiah Ganapathy, appointed to perform the functions of a “company secretary” under Section 203 of the Companies Act, 2013.
“CSFR Committee”	The Capital Structuring & Fund Raise Committee of the Board of our Bank consisting of Dr. Kshatrapati Shivaji as the Chairperson and Ms. Gauri Rushabh Shah, Mr. Parveen Kumar Gupta and Mr. Govind Singh as members.
“Directors”	The directors on our Board, as may be appointed from time to time. For details, see “Our Management - Board of Directors” on page 64
“Equity Shares”	Equity shares of face value of ₹10 each of our Bank
“ESOP Plan 2020”	Shall mean the USFBL Employee Stock Option Plan 2020
“ESOP Scheme 1”	Shall mean the USFBL Employee Stock Option 2020 - Scheme 1 notified under the ESOP Plan 2020
“ESOP” or “ESOP Schemes”	Shall mean collectively the ESOP 2020 and the USFBL Employee Stock Option 2024
“Executive Director(s)”	The executive Directors of our Bank, appointed as per the Companies Act, 2013 and the SEBI LODR Regulations. For details of our Executive Directors, see “Our Management - Board of Directors” on page 64
“Fiscal 2025 Audited Financial Statements”	Audited financial statements of our Bank for Fiscal 2025 which comprises the summary statement of assets and liabilities as at March 31, 2025, the statement of profit and loss and the statement of cash flows for the financial year ended March 31, 2025 along with the summary of significant accounting policies and explanatory notes and notes to financial statements prepared in accordance with the Indian GAAP notified under Section 133 of the Companies Act read with the Companies (Indian Accounting Standards) Rules, 2015 and audited by Previous Joint Statutory Auditors vide report dated May 3, 2025 and other relevant provisions of the Companies Act
“Independent Chartered Accountant”	JHS & Associates LLP, Chartered Accountants
“Independent Director(s)”	The non-executive, independent Directors of our Bank, appointed as per the Companies Act, 2013 and the SEBI LODR Regulations. For details of our Independent Directors, see “Our Management - Board of Directors” on page 64

Term	Description
“Joint Venture”	As on the date of this Draft Letter of Offer, our Bank has no joint venture(s)
“Key Managerial Personnel”	Key managerial personnel of our Bank determined in accordance with Regulation 2(1)(bb) of the SEBI ICDR Regulations
“Material Subsidiaries”	As on the date of this Draft Letter of Offer, our Bank has no subsidiaries
“Materiality Threshold”	An amount equivalent to 5% of average absolute value of profit or loss after tax, as per the audited financial statements of three immediately preceding financial years i.e. financial years ended March 31, 2025, March 31, 2024 and March 31, 2023, which is determined to be ₹15.43 crore, being the lower of (1) 2% of turnover as per the Fiscal 2025 Audited Financial Statements, (2) 2% of net worth as per the Fiscal 2025 Audited Financial Statements of the Bank except in case the arithmetic value of the net worth is negative, and (3) 5% of the average of absolute value of profit or loss after tax, as per the audited financial statements of the Bank for three immediately preceding financial years i.e. financial years ended March 31, 2025, March 31, 2024 and March 31, 2023, adopted by the Board of Directors through its resolution dated June 1, 2023 for the purposes of disclosures in this Draft Letter of Offer and the Letter of Offer, where applicable, in conformity with the ‘Policy for Determination of Materiality of Disclosures’ framed in accordance with Regulation 30 of the SEBI LODR Regulations and adopted by our Board
“Memorandum of Association” or “Memorandum”	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
“Non-Executive Director(s)”	The non-executive Directors of our Bank, appointed as per the Companies Act, 2013 and the SEBI LODR Regulations. For details of our Non-Executive Directors, see “ <i>Our Management - Board of Directors</i> ” on page 64
“Previous Joint Statutory Auditors”	The previous statutory auditors of our Bank, being M/s Deloitte Haskins & Sells LLP, Chartered Accountants and M/s Kirtane & Pandit LLP, Chartered Accountants
“Promoter Group”	Promoter group has the meaning ascribed to the term under Regulation 2(1)(pp) of the SEBI ICDR Regulations As on the date of this Draft Letter of Offer, other than our Promoter, there are no persons or entities that form a part of our Promoter Group
“Promoter” or “UCL”	The promoter of our Bank being, Utkarsh CoreInvest Limited
“Registered and Corporate Office”	The registered and corporate office of our Bank is located at Utkarsh Tower, NH - 31 (Airport Road), Sehmapur, Kazi Sarai, Harhua, Varanasi 221 105, Uttar Pradesh, India
“Senior Management” or “SMP”	Senior management personnel of our Bank determined in accordance with Regulation 2(1)(bbbb) of the SEBI ICDR Regulations
“Stakeholders’ Relationship Committee”	Stakeholders’ relationship committee of our Board of Directors of our Bank, constituted in accordance with Applicable Laws
“Subsidiaries”	As on the date of this Draft Letter of Offer, our Bank has no subsidiaries
“Whole-time Directors”	The whole-time director of our Bank. For details, please see “ <i>Our Management - Board of Directors</i> ” on page 64

Issue Related Terms

Term	Description
“Additional Rights Equity Shares”	The Rights Equity Shares applied for or allotted under this Issue in addition to the Rights Entitlement
“Allotment Account(s)”	The account(s) opened with the Banker(s) 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”	Bank which is clearing members and registered with SEBI as bankers to an issue and with whom the Allotment Account will be opened, in this case being, Kotak Mahindra 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
“Allotment” or “Allot” or “Allotted”	Allotment of Rights Equity Shares 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), to the extent applicable under the applicable law, who are entitled to make an application for the Rights Equity Shares pursuant to the Issue in terms of the 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 (including but not limited to online application form available for submission of application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process) used by an Applicant to make an application for the Allotment of Rights Equity Shares in the Issue
“Application Money”	Aggregate amount payable in respect of the Rights Equity Shares applied for in the Issue at the Issue Price

Term	Description
“Application Supported by Blocked Amount or ASBA”	Application (whether physical or electronic) used by Applicant(s) to make an application authorizing 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, which is Kotak Mahindra Bank Limited.
“Banker to the Issue Agreement”	Agreement dated October 1, 2025, entered into by and among our Bank, the Registrar to the Issue, and the Banker to the Issue for among other things, collection of the Application Money from Applicants/Investors and transfer of funds to the Allotment Account, on the terms and conditions thereof
“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” beginning on page 74
“Controlling Branches” or “Controlling Branches of the SCSBs”	Such branches of the SCSBs which coordinate with the Registrar to the Issue and the Stock Exchanges, a list of which is available on SEBI’s website, updated from time to time, or at such other website(s) as may be prescribed by the SEBI from time to time
“Demat Suspense Account”	[●]
“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, used by the ASBA 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”	National Stock Exchange (“NSE”)
“Draft Letter of Offer”	This draft letter of offer dated October 1, 2025, filed with the Stock Exchanges
“Eligible Equity Shareholder(s)”	Equity Shareholders as on 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, see “Notice to Investors” and “Restrictions on Purchases and Resales” beginning on pages 9 and 99, respectively
“Equity Shareholder(s)” or “Shareholders”	Holder(s) of the Equity Shares of our Bank
“Fraudulent Borrower”	Fraudulent Borrower(s) as defined under Regulations 2(1)(III) of the SEBI ICDR Regulations
“Gross Proceeds”	The gross proceeds raised through the Issue
“Issue”	This issue of up to [●] fully paid-up Equity Shares of face value of ₹10 each of our Company for cash at a price of ₹[●] per Rights Equity Share (including a premium of ₹[●] per Rights Equity Share) aggregating up to ₹ 950* crore on a rights basis to the Eligible Equity Shareholders of our Company in the ratio of [●] Rights Equity Share for every [●] fully paid-up Equity Shares held by the Eligible Equity Shareholders on the Record Date, that is on [●].
	<i>*Assuming full subscription in the Issue. Subject to finalisation of the Basis of Allotment.</i>
“Issue Closing Date”	[●]
“Issue Materials”	Collectively, the Letter of Offer, the Application Form, the Rights Entitlement Letter and any other material relating to the Issue
“Issue Opening Date”	[●]
“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 Applications, in accordance with the SEBI ICDR Regulations
“Issue Price”	₹ [●] per Rights Equity Share
“Issue Proceeds”	The gross proceeds raised through the Issue
“Issue Size”	The issue of up to [●] Rights Equity Shares aggregating up to ₹950* crore
	<i>* Assuming full subscription in the Issue. Subject to finalization of the Basis of Allotment.</i>
“Investor(s)”	Eligible Equity Shareholder(s), Renouncee(s) and/ or Specific Investor(s), if any, to the extent applicable under the applicable law, who are entitled to make an application for the Rights Equity Shares pursuant to the Issue in terms of the Letter of Offer
“Letter of Offer” or “LOF”	The letter of offer to be filed with the Stock Exchanges and SEBI
“Listing Agreements”	The uniform listing agreements entered between our Bank and the Stock Exchanges in terms of the SEBI LODR 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

Term	Description
“Net Proceeds”	Issue Proceeds less the estimated Issue related expenses. For further details, see “ <i>Objects of the Issue</i> ” beginning on page 50
“Off Market Renunciation”	The renunciation of Rights Entitlements undertaken by the Investor by transferring its Rights Entitlements through off market transfer through a depository participant in accordance with the SEBI ICDR Master Circular, Rights Issue Circular, circulars issued by the Depositories from time to time and other applicable laws on or before [●], 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 Renouncee(s) on or prior to the Issue Closing Date
“On Market Renunciation”	The renunciation of Rights Entitlements undertaken by the Investor by trading its Rights Entitlements over the secondary market platform of the Stock Exchanges through a registered stock broker in accordance with the SEBI ICDR Master Circular, Rights Issue Circular, circulars issued by the Stock Exchanges from time to time and other applicable laws, on or before [●], 2025
“Qualified Institutional Buyers” or “QIBs”	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
“Record Date”	Designated date for the purpose of determining the Equity Shareholders who would be eligible to apply for the Rights Equity Shares in the Issue subject to terms and conditions set out in the Issue Materials, to be decided prior to the filing of the Letter of Offer, being [●]
“Refund Bank”	The Banker to the Issue with whom the refund account will be opened, i.e. Kotak Mahindra Bank Limited
“Registrar Agreement”	Agreement dated October 1, 2025, 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”, “Registrar to the Issue” or “Registrar or Share Transfer Agent”	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 Eligible Equity Shareholders can renounce or transfer their Rights Entitlements that is commencing from the Issue Opening Date. Such period shall close on [●], [●], in case of On Market Renunciation and [●], [●], in case of Off Market Renunciation
“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 [●] ([●]) Rights Equity Share for every [●] ([●]) Equity Shares held by an Eligible Equity Shareholder on the Record Date The Rights Entitlements with a separate ISIN: [●] will be credited to your demat account before the date of opening of the Issue, against the equity shares held by the Equity Shareholders as on the record date.
“Rights Entitlement Letter”	Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The details of Rights Entitlement(s) are also accessible on the website of our Bank
“Rights Equity Shares”	Equity Shares of our Bank to be Allotted pursuant to this Issue, on a fully paid-up basis on Allotment
“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 www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 or such other website as updated from time to time
“Specific Investor(s)”	Regulation 77B of the SEBI ICDR Regulations defines specific investor(s) as any investor who is eligible to participate in the Issue (a) whose name has been disclosed by the Bank in terms of regulation 84(1)(f)(i) of the SEBI ICDR Regulations; or (b) whose name has been disclosed by the Bank in terms of sub-clause 84(1)(f)(ii) of the SEBI ICDR Regulations
“Stock Exchanges”	Stock exchanges where the Equity Shares are presently listed i.e. 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 finalization of the Basis of Allotment, in consultation with the Designated Stock Exchange
“Wilful Defaulter”	Wilful defaulter as defined under Regulation 2(1)(III) of the SEBI ICDR Regulations
“Working Days”	All days on which commercial banks in Mumbai, India are open for business. Further, in respect of the Issue Period, working day means all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, in respect of 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

Conventional and General Terms or Abbreviations

Term/Abbreviation	Description/ Full Form
“₹” or “Rs.” or “Rupees” or “INR”	Indian Rupee
Aadhaar	Aadhaar card
AGM	Annual general meeting of the Shareholders of our Bank.
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
BSE	BSE Limited

Term/Abbreviation	Description/ Full Form
CAGR	Compound annual growth rate (as a %): (End Year Value/Base Year Value) [^] (1/No. of years between Base year and end year) – 1 (^ denotes ‘raised to’)
Calendar Year	Calendar year ending December 31
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
CBDT	Central Board of Direct Taxes, Government of India
CDSL	Central Depository Services (India) Limited
Central Government	Central Government of India
Client ID	The client identification number maintained with one of the Depositories in relation to the demat account
Companies Act	Companies Act, 1956 and the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013 along with the relevant rules made thereunder
CSR	Corporate social responsibility
Depositories Act	Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Diluted EPS	Net Profit for the year attributable to owners of the Bank/weighted average number of Equity Shares outstanding at the end of the year as adjusted for effective of dilutive equity shares
DIN	Director identification number
DP ID	Depository participant’s identification number
“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)
EBITDA	Earnings before interest (net), taxes, depreciation and amortisation
EPS	Earnings per share
ESG	Environmental, social and governance
FDI	Foreign direct investment
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	Foreign Exchange Management Act, 1999
FEMA NDI Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
“Financial Year” or “Fiscal Year” or “Fiscal” or “FY”	Period of 12 months ending March 31 of that particular year
FIR	First information report
FPI	Foreign portfolio investors as defined and registered under the SEBI FPI Regulations
FVCI	Foreign venture capital investors as defined and registered under the SEBI FVCI Regulations
GAAP	Generally Accepted Accounting Principles in India
Government	Central Government and/ or the State Government, as applicable
GST	Goods and services tax
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
IFSC	Indian Financial System Code
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board
Income Tax Act	Income tax Act, 1961, as amended
Income Tax Rules	Income Tax Rules, 1962, as amended
Ind AS	Indian Accounting Standards as specified under section 133 of the Companies Act 2013 read with Companies (Indian Accounting Standards) Rules 2015
“Ind AS” or “Accounting Standards”	Accounting standards issued by the ICAI
India	Republic of India
Industrial Parks	Foreign investment in industrial parks, in terms of the FEMA Non-debt Instruments Rules
IPC	Indian Penal Code, 1860
ISIN	International securities identification number
IT	Information technology
Master Direction on PSL	Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025
MCA	Ministry of Corporate Affairs, Government of India
MCA Portal	The online portal of the Ministry of Corporate Affairs
MICR	Magnetic Ink Character Recognition
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
NACH	National Automated Clearing House
NBFC	Non-banking financial company
NEFT	National electronic fund transfer
Net Debt to Equity Ratio	Gross debt (-) cash & cash equivalents and surplus funds divided by shareholders equity
Non-GAAP Financial Measure	A financial measure not presented in accordance with generally accepted accounting principles
NR	Non-resident or person(s) resident outside India, as defined under the FEMA
NRE	Non-resident external

Term/Abbreviation	Description/ Full Form
NRE Account(s)	Non-resident external account
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
NRO	Non-resident ordinary
NRO Account	Non-resident ordinary account
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
PAN	Permanent account number
PAT	Profit after tax
PAT Margin	Profit after tax divided by revenue from operations
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended
RBI Acquisition Directions	The Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, issued by RBI on 16 January 2023 read with the Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies, issued by RBI on 16 January 2023
RBI Clarifications	The clarifications dated January 1, 2015, issued by the RBI in relation to the queries on the SFB Guidelines.
RBI Master Directions	Master Directions as applicable to Non-Banking Financial Company, as amended, and applicable from time to time
RBI letter	RBI issued to the ‘Association of Small Finance Banks of India’ dated July 9, 2021
Regulation S	Regulation S under the U.S. Securities Act
Residential Collections	Amount collected from our residential customers across all our projects (time/milestone linked)
“Return on Net Worth” or “RoNW”	Net Profit for the year attributable to owners of the Bank/average net worth calculated on the basis of monthly average balances
Rights Issue Circular	SEBI circular (SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31) dated March 11, 2025
RoC	Registrar of Companies, Kanpur, Uttar Pradesh
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	The Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI FVCI Regulations	The Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
SEBI ICDR Master Circular	SEBI master circular (SEBI/HO/CFD/PoD-1/P/CIR/2024/0154) dated November 11, 2024, as amended by circular no. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31 dated March 11, 2025, with respect to rights issue only
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time
SEBI LODR Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time
SEBI SBEB-SE Regulations	The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended from time to time
SEBI Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time
SEBI VCF Regulations	The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as repealed and replaced by the SEBI AIF Regulations, as amended from time to time
SFB Guidelines	Guidelines for Licensing of Small Finance Banks in the Private Sector dated November 27, 2014 read with the Guidelines for ‘on-tap’ Licensing of Small Finance Banks in Private Sector dated December 5, 2019 issued by the RBI.
State Government	Government of a state of India
STT	Securities transaction tax
“U.S.” or “USA” or “United States”	United States of America, its territories or possessions, any state of the United States, and the District of Columbia
U.S. Securities Act	U.S. Securities Act of 1933.
US GAAP	Generally accepted accounting principles in the U.S.
USD	United States Dollar
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations or the SEBI AIF Regulations, as the case may be

Industry Related Terms

Term/Abbreviation	Description/Full Form
ALCO	Asset Liability Management Committee
AMFI	Association of Mutual Funds in India
AML	Anti- Money Laundering
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AUM	Asset under management
Banking Outlet	As defined in RBI's revised guidelines on rationalisation of branch authorisation policy issued on May 18, 2017, a banking outlet is a fixed point service delivery unit, manned by either bank's staff or its business correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week.
Banking Regulation Act	Banking Regulation Act, 1949
Basic EPS	Net Profit for the year attributable to owners of the Bank/ weighted average number of Equity Shares outstanding end of the year .
BC	Business Correspondent
BCP	Business Continuity Plan
CASA	Current Account and Savings Account
CASA Ratio	CASA Ratio represents demand deposits and savings bank deposits as a percentage of Total Deposits
CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) (%)	CASA + Retail Term Deposits Ratio (as percentage of Total Deposits) represents demand deposits and savings bank deposits and retail term deposits as a percentage of Total Deposits. Retail term deposits are deposits below ₹ 3 crores (except deposits received from other banks)
CBS	Core Banking Solution
CFT	Combating the Financing of Terrorism
Cost of Deposits	Cost of Deposits is defined as total interest paid on deposits / average monthly deposits
Cost of Funds	Cost of funds is interest expended divided by total deposits and total borrowings calculated on the basis of monthly average
Cost to Income Ratio	Cost to Income Ratio is operating expenses / (net interest income + other income)
CRAR	Capital-to-Risk Weighted Asset Ratio
Credit Cost Ratio	Credit Cost Ratio is credit cost (including provisions and write-offs) / average of Gross Loan Portfolio calculated on the basis of monthly average balances
CRR	Cash Reserve Ratio
CV	Commercial Vehicle
DRP	Disaster Recovery Plan
DSA	Direct Selling Agent
EMI	Equated Monthly Instalment
Exim Bank	Export-Import Bank of India
FATCA	Foreign Account Tax Compliance Act, 2010
FI	Financial Institutions
FIMMDA	Fixed Income Money Market & Derivatives Association of India
FTRAC	FIMMDA Trade Reporting and Confirmation System
GNPA	Gross Non-Performing Asset
Gross Advances	Gross advances includes on-book advances (net off advance collections and interest due)
Gross Loan Portfolio	Gross Loan Portfolio includes on-book and off-book advances
Gross Loan Portfolio Growth	Gross Loan Portfolio Growth represents growth in Gross Loan Portfolio for the relevant period/year as a percentage of Gross Loan Portfolio for the previous period/year.
Gross NPA %	Gross NPA is gross non-performing assets as at the year/period end / Gross Advances
HTM	Held to Maturity
IFSC	Indian Financial System Code
IRS	Internal Revenue Service
JLG	Joint Liability Group
Key Performance Indicators or KPIs	Key financial and operational performance indicators of our Bank, as included in "Financial Information" beginning on page 68
LAP	Loan Against Property
LCR	Liquidity Coverage Ratio
LTV	Loan to Value
MCLR	Marginal Cost of Funds based Lending Rate
MFI	Microfinance Institutions
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
Net Asset Value per Equity Share	Net Asset Value per Equity Share is defined as Net Worth, as restated at the end of the period or years / Total number of Equity Shares outstanding at the end of the period/years.
Net Worth	A sum of Capital and Reserves
NCLT	National Company Law Tribunal
Net Interest Income	Net Interest Income is difference of interest earned and interest expended.
Net Interest Margin	Net Interest Margin is the difference of interest earned and interest expended divided by the average interest-earning assets calculated on the basis of monthly average balances.
Net NPA %	Net NPA is net non-performing assets as at the year/period end / net advances

Term/Abbreviation	Description/Full Form
Net Profit	Net Profit is net profit after tax available for equity shareholders
NPA	Non-Performing Asset
NPS	National Pension Scheme
Ombudsman Scheme	The Integrated Ombudsman Scheme, 2021
Operating Expenses to Total Average Assets (%)	Operating expenses to total average assets is expressed as operating expenses as percentage of total average assets calculated on the basis of monthly average balances
PMLA	Prevention of Money Laundering Act, 2002
Provision Coverage Ratio (excluding technical write-offs) (%)	Provision Coverage Ratio (excluding technical write-offs) (%) is calculated as (GNPA-NNPA)/GNPA, in percentage form
PSL	Priority Sector Lending
RDDDBFI Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993
Return on Total Average Assets	Return on Total Average Assets is profit after tax / average of total assets on book calculated on the basis of monthly average balances
Return on Average Equity	Return on Average Equity is profit after tax / average net worth calculated on the basis of monthly average balances
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
SMA 1 %	SMA 1 % - Special Mention Account 1 refers to those standard advances accounts that show overdue between 31 to 60 days as a percentage of Gross Loan Portfolio
SMA 2 %	SMA 2 %- Special Mention Account 2 refers to those standard advances accounts that show overdue between 61 to 90 days as a percentage of Gross Loan Portfolio
Secured Advances as % of Gross Loan Portfolio	Secured Advances as % of Gross Loan Portfolio is total of secured loan which includes advances secured by tangible assets (includes advances against fixed deposits and book debts) and advances covered by bank or government guarantees/ Gross Loan Portfolio, in percentage form
Spread	Spread is difference between yield on advances and Cost of Funds.
Standard Restructured Advances %	Standard Restructured Advances is Standard Restructured Outstanding Portfolio as a % of Gross Advances. Standard Restructured Outstanding Portfolio is balance outstanding for loans which were restructured earlier and are standard as on reporting date
STP	Straight Through Process
Tier 1 Capital	Tier 1 Capital consists mainly of share capital and disclosed reserves, and it is a bank's highest quality capital because it is fully available to cover losses.
Tier 1 Capital Ratio	Tier 1 Capital Ratio is Tier 1 Capital to Total Risk Weighted Asset (as a percentage of Credit Risk Weighted Assets)
Total Advances	Total Advances is the aggregate of bills, purchased and discounted, cash credits, overdrafts and loans repayable on demand and term loans
Total Capital Ratio (CRAR)	Total Capital Ratio (CRAR) is the total of Capital to Risk Weighted Asset Ratio (CRAR) (as a percentage of Credit Risk Weighted Assets)
Total Deposits	Total deposits include saving deposits, current deposits and term deposits. Saving deposits are demand deposits for customers that accrue interest, current deposits are demand deposits for customers that do not accrue interest. Term deposits also accrue interest, rate depends on tenure of deposit.
Total Deposits Growth	Total Deposits Growth represents increase in deposits for the relevant period/year as a percentage of total deposits for the previous period/year
TREPS	Triparty Repo (Dealing) System
URC	As defined in RBI's revised guidelines on rationalisation of branch authorisation policy issued on May 18, 2017, an 'Unbanked Rural Centre' is a rural (Tier 5 and Tier 6) centre that does not have a CBS-enabled 'Banking Outlet' of a scheduled commercial bank, a small finance bank, a payment bank or a regional rural bank nor a branch of local area bank or licensed co-operative bank for carrying out customer based banking transactions
Yield on Advances	Yield on Advances is interest earned on loans and advances / average of Gross Loan Portfolio on book calculated on the basis of monthly average balances

NOTICE TO INVESTORS

The distribution of this Draft Letter of Offer, the Letter of Offer, Application Form and Rights Entitlement Letter and any other offering material (collectively, the “**Issue Materials**”) and issue of Rights Entitlement as well as 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 Draft Letter of Offer, the Letter of Offer, the Rights Entitlement Letter or Application Form may come or who receive Rights Entitlement and propose to renounce or apply for Rights Equity Shares in the Issue are required to inform themselves about and observe such restrictions. For more details, see “*Restrictions on Purchases and Resales*” beginning on page 99.

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, RTA and Depository Participants and only such Eligible Equity Shareholders are permitted to participate in the Issue. In case such Eligible Equity Shareholders have provided their valid e-mail address to our Bank, the Issue Materials will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their valid e-mail address, then the Issue Materials will be physically dispatched, on a reasonable effort basis, to the Indian addresses provided by them. Those overseas Eligible Equity 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 any of the Issue Materials.

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 Materials shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Materials. 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 Draft Letter of Offer, the 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 the 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 to any filing or registration requirement (other than in India). If the 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 99.

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

Our Bank, and the Registrar will not be liable for non-dispatch of physical copies of the Issue Materials, in the event the Issue Materials have been sent on the registered email addresses of such Eligible Equity Shareholders available with the Registrar in their records.

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 Draft Letter of Offer is being filed with the Stock Exchanges. Accordingly, 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.

Any person who purchases or renounces the Rights Entitlements 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 eligible to subscribe and authorized to purchase or sell the Rights Entitlements or acquire Rights Equity Shares in compliance with all applicable laws and regulations prevailing in such person’s jurisdiction and in India, without the requirement for our Bank or our affiliates to make any filing or registration in the United States or any other jurisdiction (other than in India). In addition, each purchaser or seller 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 99.

Our Bank, in consultation with the Registrar, reserves the right to treat any Application Form as invalid which: (i) appears to our Bank or its agents to have been executed in, electronically transmitted from or dispatched from the United States or any other jurisdiction 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 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 this Issue; or (iii) where either a registered Indian address is not provided; or (iv) 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 Draft 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 Draft Letter of Offer or the date of such information. The contents of this Draft 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. 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, our Bank is not 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 Draft Letter of Offer. Any representation to the contrary is a criminal offence in certain jurisdictions.

The Issue Materials 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.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND THE RIGHTS EQUITY SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”) AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS EQUITY SHARES ARE ONLY BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” AS DEFINED IN AND IN RELIANCE ON REGULATIONS UNDER THE U.S. SECURITIES ACT TO ELIGIBLE EQUITY SHAREHOLDERS LOCATED IN JURISDICTIONS WHERE SUCH OFFER AND SALE IS PERMITTED UNDER THE LAWS OF SUCH JURISDICTIONS. THE OFFERING TO WHICH THIS DRAFT LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS ENTITLEMENTS OR RIGHTS EQUITY SHARES FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, YOU SHOULD NOT FORWARD OR TRANSMIT THIS DRAFT LETTER OF OFFER INTO THE UNITED STATES AT ANY TIME.

Neither our Bank, nor any person acting on behalf of our Bank, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Bank, or any person acting on behalf of our Bank, has reason to believe is, in the United States when the buy order is made. No Application Form should be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under this Draft Letter of Offer or where any action would be required to be taken to permit the Issue. Our Bank is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch the Letter of Offer and Application Form only to Eligible Equity Shareholders who have provided an Indian address to our Bank. Any person who purchases or sells the Rights Entitlements or makes an application for Rights Equity Shares will be deemed to have represented, warranted and agreed, by accepting the delivery of this Draft Letter of Offer, that it is not and that at the time of subscribing for the Rights Equity Shares or the purchase or sale of Rights Entitlements, it will not be, in the United States and is authorized to purchase or sell the Rights Entitlement and subscribe to the Rights Equity Shares in compliance with all applicable laws and regulations.

The Rights Entitlements and the Rights Equity Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any U.S. federal or state securities commission or any other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Rights Entitlements, the Rights Equity Shares or the accuracy or adequacy of this Draft Letter of Offer. Any representation to the contrary is a criminal offence in the United States.

In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. For details, see “*Risk Factors*” beginning on page 19.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Draft Letter of Offer to (i) the 'US' 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 Draft Letter of Offer is in IST. Unless indicated otherwise, all references to a year in this Draft Letter of Offer are to a Calendar Year. Unless stated otherwise, all references to page numbers in this Draft Letter of Offer are to the page numbers of this Draft Letter of Offer. In this Draft Letter of Offer, unless otherwise specified or if the context requires otherwise, references to the singular also refer to the plural and one gender also refers to any other gender, where applicable.

Financial Data

Unless stated otherwise, or unless the context requires otherwise, the financial data in this Draft Letter of Offer is derived from the Fiscal 2025 Audited Financial Statements and limited reviewed financial results for the quarter ended June 30, 2025. The Fiscal 2025 Audited Financial Statements and limited reviewed financial results for the quarter ended June 30, 2025 were audited and reviewed by our previous Statutory Auditors.

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 Draft Letter of Offer to a particular 'Financial Year' or 'Fiscal Year' or 'Fiscal' are to the financial year ended March 31 of that year. For details of the financial statements, see "*Financial Statements*" beginning on page 67.

Our Bank prepares its financial statements under IGAAP and the historical cost convention, unless otherwise stated, and on accrual basis of accounting and the Accounting Standards specified under section 133 of the Companies Act, 2013 including the provisions of the Banking Regulation Act, 1949, the Master Direction on Financial Statements - Presentation and Disclosures issued by Reserve Bank of India dated on August 30, 2021, as amended from time to time and various other orders/circulars/directions issued by the RBI in this regard to the extent applicable and practices prevailing in the Banking industry in India and other accounting principles generally accepted in India.. 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 Draft Letter of Offer should accordingly be limited.

In this Draft 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. All figures in decimals have been rounded off to the second decimal and all the percentage figures have been rounded off to two decimal places. Further, any figures sourced from third-party industry sources may be rounded off to other than two decimal points to conform to their respective sources.

Unless stated otherwise, throughout this Draft Letter of Offer, all figures have been expressed in Rupees, in crores.

Non-GAAP Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (together, "**Non-GAAP Measures**" and each, a "**Non-GAAP Measure**") in this Draft Letter of Offer. These Non-GAAP Measures are supplemental measures of our performance and liquidity and not required by or presented in accordance with IGAAP. We compute and disclose such Non-GAAP Measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such Non GAAP Measures and other statistical and operational information when reporting their financial results. However, note that these Non-GAAP Measures and other statistical information relating to our operations and financial performance are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS or US GAAP and should not be considered in isolation or construed as an alternative to cash flows, profit/ (loss) for the years/ 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, Ind AS, IFRS or US GAAP. In addition, these non-GAAP measures are not standardised terms, hence a direct comparison of these Non-GAAP Measures between companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure may not be computed on the basis of any standard methodology that is applicable across the industry and therefore, may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other small finance banks or financial services companies. For further details, see "*Risk Factors – There are significant differences between Indian GAAP, Ind AS, and other accounting standards such as IFRS and U.S. GAAP, which may affect investors' assessment of our financial position.*" on page 41.

Currency of Presentation

All references to

- ‘INR’, ‘₹’, ‘Indian Rupees’ and ‘Rupees’ are to the legal currency of the Republic of India;
- ‘US\$’, ‘USD’, ‘\$’ and ‘U.S. Dollars’ are to the legal currency of the United States of America;
- ‘Euro’ or ‘€’ are to the legal currency of the European Union;

Please note:

- One crore is equal to 100 lakhs; and
- One lakh is equal to 100,000.

Conversion Rates for Foreign Currency:

The conversion rate for the following foreign currencies are as follows:

(in ₹)					
Sr. No.	Currency	As of March 31, 2025	As of March 31, 2024	As of June 30, 2025	As of June 30, 2024
1.	1 USD	85.60	83.35	85.54	83.40
2.	1 Euro	92.39	89.44	100.44	89.84

Source: www.fbil.org.in

FORWARD LOOKING STATEMENTS

Certain statements contained in this Draft 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 Draft Letter of Offer that are not historical facts. These forward-looking statements contained in this Draft 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 Bank has incurred losses in the last quarter and the profit after tax significantly declined in the immediately previously financial year. Increased provisioning on account of NPAs could affect future profitability and the possibility of incurring further losses therefore cannot be ruled out.
- Our business, financial conditions, results of operations and cash flows could be adversely affected if there is no improvement in the level of NPAs and the provisioning coverage as a percentage of gross NPAs.
- Our cost of borrowings and results of operation may adversely be affected if there is any downgrade in the credit ratings.
- Our business could be adversely affected if there is any non-compliance with respect to SFB Guidelines, RBI Clarifications and RBI Acquisition Directions pursuant to the ongoing reverse merger.
- A significant impact on Bank's business may be caused by the shakeout in the microfinance sector in India.
- Our business could be adversely affected due to non-compliance with RBI inspection/observation or any other regulatory requirements.
- The business, financial condition, and cash flows of the Bank may be adversely affected if advances, primarily unsecured and including those in the priority sector loan portfolio, are not recovered in a timely manner.
- We largely depend on a limited number of customers for our deposits, and any loss of such customers could result in a material effect on our deposit portfolio, funding sources, financial condition, results of operations, and cash flows. The concentration of microfinance advances in Bihar and Uttar Pradesh, indicate that any regional disruptions may result in the Bank's business being adversely affected.
- Our business, financial condition, results of operations, and cash flows could be adversely affected by any adverse developments in the states of Bihar, Uttar Pradesh, Maharashtra, NCT of Delhi, and Haryana, where our operations are concentrated.
- Our liquidity and financial condition could be adversely affected by any disruption in our sources of funding or any increase in the cost of funding.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in the sections entitled "*Risk Factors*", "*Our Business*" beginning on pages 19 and 57, respectively.

The forward-looking statements contained in this Draft Letter of Offer are based on the beliefs of our Bank's management, as well as the assumptions made by, and information currently available to, the 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 of the date of this Draft Letter of Offer or the respective dates indicated in this Draft 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 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 Exchanges.

SUMMARY OF THE DRAFT LETTER OF OFFER

The following is a general summary of certain disclosures included in this Draft Letter of Offer and is neither exhaustive, nor does it purport to contain a summary of all the disclosures in this Draft 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 Draft Letter of Offer, including, the sections entitled “Risk Factors”, “Capital Structure”, “Objects of the Issue”, “Our Business”, and “Financial Statements” beginning on pages 19, 50, 52, 57, and 67, respectively.

Summary of the business of the Issuer

Utkarsh Small Finance Bank Limited (Utkarsh SFBL), incorporated on April 30, 2016, is a scheduled commercial bank licensed by the Reserve Bank of India as a Small Finance Bank on November 25, 2016. The Bank commenced operations on January 23, 2017. It provides a broad suite of financial products including microfinance loans under the Joint Liability Group (JLG) model, MSME loans, housing loans, personal loans, commercial vehicle loans, construction equipment loans, and wholesale lending. Utkarsh SFBL also offers digital banking solutions such as Internet banking, Mobile banking, WhatsApp banking, Unified Payment Interface (UPI), Aadhar Enabled Payment Systems (AePS), Interoperable Cardless Cash Withdrawal, Digital Deposits, Bharat Connect, ASBA (Application Supported by Blocked Amount), Digi onboarding, and online account opening, along with access to ATMs and micro-ATMs to support customer convenience.

Objects of the Issue

Our Bank intends to utilize the Net Proceeds from the Issue towards funding of the following objects:

1. Augmenting our Bank’s Tier - 1 capital base to meet its future capital requirements

(in ₹ crore)	
Particulars	Estimated amount
Augmenting our capital base	[●]
Net Proceeds[#]	[●]

[#]Assuming full subscription in the Issue and subject to the finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement Ratio with respect to the Rights Equity Shares.

For further details, please see “Objects of the Issue” beginning on page 52.

Intention and extent of participation by our Promoter and Promoter Group with respect to (i) their Rights Entitlement and (ii) its intention to renounce Rights Entitlement to Specific Investor(s)

Our Promoter has confirmed that it will (i) not subscribe to the full extent of their Rights Entitlements in the Issue, and (ii) it will renounce their Rights Entitlements in favour of Specific Investor(s) which shall be intimated to the Bank in due course and within such timelines that the Bank is able to disclose the name(s) of the specific investor(s), in a public advertisement at least two days prior to the Issue Opening Date provided such participation shall not result in a breach of the minimum public shareholding requirement, or for the purpose of complying with minimum public shareholding norms prescribed under the SCRR.

As on the date of this Draft Letter of Offer, our Bank has no members of Promoter Group.

Further, the under-subscribed portion of the issue may also be allotted to any Specific Investor(s) recognised by the Company. Name(s) of the Specific Investor(s), if any, shall be disclosed in a public advertisement two days prior to the issue opening date.

The acquisition of Rights Equity Shares by a Promoter, if any, shall be eligible for exemption from open offer requirements, subject to our Bank meeting the pricing criteria and other conditions, if any in terms of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations, and the Issue shall not result in a change of control of the management of our Bank in accordance with provisions of the SEBI Takeover Regulations.

Our Bank is in compliance with Regulation 38 of the SEBI LODR Regulations and will continue to comply with the minimum public shareholding requirements under applicable law, pursuant to this Issue.

Allotment of the under-subscribed portion of the Issue

Our Bank may allot the under-subscribed portion of the Rights Equity Shares in this Issue, if any, to any Specific Investor(s). In case our Bank proposes makes such allotment to any specific investor(s), our Bank shall disclose the name(s) of the specific investor(s) in a public advertisement two days prior to the Issue Opening Date in accordance with the SEBI ICDR Regulations.

Details of our Bank, Promoter and Directors being Wilful Defaulters or a Fraudulent Borrower

Neither our Bank, nor our Promoter or Directors have been identified as Wilful Defaulters or Fraudulent Borrowers as defined under the SEBI ICDR Regulations.

Summary of outstanding litigation and defaults

As on the date of this Draft Letter of Offer, neither our Bank nor our Promoter or Directors have been issued any show cause notice(s) by SEBI or the Adjudicating Officer in a proceeding for imposition of penalty, nor have any prosecution proceedings been initiated against them by SEBI.

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

(amounts in ₹ crores, unless otherwise specified)

Sr. No.	Type of Proceedings	By the Bank		Against the Bank	
		Number of cases	Amount involved (to the extent quantifiable)	Number of cases	Amount involved (to the extent quantifiable)
I. Litigation involving our Bank					
A.	Proceedings involving criminal liability	2,391 *	168.09	21	0
B.	Proceedings before regulatory authorities involving material violations of statutory regulations by our Bank	0	0	0	0
C.	Matters involving economic offences where proceedings have been initiated against our Bank	0	0	0	0
D.	Civil proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	1	24.52	0	0
E.	Tax proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	0	0	0	0
F.	Any other pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of our Bank	0	0	0	0
II. Litigation involving our Promoter					
A.	Proceedings involving criminal liability	0	0	1	25.00
B.	Proceedings before regulatory authorities involving material violations of statutory regulations by our Bank	0	0	0	0
C.	Matters involving economic offences where proceedings have been initiated against our Bank	0	0	0	0
D.	Civil proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	0	0	0	0
E.	Tax proceedings where the amount involved is equivalent to or in excess of the Materiality Threshold	0	0	0	0
F.	Any other pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of our Bank	0	0	0	0

Notes:

* Our Bank has in its ordinary course of business issued collection notices under section 138 of Negotiable Instruments Act, 1881; as stipulated in accordance with the RBI guidelines.

For details of the risk associated with certain of our material outstanding proceedings against our Bank and our Promoter, see “Risk Factors – Our Bank and our Promoter are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows.” on page 29.

Other confirmations

Except as stated below, our Bank has been in compliance of the equity listing agreement and the SEBI LODR Regulations, as amended, during the last three years immediately preceding the date of this Draft Letter of Offer.

Sr. No.	ISIN No.	Stock Exchange	Amount of penalty (in ₹ including GST)	Reason for penalty imposition	Status
1.	INE735W08012	SEBI	1,00,000	For non-compliance of Regulations 4(3), 5(2)(b), 6, 7, 8, 9, 12, 14 and 26 of SEBI (Issue and Listing of Debt Securities) Regulations, 2008	Paid and disposed off
2.	INE735W08020	BSE	11,800	Delay in submission of the notice of the meeting of the Board approving the Record Date	Paid and disposed off
3.	-	SEBI	1,24,23,600	Settlement Order against violations of certain provisions of the LODR Regulations https://www.bseindia.com/xml-data/corpfiling/AttachHis/9db0b893-450e-4021-80fb-5a53bd2c6146.pdf	Paid and disposed off

During the three years immediately preceding the date of this Draft Letter of Offer, no monetary penalties have been imposed by RBI for any regulatory non-compliances.

SECTION II: RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Draft Letter of Offer, including the uncertainties described below, before making an investment in the Equity Shares. Investor should read this section together with “Our Business”, “Financial Statements” on pages 57 and 67, respectively as well as the financial statements, including notes thereto, and other financial information included in this Draft 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 affect our business, prospects, results of operations, financial condition and cash flows. 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, results of operations, financial condition and cash flows 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.

Unless otherwise stated, references in this section to the “Bank” or “our Bank”, “we”, “our” or “us” means “Utkarsh Small Finance Bank Limited”.

Our financial year ends on March 31 of each year, so all reference to a particular Fiscal are to the 12 months ended March 31 of that year. Unless stated otherwise, or unless the context requires otherwise, the financial information for Fiscal 2025 used in this section is derived from our Fiscal 2025 Audited Financial Statements which are included in “Financial Statements” on page 67. Reference to a ‘Financial Year’ or ‘Fiscal Year’ or ‘Fiscal’ are to the financial year ended March 31 of that year.

This Draft Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements because of certain factors, including the considerations described below and elsewhere in this Draft Letter of Offer. For details, see “Forward-Looking Statements” on page 14.

INTERNAL RISK FACTORS

1. We have incurred losses in the last quarter ended June 30, 2025 and our profit after tax has significantly declined in the financial year ended March 31, 2025 due to increases in our NPAs. We cannot assure that we will be able to maintain profitability in the future and will not incur further losses.

Our Bank incurred losses in the quarter ended June 30, 2025 of ₹ 239.48 crore and our profits have significantly declined in the last financial year, from ₹ 497.63 crores as on March 31, 2024 to ₹ 23.70 crores as on March 31, 2025. This sharp decline is primarily on account of an extensive ₹ 645.90 crores provision made during the six months ended March 31, 2025, which has been a result of several factors including an upheaval in the microfinance sector during the last financial year, implementation of new guardrails related to limiting the number of lenders to borrowers leading to a further decline in the lending book. There can be no assurance that we will not continue to incur losses due to enhanced provisions despite of growth in total income, owing to elevated credit cost or other factors outside our control.

Our management of credit risk involves having appropriate credit risk management policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management, provisioning policies and an overall architecture for managing credit risk. However, even if our credit monitoring and risk management policies and procedures are adequate and appropriately implemented, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our non-performing assets (“NPAs”). If our NPAs increase, due to reasons such as the deterioration of the credit quality of our borrowers, among others, it could have an adverse effect on our business, financial condition, results of operations and cash flows. Pursuant to the RBI guidelines and our accounting policies, we make provisions against standard and non-performing assets. The RBI also requires us to classify our loans as NPAs depending on the duration of non-payment of dues. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases, and the provisioning requirement also will increase. For example, in the last financial year ended March 31, 2025, our sharp decline in the profits was primarily due to an increase in our Bank’s gross NPA from 2.51% as on March 31, 2024 to 9.43% as on March 31, 2025 and to 11.42% as on June 30, 2025. The increase in NPAs was primarily caused by factors including:

- high borrowers’ leverage particularly in the JLG segment, in addition to stagnant household income adversely affected by inflation, which had a corresponding adverse impact on their ability to repay their loans;
- unforeseen climate conditions, including heatwaves, floods and macroeconomic conditions that impact income generation which in turn leads to customers migrating away from their base locations;
- the post-COVID-19 impact on joint liability credit culture, which led to poor centre meetings attendance and in turn made it more challenging for us to collect payments on our loans; in addition, there were also spurious agencies falsely propagating loan waiver schemes to our borrowers which had an adverse impact on our collection efficiency; and
- higher attrition rate among our staff.

The above factors significantly impacted our collection efficiency, which in turn led to an increase in gross NPAs as set forth below.

Particulars	As of March 31,		As of June 30,	
	2025	2024	2025	2024
Gross NPA (₹ crores)	1,854.38	417.58	2,196.22	475.63
Gross NPA %	9.43	2.51	11.42	2.78
Net Worth (₹ crores)	2,974.50	2,973.19	2,738.99	3,119.31
Capital risk adequacy ratio ("CRAR") (%)	20.93	22.57	19.64	23.18

We have also adopted measures to address these challenges, including suspending disbursements in riskier districts/areas, calibrating our loan disbursements according to our portfolio risk assessment, reviewing our customer sourcing criteria, aligning our incentive structure to deliver improved collections metrics, strengthening our dedicated collections team and rationalizing the workload of our branch field teams. However, we cannot assure you that these measures will be effective, or that there would not be further developments leading to an increase in NPAs.

The following table sets forth the classification of our loans, as of the dates indicated:

Particulars	As of March 31,		As of June 30,	
	2025	2024	2025	2024
Gross carrying value				
Sub-standard	1,788.49	341.28	2,118.05	434.47
Doubtful	65.89	76.30	74.04	41.16
Loss	-	-	4.13	-
Total gross carrying value	1,854.38	417.58	2,196.22	475.63
NPA provision				
Sub-standard	892.69	192.19	1,239.23	227.69
Doubtful	56.42	72.28	56.04	36.31
Loss	-	-	3.83	-
Total NPA provision	949.11	264.47	1,299.11	264.00
Net carrying value				
Sub-standard	895.80	149.08	878.83	206.78
Doubtful	9.47	4.03	17.99	4.84
Loss	-	-	0.30	-
Total carrying value	905.27	153.11	897.12	211.62

We made provisions with respect to our NPA portfolio of 51.18%, 98.92%, 59.15% and 90.99% in the Financial Years 2025 and 2024 and the quarter ended, June 30, 2025 and 2024, respectively.

Our ability to limit and reduce NPAs is also subject to a number of factors which may be beyond our control including, among others, developments in the Indian and global economy, domestic and global political scenario, competition, changes in customer behaviour and demographic patterns, various central and state government decisions (including farm loan waivers), changes in interest rates and exchange rates and changes in regulations, including regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, together with other factors such as attrition in our collection force, resulting in our inability to reach customer volatility in commodity markets, decrease in agriculture productivity and decline in business and consumer confidence, could affect our customers and, in turn, affect their ability to fulfil their obligations under the loans we extended to them. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would be and could adversely affect our business, financial condition and results of operations.

In addition to the relevant minimum regulatory provision, we also consider our internal estimates for loan losses and risks inherent in our loan portfolio when deciding on the appropriate level of provisioning. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks, all of which may be subject to material changes. Any incorrect estimation of risks 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.

2. *We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio or if we are unable to improve our provisioning coverage as a percentage of Gross NPAs, our business, financial conditions, results of operations and cash flows could be adversely affected.*

As of March 31, 2025 and June 30, 2025, our Gross NPA was ₹ 1,854.38 crores and ₹ 2,196.22 crores, representing 9.43% and 11.42% of our Gross Advances, respectively while our net NPA was ₹ 905.27 crores, and ₹ 897.12 crore, representing 4.84% and 5.00% of our net Advances as of such dates respectively. Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. Our NPAs may increase in the future,

due to several factors, including increased competition, adverse effects on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behaviour and demographic patterns, political influences and central and state government decisions and changes in regulations (including agricultural loan and other priority sector waivers that may affect our priority sector portfolio in the short-term). As of March 31, 2025 and June 30, 2025, we witnessed Gross NPAs of ₹ 1,020.18 crores and ₹ 1,192.84 crores in the agriculture and allied activity industry, and the percentage of Gross NPAs to Total Advances in that sector was 16.20% and 19.95% respectively, and any adverse circumstances creating downturns in this industry could further affect the extent of NPAs in the industry. In particular, we could experience a significant increase in our NPA levels due to deterioration in the credit quality of our customers, as our target borrower segment primarily comprises small traders, individuals with micro-enterprises and others belonging to the unorganized sector. While we believe that we have appropriate internal controls, our credit monitoring and risk management policies and procedures may not be accurate, properly designed, or appropriately implemented or complied with by our customers, and we could suffer material credit losses. In addition, even if our policies and procedures are accurate and appropriate, we may be unable to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. Further, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. Any significant increase in NPAs may have an adverse effect on our financial condition, results of operations and cash flows.

The table below shows the region- wise NPA details of our Bank:

State	As of March 31,				As of June 30,			
	2025		2024		2025		2024	
	Gross NPA (₹ crores)	Gross NPA % of Gross Loan Portfolio of State / Union Territory	Gross NPA (₹ crores)	Gross NPA % of Gross Loan Portfolio of State / Union Territory	Gross NPA (₹ crores)	Gross NPA % of Gross Loan Portfolio of State / Union Territory	Gross NPA (₹ crores)	Gross NPA % of Gross Loan Portfolio of State / Union Territory
Andhra Pradesh	-	-	-	-	0.02	0.19%	-	-
Assam	-	-	0.19	10.76%	-	-	0.22	22.70%
Bihar	706.95	13.99%	131.38	2.47%	804.58	16.48%	131.15	2.42%
Chandigarh	0.35	1.09%	-	-	0.82	2.47%	-	-
Chhattisgarh	10.81	6.23%	7.04	4.00%	12.22	7.64%	5.86	3.46%
Goa	-	-	-	-	-	-	-	-
Gujarat	14.59	6.80%	23.23	11.19%	11.63	7.12%	21.93	11.54%
Haryana	66.70	6.06%	25.38	2.51%	77.97	7.55%	29.00	2.92%
Himachal Pradesh	0.01	0.10%	0.01	0.05%	0.01	0.10%	0.00	0.01%
Jammu and Kashmir	-	-	-	-	-	-	-	-
Jharkhand	147.73	15.26%	34.93	3.37%	166.45	18.02%	43.01	4.08%
Karnataka	-	-	-	-	14.26	5.51%	-	-
Kerala	-	-	-	-	-	-	-	-
Madhya Pradesh	59.32	11.89%	14.24	2.50%	67.20	14.06%	18.38	3.29%
Maharashtra	62.02	2.15%	21.24	0.93%	80.75	2.98%	26.67	1.12%
Meghalaya	-	-	-	-	-	-	-	-
NCT of Delhi	17.27	1.35%	9.18	1.33%	23.54	1.75%	12.02	1.61%
Odisha	211.37	25.56%	12.41	1.39%	283.29	38.23%	13.93	1.50%
Puducherry	-	-	-	-	-	-	-	-
Punjab	7.23	3.41%	2.91	1.77%	9.84	4.68%	3.85	2.28%
Rajasthan	27.62	6.54%	2.13	0.56%	36.00	8.58%	4.09	1.05%
Sikkim	-	-	-	-	-	-	-	-
Tamil Nadu	0.51	0.29%	0.64	0.98%	0.72	0.39%	0.72	0.65%
Telangana	4.14	0.66%	1.74	0.43%	8.22	1.09%	4.40	0.97%
Uttar Pradesh	483.66	10.73%	121.57	2.68%	564.88	12.89%	145.74	3.11%
Uttarakhand	24.60	9.97%	3.96	1.48%	23.77	10.39%	7.77	2.87%
West Bengal	9.51	4.63%	5.40	3.49%	10.07	5.00%	6.90	4.40%

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 Board approved policy, which sets out certain estimates to determine 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 inaccurate determination of risk may result in our provisions not being adequate to cover expected losses on NPAs. Our provision

coverage ratio (excluding technical write off) as of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 was 59.15%, 90.99%, 51.18% and 98.92%, respectively. We have made significant provisions in recent years and may have to make additional provisions in immediate future. There is no assurance that such provisions or that our Bank's provision coverage ratio will remain stable. We may need to make further provisions if there is dilution/ deterioration in the quality of our security, or down-grading of the account, or if recoveries with respect to such NPAs do not materialize in time or at all. Any increase in provisions may adversely impact our financial performance. Further, there can be no assurance that the transition to Ind AS, if undertaken will not further increase our provisioning requirements in the future. For instance, on transitioning to Ind AS, we may need to compute provisions on the basis of the expected credit loss method as against the current method for incurred credit loss, which may further increase our provisioning requirements in the future. Accordingly, any significant increase in our NPAs may have a material adverse effect on our financial condition, results of operations and cash flows, and as a result, our return ratios may not be consistent with our previous performance.

3. *Any downgrade of our credit ratings may constrain our access to capital and debt markets and, as a result, may adversely affect our cost of borrowings and our results of operations.*

The cost and availability of funds is dependent on, among other factors, our credit ratings. Credit ratings reflect a credible and widely accepted expert's opinion of our Bank's financial strength, operating performance, industry position, and most critically our Bank's ability to meet our current and foreseeable future obligations. The following table sets forth certain information on our credit ratings in respect of our outstanding indebtedness as of the date hereof:

Rating Instrument	Rating Agency	Rating	Date of Revision	Rating Amount Limits
Short term Certificate of Deposit	ICRA Limited	ICRA A1+	On August 12, 2025, rating re-affirmed as ICRA A1+.	Rs. 1,000 crore
Long Subordinated Term Debt Programme	ICRA Limited	ICRA A (Negative)	On August 12, 2025, rating downgraded from ICRA A+ (Negative).	Rs. 400 crore
Long Term Tier II Bonds [#]	CARE Rating Limited	CARE A; Stable	On August 13, 2025, rating downgraded from CARE A+; Negative.	Rs. 215 crore

Notes:

[#]The Rating Amount Limit includes the NCDs aggregating to Rs. 15 crores which were redeemed on August 30, 2025.

We have faced negative rating actions on certain instruments, and we cannot assure you that we will not face further negative rating actions from ICRA, CARE or other rating agencies. We have recently faced negative rating actions from ICRA and CARE. We cannot assure you that we will not face further negative rating actions from these or other rating agencies. A downgrade in our credit ratings may constrain our access to capital and debt markets and, as a result, may increase our cost of borrowings and impair our ability to renew maturing debt. In addition, any downgrade of our credit ratings could result in additional terms and conditions being included in any additional financing or refinancing arrangements in the future. If any of the foregoing were to occur, our business, financial condition and results of operations may be adversely affected.

4. *Our Bank and our Promoter, Utkarsh CoreInvest Limited, in compliance with SFB Guidelines, RBI Clarifications and RBI Acquisition Directions are under the process of an ongoing reverse merger. An inability to comply with SFB Guidelines, RBI Clarifications and RBI Acquisition Directions or complete the reverse merge with the prescribed timelines could adversely affect our business, reputation, financial condition and results of operations.*

As per the SFB Guidelines, and the RBI Clarifications read with the RBI Acquisition Directions (*defined hereinafter*), a promoter of a small finance bank is required to reduce its equity shareholding in the small finance bank to 40% within a period of five years from the date of commencement of business operations by the small finance bank. Thereafter, the promoter's equity shareholding in such small finance bank is required to be further brought down to 26% within a period of 15 years from the date of commencement of business operations by the small finance bank ("**Mandatory Dilution**"). Further, as per the RBI Clarifications, the promoter may elect to exit, or cease to be a promoter of, a small finance bank after expiry of five years from the date of commencement of business operations by the small finance bank depending upon the RBI's regulatory and supervisory comfort and regulations issued by SEBI. The RBI Letter allowed the amalgamation of a holding company (being promoter company) into and with the small finance bank (being subsidiary of promoter company) as a mode of achieving such exit for the first time.

A scheme of amalgamation (the "**Scheme**") was approved by our Board vide its resolution dated September 20, 2024 and was submitted before the National Company Law Tribunal situated at Allahabad and the respective regulators in accordance with applicable laws. The Scheme has been approved by the RBI vide its letter dated January 2, 2025 and the BSE and NSE have issued their no objection letters dated July 4, 2025 and July 7, 2025, which are valid for six months from the date of issuance, respectively. The Scheme will be submitted before the NCLT in accordance with sections 230 to 232 of the Companies Act, the relevant rules including the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, as amended and other applicable provisions of the Companies Act, 2013 (including any statutory modification or re-enactment or amendment thereof) for the amalgamation of our Promoter and the Bank, with effect from the Appointed Date (*as defined in the Scheme*), by way of merger by absorption and dissolution of our Promoter without winding up and the issuance of the New Equity Shares (*as defined in the Scheme*) to the equity shareholders of our

Bank in accordance with the Share Swap Ratio (*as defined in the Scheme*), in the manner provided for in the Scheme and in compliance with the provisions of applicable law.

While we have obtained the requisite approvals as per the applicable laws so far, we cannot assure that the NCLT upon filing of application with them, will finally approve the Scheme or the changes to the capital structure of our Bank including the change in our Promoter shareholding in our Bank resulting from the Issue will not require fresh approvals from the regulators including but not limited to RBI, Stock Exchanges and/or SEBI. We further are unable to confirm that our Bank and our Promoter will be able to achieve the Mandatory Dilution within the prescribed time period. Such non-compliance could result in the imposition of sanctions, including penalties or restrictions on our operations, which could adversely affect our business, reputation, financial condition and results of operations.

5. *We are subject to inspections by regulatory authorities, including by the RBI. Non-compliance with RBI inspection observations or other regulatory requirements or any adverse observations from such regulators may have a material adverse effect on our business, financial condition, results of operation or cash flows.*

We are subject to regulation and supervision by the RBI. The RBI as a part of its supervisory processes, conducts periodic inspections under the Banking Regulation Act, pursuant to which the RBI issues observations, directions and monitorable action plans, on issues related to, amongst other things, our operations, risk management systems, internal controls and regulatory compliance and credit monitoring systems. During the course of finalizing inspections, the RBI inspection team shares its findings and recommendations with us and provides us an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection results, we are required to take actions specified therein by the RBI to its satisfaction, including, without limitation, requiring us to make provisions, implement credit rating and scoring models for loans, and tighten controls and compliance measures. During the RBI inspection conducted for the financial year ended March 31, 2024 pursuant to Section 35 of the Banking Regulation Act, RBI has made certain observations regarding our business and operations including, amongst others on, (i) control gaps in capital and liquidity assessment; (ii) errors in computation of the risk associated with the certain categories of loans including JLG and MFI loans, reliance on third party vendors and the failure to address these issues by the Internal Capital Adequacy Assessment Process; (iii) concentration risk on a specific category of loans and certain business correspondents; (iv) non-adherence to internal audit protocols by the management of the Bank and (v) fraud management for non-updation of early warning signals for frauds in certain micro- banking vertical; (vi) lack of independence of compliance functions due to involvement of stakeholders of the Bank; and (vii) non- addressal of previous audit observations.

Our Bank has submitted its responses to aforementioned observations on a periodical basis, with the most recent response dated June 30, 2025, out of 165 observations our Bank has undertaken adequate measures and addressed the immediate concerns for 142 observations including amendment to the internal compliance policy to avoid independence concerns. Our Bank aims to implement a new central banking system by the financial year ended March 31, 2026 which will address the other observations of RBI. This system will automate several processes and will eliminate errors arising from multiple process including manual computations of risk assessment, capital adequacy, net demand and time liabilities, allotment of multiple customer information files to the same customer, bank guarantee issuance and monitoring system. While our Bank has taken actions and responded to the RBI's observations, findings, directions, risk mitigation plans and Any non-compliance with observations made by the RBI during these inspections could expose us to penalties, restrictions and cancellation of licenses/ permissions, including directions to stop any specific business line. The RBI has not levied any penalty for such non-compliances in Fiscals 2025, 2024 and 2023 and we have provided necessary clarifications or undertaken to ensure compliance with the relevant observations, as applicable. There can be no assurance that such steps will be satisfactory and that the RBI will not have follow-up observations in the future or will not impose any penalties for non-compliance.

We operate in a regulated market with evolving laws and regulations which change over time. Certain of these laws and regulations governing our business are relatively new, and thus their interpretation and enforcement may involve uncertainties. Also, we could be in non-compliance with regulatory requirements prescribed by the RBI or may be delayed in implementing certain changes in the law or incur additional expenses to comply with such laws and regulations, which could adversely affect our future growth, development and business. Supervisory Concern with respect to the Liquidity of the Bank' dated October 29, 2024 (the "**Letter**") providing list of instances based on the risk assessment of our Bank by RBI. Our Bank was directed By RBI to submit a detailed progress report with RBI on a monthly basis till all non-compliances have been rectified. Our Bank has confirmed to RBI that as on May 31, 2025 all observations highlighted in the Letter have been addressed and suitable actions have been taken to rectify the non-compliances highlighted in the Letter.

Similarly, RBI in its letter in relation to 'Exposure of the Bank to the Unsecured Retail Advances', dated October 11, 2023 highlighted that the unsecured retail advances of our Bank is more than 75% of our Bank's total retail portfolio. Our Bank shared a response clarifying that the majority part of its retail unsecured portfolio comprises JLG loans where joint guarantee works as a social guarantee and provides additional comfort to our Bank despite being an unsecured loan. Our

Bank further highlighted that in the past few years there has been an annual reduction of 2-3% in our Bank's unsecured loan portfolio and we expect unsecured loan to fall under 60% by the end of the financial year 2026.

Our Bank in its ordinary course of business being a regulated entity receives time to time communication from RBI in relation to its day to day operations, including request for submission of information and our Bank adheres to such requests. In the event we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, or are otherwise in non-compliance with the RBI's directions, the RBI may charge penalties, penalize our management, restrict our banking activities or otherwise enforce increased scrutiny and control over our banking operations, including by way of withholding approvals, or issuing conditional approvals, or even cancel our banking license. Imposition of any penalty or adverse findings by the RBI during ongoing or any future inspections may therefore have an adverse effect on our business, results of operations, financial condition and reputation. Additionally, our management may be required to divert substantial time and effort towards meeting such enhanced compliance requirements and may be unable to devote adequate time and efforts towards our business, which may have an adverse effect on our reputation, business, results of operations, financial condition, and cash flows.

6. *The shakeout in the microfinance sector in India has a significant impact on our Bank's business, financial condition and results of operations.*

While our Bank provides a broad suite of financial products including microfinance loans under the JLG model, MSME loans, housing loans, personal loans, commercial vehicle loans, construction equipment loans, and wholesale lending, the largest product of our loan portfolio originates from JLG loans i.e. the micro finance sector and the micro banking business loans. As on March 31, 2025, our gross JLG loans was ₹ 8,760.58 crores and micro banking business loans (including PM Svanidhi & PM Vishwakarma of ₹ 8.78 crores) was ₹ 918.44 crores, representing 44.55% and 4.67% of our Gross Loan Portfolio, respectively. A decrease in the micro banking loan portfolio was witnessed in the last financial year, as on March 31, 2025 the micro banking portfolio was ₹ 9,679.02 crores as compared to our Bank's micro banking portfolio as on March 31, 2024 of ₹ 11,312.86 crores, this had a substantial impact on our Bank's business, financial condition and results of operations.

The microfinance sector in the country witnessed an upheaval due to over-indebted borrowers, rising delinquencies, compressed net interest margin and higher operating expenses and implementation of stricter lending norms. To curb the issue of overleverage, the Microfinance Institutions Network ("MFIN"), a self-regulatory organization recognized by the RBI, introduced stricter lending norms, including capping the total microfinance exposure and unsecured retail loans per borrower at two lakh and limiting the number of lenders to four per borrower effective August 01, 2024 and further limiting the number of lenders to three per borrower effective April 1, 2025. This translated into a significant reduction in loan disbursements as institutions adjusted to the new requirements. The sector has witnessed a sharp increase in credit costs, attributed to higher delinquencies, with loans overdue by more than 90 days and resulting in cautious lending.

Further, while we have our own due diligence and credit analysis procedures, we cannot assure that we will be able to ensure low delinquency rates. As a result, our customers potentially present a higher risk of loss in case of a credit default compared to that of borrowers from other demographics of the population and/or in other asset-backed financing products. In addition, political and social risks, such as the negative publicity surrounding the growth and profitability of the microfinance industry, public criticism of the microfinance industry, or religious beliefs and convictions regarding the extension of credit and repayment of interest may deter our borrowers from fulfilling their obligations to us.

In addition, the microfinance sector may be susceptible to other risks including political pressure by incumbents to write off loans or the announcements of debt-waiver schemes by state governments ahead of general elections may result in an accretion of NPAs across the microfinance industry. Due to the precarious circumstances of our customers, we may, in the future, experience increased levels of NPAs and related provisions and write-offs that may adversely affect our business, financial condition and results of operations. We cannot assure you that our monitoring and risk management procedures will prevent and/or mitigate such losses or that loan loss reserves will be adequate to cover actual losses.

The amount of our reported NPAs may increase in the future due to the aforementioned factors and other factors beyond our control, and we cannot assure you that we will be able to effectively control or reduce the level of the impaired loans in our total AUM. If we are unable to manage our NPAs or adequately recover our loans, our business, financial condition and results of operations will be adversely affected. In addition, our current loan loss reserves may not be adequate to cover an increase in the amount of NPAs or any future deterioration in the overall credit quality of our total AUM. If the quality of our loan portfolio deteriorates, we may be required to increase our loan loss provisions, which would also adversely affect our business, financial condition and results of operations.

7. *Majority of our advances including our priority sector loan portfolio, are unsecured and are not supported by any collateral that could help ensure repayment of the loan. If we are unable to recover such advances in a timely manner or at all, our financial condition, results of operations and cash flows may be adversely affected.*

The majority of our advances including our priority sector loans and certain of our retail loans are unsecured and at higher credit risk than our secured loan portfolios since they may not be supported by adequate or any collateral at all, that could help ensure an adequate source of repayment for the loan. As on March 31, 2025 and 2024, and June 30, 2025 and 2024

our unsecured advances were representing 56.58%, 65.66%, 55.35% and 64.80% of our Gross Loan Portfolio. Set forth below are details of our unsecured loans:

Particulars	As of March 31,		As of June 30,	
	2025	2024	2025	2024
Unsecured Loans	11,126.35	12,014.67	10,640.01	12,181.20

(₹ crores)

While we have certain practices based on an understanding of the market, and stipulate certain parameters that customers need to satisfy in order to obtain advances from us, there can be no assurance that such loans will not become non-performing. Our customers may default on their obligations because of various factors including bankruptcy, lack of liquidity and/ or failure of the business or commercial venture in relation to which such borrowings were sanctioned. Since these advances are unsecured, in the event of defaults by such customers, our ability to realise the amounts due to us would be restricted to initiating legal proceedings for recovery. There can be no guarantee as to the amount of our resources that would be utilised and the length of time it could take to conclude such legal proceedings or for the legal proceedings to result in a favourable decision to us. Any failure to recover the amount, whether full or partial, of principal and interest on unsecured advances given to our customers could adversely affect our financial condition, results of operations and cash flows.

In particular, for our microbanking business, we rely primarily on the peer-guarantee loan model, including Joint Liability Group (“JLG”). JLG comprises a lending model where a small group of individuals (only women) guarantee each other’s loans. JLG loans (branch banking) represent the primary microfinance operations conducted directly through the Bank’s branches. The borrowers form a JLG and provide guarantees for loans obtained by each member of such group without such members having to provide collateral or security on an individual basis. As of June 30, 2025 and March 31, 2025, 89.91% and 90.51% and as of June 30, 2024 and March 31, 2024, 93.72% and 94.00% of Micro Banking loan portfolio is JLG in nature. There can be no assurance that such joint liability arrangements will ensure full or partial repayment by the other members of a JLG in the event of default by any one of them.

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

8. *A majority portion of our advances in the microbanking segment are towards customers located in the states of Bihar and Uttar Pradesh, and adverse changes in the conditions affecting the region adversely impact our business, financial condition, results of operations and cash flows.*

A large number of our Banking Outlets are located in the states of Bihar and Uttar Pradesh. As of March 31, 2025, 497 out of our 1,092 Banking Outlets were located in these two States. Consequently, a majority of our advances are towards customers in Bihar, Uttar Pradesh. As of March 31, 2025, advances towards customers in these two states represented 48.61 % of our Gross Loan Portfolio and 71.87% of our Micro Banking Loan Portfolio.

As a result of the regional slowdowns in the economic activity in Bihar and/ or Uttar Pradesh, and other developments including change in regulatory framework, political unrest, disruption or sustained economic downturn or natural calamities that has affected the ability of our borrowers in the regions to repay our loans and has made our products in the region less beneficial. We have witnessed increased number of defaults from our borrowers in these states which has lead to an overall increase in the Gross NPA. For details of the state wise Gross NPA and its contribution to our Bank’s total Gross NPA, see “– We are exposed to operational and credit risks which may result in NPAs. If we are unable to control the level of NPAs in our portfolio or if we are unable to improve our provisioning coverage as a percentage of Gross NPAs, our business, financial conditions, results of operations and cash flows could be adversely affected.” We cannot assure you that we will not experience any further adverse impact on our financial condition, results of operations and cash flows, which are largely dependent on the performance, geo-political and other prevailing conditions affecting the economy of these states. In addition, the market for our products in Bihar and Uttar Pradesh may perform differently from, and be subject to, market and regulatory developments that are different from the requirements in other states of India. There can be no assurance that the demand for our products will grow, or will not decrease, in the future, in the region.

9. *Our operations are concentrated in the states of Bihar, Uttar Pradesh, Maharashtra, NCT of Delhi and Haryana any adverse developments in these states could have an adverse effect on our business financial condition, results of operations and cash flows.*

Set forth below is certain data relating to our operations in Bihar, Uttar Pradesh, Maharashtra, NCT of Delhi and Haryana (collectively, the “Top Five States”) as of the dates indicated:

Particulars	Top Five States			
	As of March 31,		As of June 30,	
	2025	2024	2025	2024
Gross Loan Portfolio (₹ in crore)	14,815.50	13,859.33	14,349.57	14,227.31
Gross Loan Portfolio (% of total GLP)	75.34%	75.74%	74.64%	75.68%
Branches	652	536	657	557
Branches (% of total branches)	59.71%	60.36%	59.78%	60.81%

While we endeavour to manage and monitor our concentration risk, including our growth in Gross Loan Portfolio and number of branches in our Top Five States, we are susceptible to risks relating to concentration in these states and in the event of a regional slowdown in the economic activity in one or more of these states, or any other developments including political unrest, disruption or sustained economic downturn that make our products in any of these states less beneficial, we may experience an adverse impact on our business, financial condition, results of operations and cash flows. Further, the market for our products in these states may fluctuate and be subject to, market and regulatory developments that are different for various states of India. There can be no assurance that the demand for our products will grow and will not decrease in the future in these states.

10. Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition.

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements have historically been met from various sources, including bank loans, issuance of Equity Shares, non-convertible debentures (“NCDs”) and subordinated debt as well as cash flows from operations to fund our operations, capital expenditure and expansion. As such, our business depends and will continue to depend on our ability to access a variety of funding sources. Some of our rated, unsecured, redeemable, taxable, transferable, listed, Basel III compliant Tier 2 bonds in the nature of non-convertible debentures series of outstanding 1,950 NCDs amounting to ₹195 crore which will matured in June 26, 2027. Further, our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are dependent by our ability to continue to secure low-cost funding at rates lower than the interest rates at which we lend to our customers. As of March 31, 2025 and 2024, and as of June 30, 2025 and June 30, 2024 our weighted average cost of borrowing for our top five lenders (in terms of total outstanding amount as of the respective date) was 8.75%, 8.39%, 9.10% and 8.22%, respectively. Our ability to raise funds at competitive rates depends on various factors, including our current and future financial condition and results of operations, our risk management policies, our ability to maintain certain financial ratios, our credit ratings, our brand equity, the trends in the micro finance sector, regulatory environment and policy initiatives in India and developments in the international markets affecting the Indian economy.

We may not be able to secure financing on favourable terms and in a timely manner, or at all. The terms of any additional financing may place limits on our financial and operational flexibility. If we are unable to obtain adequate financing or financing on terms satisfactory to us, or at an effective cost that is comparable to or lower than that of our competitors, our net interest margins, income and market share may be adversely affected and our ability to grow or support our business and to respond to business challenges could be limited. As a result, our business, financial condition and results of operations may be adversely affected.

Further, RBI through the Master Directions - Reserve Bank of India (Priority Sector Lending - Targets and Classification) Directions, 2025 (“**Master Direction on PSL**”), as well as Priority Sector Lending targets, may restrict our ability to obtain bank financing for specific activities. Our ability to raise foreign funds through debt is governed by RBI regulations and is subject to certain restrictions, including raising loans only from certain recognized lenders and with minimum average maturity of not less than three years. The SFB Guidelines and RBI Clarifications also imposes certain restrictions in relation to changes in the shareholding of our Bank and makes references to the applicable thresholds, for further details see “– We are subject to laws and regulations governing the financial services industry and our operations in India and changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.” on page 29. Changes in economic, regulatory and financial conditions or any lack of liquidity in the market could adversely affect our ability to access funds at competitive rates, or at all, which could adversely affect our liquidity and financial condition.

In addition, any changes to the regulations on priority sector lending may also disrupt our sources of funding. The RBI currently mandates small finance banks (“SFBs”), to maintain an aggregate 60.00% of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, as “priority sector lending”. These include advances to agriculture, micro, small and medium enterprises, export credit, housing, social infrastructure, renewable energy and other sectors where the Government seeks to encourage flow of credit for developmental reasons. Banks in India that have traditionally been constrained or unable to meet these requirements directly have instead relied on institutions such as us that are focused on microfinance lending to help them meet their priority sector lending targets. In the event that the laws relating to priority sector lending as applicable to the banks undergo a change, or if any part of our loan portfolio is no longer classified as a priority sector lending by the RBI, or if we are no longer able to satisfy the prescribed conditions to

be eligible for such classification, our ability to raise resources based on priority sector advances would be hampered, which may adversely affect our financial condition, results of operations and/or cash flows.

11. ***Our deposits depends on our ability to reach number of customers and a loss of such reach customers could materially and adversely affect our deposit portfolio, funding sources, financial condition, results of operations and cash flows. Further, a significant portion of our deposits from such customers are from the states and union territory of Maharashtra, Uttar Pradesh, Haryana and NCT of Delhi and any adverse change in the economy of such states could have an adverse effect on our financial condition, results of operations and cash flows.***

We are dependent on our ability to reach number of customers for a substantial portion of our deposits. The following table sets forth certain information in relation to the percentage share of our total deposits by our top five, 10 and 20 depositors as on the respective dates indicated below:

Particulars of the Depositors	As of March 31,				As of June 30,			
	2025		2024		2025		2024	
	Amount (₹crores)	Percentage of Total Deposits (%)	Amount (₹crore)	Percentage of Total Deposits (%)	Amount (₹crore)	Percentage of Total Deposits (%)	Amount (₹crores)	Percentage of Total Deposits (%)
Top 5	1,300.00	6.03	1,205.00	6.90	1,194.00	5.56	1,250.00	6.88
Top 10	2,221.01	10.30	2,096.06	12.00	1,919.00	8.93	2,250.77	12.39
Top 20	3,354.37	15.55	3,210.02	18.37	2,936.64	13.67	3,432.86	18.90

Our customers may reduce or remove their deposits from our Bank, with or without cause or notice, at any time. Reduction or loss of such deposits expose us to an increasing funding risk, which could in turn adversely affect our financial performance and results of operations. A reduction in the services we provide for such customers or the loss of such major customers could result in a significant reduction of our deposits portfolio. Factors that may result in a loss of a customer include our inability to offer competitive interest rates, service performance, loss of our reputation, reduction in budgets due to macroeconomic factors or otherwise and shift in policies and political or economic factors. There is significant competition for the services we provide and we are typically not an exclusive service provider to our large customers. These factors may not be under our control or predicted with any degree of certainty. Significant pricing or margin pressure exerted by our customers could also adversely affect our business, financial condition, results of operations and cash flows. If any of our customers reduce or remove their deposit accounts from our Bank, our deposits portfolio, funding sources, financial condition, results of operations, and cash flows could be materially and adversely affected.

Further, a significant portion of our deposits from such customers are from the states of Maharashtra, Uttar Pradesh and Haryana and the Union territory of NCT of Delhi. Details of the amount of the deposits and their percentages from these four states as of March 31, 2025 and quarter ended June 30, 2025 have been provided below.

Particulars	As of March 31,				As of June 30,			
	2025		2024		2025		2024	
	Amount* (₹crores)	Percentage of Total Deposits (%)	Amount* (₹crore)	Percentage of Total Deposits (%)	Amount* (₹crore)	Percentage of Total Deposits (%)	Amount* (₹crores)	Percentage of Total Deposits (%)
Maharashtra	3,093.47	14.61	2,784.64	16.11	2,568.14	12.22	2853.69	15.91
Uttar Pradesh	3653.53	17.26	3082.03	17.83	3607.48	17.17	3169.06	17.67
Haryana	1628.33	7.69	1359.32	7.87	1723.56	8.20	1465.15	8.17
NCT of Delhi	2613.60	12.35	2032.98	11.76	2525.46	12.02	2083.62	11.62

*Amount excluding digital FD which are sourced online

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

12. ***We have a high proportion of bulk deposits. A partial or complete withdrawal of such deposits by any of our customers could adversely affect our business, results of operations and financial condition.***

Set forth below are details of our callable and non-callable deposits, including a percentage of our total deposits, :

Particulars of Bulk Deposits	As of March 31,				As of June 30,			
	2025		2024		2025		2024	
	Amount (₹crore)	Percentage of Total Deposits (%)	Amount (₹crores)	Percentage	Amount (₹crores)	Percentage of Total	Amount (₹crore)	Percentage of Total Deposits (%)

				of Total Deposits (%)		Deposits (%)		
Callable	1,216.03	5.64	1,351.53	7.74	1,219.03	5.67	1,380.02	7.60
Non-Callable	5,015.51	23.26	4,570.34	26.16	4,366.47	20.32	4,600.18	25.33
Total	6,231.54	28.90	5,921.87	33.89	5,585.50	25.99	5,980.20	32.93

While there have been no withdrawals in the three preceding Fiscals which have had a material impact on the financial condition of our Bank, in the event any of our customers choose to withdraw such deposits, either partially or entirely, prior to the completion of the term of such deposits, our business, results of operations and financial condition could be adversely affected.

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

Banks and financial institutions are generally exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. As of March 31, 2025, and as of June 30, 2025, there were 48 and six instances of fraud involving employees, respectively. Amounts involved in such instances were ₹ 2.92 crores and ₹ 0.18 crores, respectively. As on March 31, 2025 and June 30, 2025, our Bank identified 57 instances related to external frauds where loss amount is ₹ 0.59 crores and 10 instances of ₹ 0.02 crores. The above fraud loss was, on account of, forgery, cheating, criminal breach of trust, criminal conspiracy, failure to exercise proper care and due diligence by our employees for which we made a provision for Fiscal 2025. The FIRs and criminal complaints filed by our Bank on account of, among others, misappropriation, embezzlement of cash and criminal breach of trust by staff members of our Bank and robbery, dacoity, and theft committed by certain other individuals, see “*Summary of the DLOF – Summary of Outstanding Litigation and Defaults*” on page 17. Given the high volume of transactions that we handle on a day-to-day basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

We also outsource certain functions/ activities to other agencies. We are also, as a result exposed to the risk that such external agencies may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or such agencies) business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures may prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. We have implemented steps including (a) setting up of specialised teams for monitoring, accounting and reconciliation at our Bank, (b) undertaking daily reconciliation of certain control accounts through respective department, (c) monitoring the access of employees to such control accounts, and (d) review and streamlining the roles and responsibilities of employees with financial duties in our Bank in order to avoid recurrence of such an incident at our Bank.

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness.

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

While we seek to increasingly transform our operations to a cashless model, a significant portion of our business, particularly collection of JLG loans, continues to be cash based. We have not previously maintained record of the quantum of collections that were cash based. Our employees at our Banking Outlets are responsible for the collection and deposit of cash, thereby exposing us to the risks of loss, fraud, misappropriation, theft, and unauthorized transactions by our employees. While we seek to prevent fraud or misappropriation by our employees through internal control measures, we may be unable to adequately prevent or deter such activities in all cases. Operational risks can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions. Our Bank has constituted special committee of the Board for monitoring and follow-up of cases of frauds (SCBMF) in compliance with the RBI's master direction on fraud risk management and All India Financial Institution vide letter RBI/DOS/2024-25/118

D.O.S.CO.FMG.SEC.No.5/23.04.001/2024-25 dated July 15, 2024. The SCBMF Committee is tasked with monitoring and reviewing all fraud cases, identifying systemic weaknesses and implementing measures to fix them, pinpointing reasons for any delays in detection and reporting, overseeing the progress of investigations and recovery, ensuring staff accountability and taking swift action, and reviewing and strengthening preventive measures to stop potential frauds. In the past, we have experienced acts of fraud (as defined under the applicable RBI guidelines), theft, forgery and misappropriation committed by or involving our customers/ employees. Our Bank has filed 55 FIRs and submitted 44 complaint letters in fraud and robbery/theft cases reported in FY 24-25 before various police authorities under several sections of the IPC including for offences relating to theft, misappropriation, forgery, embezzlement of cash and criminal breach of trust. For details on FIRs and criminal complaints filed by our Bank. Net losses we incurred on account of internal and external fraud, robbery and other operational issues were ₹ 4.07 crores and ₹ 0.58 crores as of March 31, 2025 and quarter ended June 30, 2025 respectively.

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

15. *Our Bank and our Promoter are involved in certain legal proceedings, any adverse developments related to which could materially and adversely affect our business, reputation and cash flows.*

There are outstanding legal proceedings involving our Bank and our Promoter pending at different levels of adjudication before various courts, tribunals and appellate tribunals in India. We cannot assure you that these proceedings will be decided in favour of the respective persons/ entities. For the brief details of material outstanding litigation that have been initiated by and against our Bank and our Promoter see, “*Summary of the DLOF – Summary of Outstanding Litigation and Defaults*” on page 17.

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

Our Bank is in the process of litigating these matters and based on the assessment in accordance with applicable accounting standards, our Bank has presently not made provision for any of the pending legal matters. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations, financial condition and cash flows.

For instance, our Promoter is currently involved in proceedings initiated by the Micro Units Development and Refinance Agency (“MUDRA”) in relation to the alleged mis-utilization of funds disbursed under the Pradhan Mantri Mudra Yojana (“PMMY”) scheme. Pursuant to these proceedings, the investigating authority has alleged that certain funds sanctioned to our Promoter under the PMMY scheme were either not utilised for the intended purposes or not disbursed in accordance with the applicable guidelines. Our Promoter has submitted its response including documentary evidence in support of the utilisation of funds in accordance with applicable guidelines. The matter is currently pending, and the outcome of this matter remains uncertain. While our Bank is not directly involved in the matter, given our ongoing reverse merger with our Promoter, for details see “– *Our Bank and our Promoter, Utkarsh CoreInvest Limited, in compliance with SFB Guidelines, RBI Clarifications and RBI Acquisition Directions are under the process of an ongoing reverse merger. An inability to comply with SFB Guidelines, RBI Clarifications and RBI Acquisition Directions or complete the reverse merge with the prescribed timelines could adversely affect our business, reputation, financial condition and results of operations.*” on page 22, post the merger our Bank may be directed to be involved as a successor entity. Any adverse finding against our Promoter in connection with the MUDRA case may have an adverse effect on our Bank’s reputation, increased regulatory scrutiny, or supervisory concerns from the RBI, and could also lead to the imposition of penalties or restrictions on our Bank. In the event of an adverse outcome in the MUDRA proceedings or increased regulatory scrutiny of our Promoter, our business, reputation, ability to raise future capital and results of operations may be adversely affected.

16. *We are subject to laws and regulations governing the financial services industry and our operations in India and changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.*

By virtue of operation as a small finance bank in India, we are subject to compliance with several rules, regulations, circulars and guidelines by Government authorities, including the RBI and the provisions of the Banking Regulation Act.

The RBI strictly monitors and governs the shareholding structure and voting rights of the banking companies. The Banking Regulation Act and Master Direction- Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023 states that no person(s) not having a 'fit and proper' status and except with RBI's previous approval or an application being made, acquire or agree to acquire, directly or indirectly, shares and/ or voting rights of a banking company, which results in to the person, whether individually or together with any person(s) acting concert status acting in, makes the applicant/ acquirer to hold 5% or more but less than 10% of the paid-up share capital or entitles him to exercise five per cent. or more of the voting rights in such banking company. Further except for a promoter of a banking company no person(s) whether individually or together with any person(s) acting in concert can hold more than 10% of the paid-up share capital and/or voting rights in such banking company. Accordingly, any application for acquisition or acquisitions of the Equity Shares issued pursuant to the Issue, which may be in violation of the aforementioned regulatory requirement will be rejected.

The RBI regulates the banking sector by providing comprehensive guidelines for its credit flow, investment, and adherence to priority sector lending norms, in line with its overall mandate for financial inclusion. In addition, we are required to make various filings with and obtain various approvals from the RBI, the RoC and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied with these requirements, we may be subject to penalties and/or legal proceedings.

We are also subject to regular scrutiny and supervision by regulators, such as regular inspections that may be conducted by the RBI. Any non-compliance with regulatory guidelines and directions may result in substantial penalties and negatively affect our reputation. If we were to be found non-compliant, we could be fined or prohibited from engaging in certain business activities, among other things. In addition, the regulations applicable to us also govern other aspects of our business operations such as our conduct with borrowers, recovery practices, market conduct and foreign investment.

The RBI has also issued the Operating Guidelines for Small Finance Banks dated October 6, 2016 supplementary to Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014 under which our Bank has to operate within certain standards and restrictions, as provided below:

1. Prudential Regulation: The prudential regulatory framework for the SFBs will be largely drawn from the Basel standards. However, given the financial inclusion focus of these banks, it will be suitably calibrated:
 - (a) Capital adequacy framework: The minimum capital requirement is 15%
 - (b) Leverage ratio: The leverage ratio is 4.5%, calculated as percentage of Tier 1 capital to total exposure; and
 - (c) Inter-bank borrowings: SFBs are allowed exemption from the existing regulatory ceiling of interbank borrowings till the existing loans mature or up to three years, whichever is earlier. Afterwards, it will be on par with scheduled commercial banks. However, the borrowings made by the SFBs after the commencement of its operations shall be subject to inter-bank borrowing limits.
2. Corporate governance:
 - (a) Constitution and functioning of board of directors: The extant provisions as applicable to banking companies shall be applicable to SFBs as well. Specifically, in case of entities being converted into SFBs, the existing terms and conditions of appointment of directors will be grandfathered till completion of their present term; and
 - (b) Constitution and functioning of committees of the board, management level committees, and remuneration policies: The extant provisions in this regard as applicable to private sector banks, shall be applicable to SFBs as well.
3. Banking Operations:
 - (a) Branch authorization policy: SFBs should follow the extant instructions pertaining to the branch authorization policy applicable to scheduled commercial banks as laid down by the RBI in the Rationalisation of Branch Authorisation Policy - Revision of Guidelines issued by the RBI on May 18, 2017. SFBs are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of business. The SFBs are given three years from the date of commencement of the business to align with this requirement, however, during these three years, at least 25% of total number of branches opened by SFBs in a financial year should be in unbanked rural centres.
 - (b) Regulation of Business Correspondents: The SFBs may engage all permitted entities including the companies owned by their business partners and own group companies on an arm's length basis as business correspondents; and

- (c) Bank charges, lockers, nominations, facilities to disabled persons: The extant provisions applicable to scheduled commercial banks shall be applicable to SFBs as well.
- 4. KYC requirements: At their discretion, SFBs may (like all other banks) decide not to take the wet signature while opening accounts, and instead rely upon the electronic authentication/ confirmation of the terms and conditions of the banking relationship or account relationship keeping in view their confidence in the legal validity of such authentications or confirmations. However, all the extant regulations concerning KYC including those covering the Central KYC registry, and any subsequent instructions in this regard, as applicable to commercial banks, would be applicable to SFBs.
- 5. Appointment of the Joint Statutory Auditors: As a small finance bank, we required approval from the RBI for appointment of our Statutory Auditors. The RBI, pursuant to its letter dated April 21, 2025 approved the appointment of M/s M. M. Nissim & Co LLP, Chartered Accountants and M/s KKC & Associates LLP, Chartered Accountants as the Joint Statutory Auditors of our Bank for financial ended March 31, 2026. Appointment, reappointment and removal of statutory auditors of the Bank will continue to be subject to prior approval of the RBI, and we cannot assure you that we will be able to obtain such approval for appointments or changes sought by our Bank.

Further, many of the regulations applicable to our operations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be deemed to be contravention of such laws and may be subject to penalties and legal proceedings against us. Unfavourable changes in or interpretations of existing laws, rules and regulations including foreign investment laws governing our business, operations and investments in our Company by non-residents, could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs and other burdens relating to compliance with such differing interpretations, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Further, uncertainty in the application, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current business or restrict our ability to grow our businesses in the future.

17. *Our equity shares are listed on the Stock Exchanges and non-convertible debentures are listed on BSE and in the past, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to the Stock Exchanges under the Listing Regulations. We have filed settlement applications before SEBI under show cause notice issued by SEBI on account of such inadvertent delays.*

Our equity shares are listed on the Stock Exchanges and non-convertible debentures are listed on the debt segment of BSE. We are therefore required to comply with various applicable rules and regulations with respect to our Equity Shares and listed debentures, including the Listing Regulations. In the past, before listing of equity shares, there were certain inadvertent delays by us in making certain disclosures and regulatory filings to the Stock Exchanges under the Listing Regulations including for appointment of the share transfer agents, quarterly investor grievance reports, half yearly intimations in relation to the active ISIN of our Bank, under the Listing Regulations with respect to our Equity Shares listed on the Stock Exchanges and/or non- convertible debentures listed on BSE.

Our Bank filed a settlement application dated November 1, 2023 with SEBI under Regulation 3(1) of the SEBI Settlement Regulations, in relation to unauthorized downward selling of the Bank's NCDs by Karvy Capital Limited and the proceedings initiated by SEBI regarding resultant violations of certain provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including Regulation 7, 13, 50, 51, 52, 53, 57 and 60 and a SEBI Circular dated June 30, 2017 along inadvertent delay by our Bank in making certain disclosures and regulatory filings to the Stock Exchanges. SEBI vide its settlement order dated April 10, 2024 disposed of the matter.

Further, in the event of non-compliance with Applicable Laws including SEBI Listing Regulations by us in the future, we may be subject to certain penal actions, *inter alia*, including restrictions on further issuance of securities and freezing of transfer of securities. Our inability to comply with or any delay in compliance with such rules and regulations in the future may have an adverse effect on our business, results of operations and financial condition.

Further, trading in our debt securities has been limited and we cannot assure you that the debt securities will be frequently traded on BSE or that there would be any market for our debt securities. We cannot predict if and to what extent a secondary market may develop for the debt securities or at what price such debt securities will trade in the secondary market or whether such market will be liquid or illiquid.

18. *While the audit and review reports of our Previous Joint Statutory Auditor on our Financial Statements does not make references to any qualifications, observations or emphasis on any matters, we cannot assure you such qualifications, observation or emphasis will not be made in future. If such comments are included in the reports of our Joint Statutory Auditor in the future, the trading price of our Equity Shares may be adversely affected.*

There are no adverse observations/qualifications in the Previous Joint Statutory Auditors Report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Joint Statutory Auditors of our Bank in the Audited Financial Statements and its Limited Review Financial Statements. Our Previous Joint Statutory Auditors have also not reported any instances of frauds committed in the Bank by its officers or employees in the Audited Financial Statements and its Limited Review Financial Statements. However, we cannot assure that there will be no references to any qualifications, observations or emphasis on any matters in future.

While in the past our Previous Joint Statutory Auditors have not made emphasis and observations reported by our Statutory Auditors in their audit and review reports. We cannot assure you that the audit or review reports issued by our Joint Statutory Auditors for any future financial periods will not contain qualifications, emphasis of matters or other adverse observations which affect our results of operations in such future periods. If such comments are included in the reports of our Joint Statutory Auditor in the future, the trading price of our Equity Shares may be adversely affected. For further details, see “Financial Statements” beginning on page 67.

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

Our performance and success depend largely on the efforts and abilities of our Directors, Key Managerial Personnel and Senior Management. We believe that the inputs and experience of our Directors, Key Managerial Personnel and Senior Management is valuable for the development of our business and operations and the strategic directions taken by our Bank. Our ability to sustain our growth depends upon our ability to attract and retain such personnel, developing managerial experience to address emerging business and operating challenges and ensuring a high standard of customer service.

For instance, our erstwhile head of consumer banking exited in the month of April, 2025 and replacement for the said profile was hired by June, 2025 While we have not experienced a similar situation in past, We cannot assure you that these individuals or any other member of our management team will not leave us or join a competitor or that we will be able to retain such personnel or find adequate replacements in a timely manner, or at all.

We may require a long period of time to hire and train replacement personnel when qualified personnel terminate their employment with our Bank. We may also be required to increase our levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that our business requires. The loss of the services of such persons may have an adverse effect on our business, results of operations and financial condition. Additionally, the RBI reserves the right under the Banking Regulation Act, 1949 to remove managerial persons from office and/ or supersede the Board in order to protect interests of depositors of our Bank.

Attracting and retaining talented professionals is a key element to our growth strategy. We face attrition of our existing work force including members of senior management Chief Compliance Officer and Principal Officer, Head of Assets, Head of Credit and Head of Consumer Banking amongst others as a result of increased competition or other factors relating to our businesses. For instance, our attrition rate as on June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024, was 52.22%, 42.18% and 35.42% and 37.36%, respectively, calculated for each period by dividing the number of resignations during such period by the total number of active employees plus resigned employees during such period, while the number of employees that resigned in such periods were, 2,984, 2,039, 10,848 and 9,591, respectively. There was an increase of 10.04% in the Bank's overall attrition from the quarter ended June 30, 2024 to the quarter ended June 30, 2025. The witnessed increase in the attrition rate has been due to the market trends in small and micro banking industry. In addition, if the banking industry increasingly moves toward incentive-based pay schemes, attrition rates could increase, and we could be forced to alter our remuneration scheme. The resultant pressures may result in diminished profitability, especially if rates of return do not experience a commensurate rise. An inability to attract and retain such talented professionals or the resignation or loss of such professionals may have an adverse impact on our business and future financial performance. In addition, we could experience difficulties in managing our expanding workforce. If we cannot hire additional qualified personnel or retain them, our ability to expand our business will be impaired and our revenue could decline. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

20. *Certain of our Directors, Key Managerial Personnel and Senior Management are interested in our Bank in addition to the remuneration and reimbursement of expenses. Further, our Promoter is also interested in our Bank in addition to its shareholding.*

Certain of our Directors, Key Managerial Personnel and Senior Management are interested in our Bank, in addition to regular remuneration or benefits and reimbursement of expenses, as applicable, including to the extent of bonuses distributed by our Bank, employee stock options granted/ approved to be granted pursuant to the ESOP Plan 2020 and the MD and CEO ESOP Plan, as applicable and their subsequent shareholding in our Bank as well as any dividends payable, if any.

Further, our Key Managerial Personnel (excluding Mr. Govind Singh) and our Senior Management may also be interested to the extent of employee stock options granted to them under the UCL ESOP Scheme and their shareholding in our Promoter and any dividends payable thereof. Further, our Promoter is also interested in our Bank, in addition to its shareholding, including to the extent of the trademark license agreement entered into with our Bank for use of our Bank's trademark and logo and the service agreement under which our Promoter pays a service charge of 1% of the amount collected to our bank against the written-off amount which was taken over by the Bank. In accordance with our Articles of Association, any shareholder(s) of our Bank, holding more than nine percent or more of the paid-up shareholding on a fully-diluted basis, has the right to nominate a director on our Board. Our Directors, Key Managerial Personnel and Senior Management, may take or block actions with respect to our business which may conflict with the best interests of our Bank or that of minority shareholders.

We cannot assure you that our Promoters, Directors, Key Managerial Personnel and members of the Senior Management, to the extent they are interested in our Bank other than in terms of remunerations and reimbursement of expenses, will exercise their rights to the benefits and best interest of our Bank.

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

We have obtained insurance to cover certain risks associated with our business. These include banker's indemnity insurance policy, public liability (non-industrial) insurance policy, directors and officers liability insurance policy, group health (floater) insurance policy, standard fire and special perils policy, burglary insurance policy, credit card package insurance policy, and group term insurance policy.

Particulars	As at March 31,		As at June 30,	
	2025	2024	2025	2024
Sum assured of fixed assets under insurance cover (₹ crores)	289.38	243.65	289.76	243.65
Insured assets as a percentage of total fixed assets (%)	45.89	45.23	42.14	44.13

The lower percentage of our insured assets as a percentage of our total fixed assets as on March 31, 2025 and June 30, 2025 compared to March 31, 2024 and June 30, 2024 was on account of increase in our Bank's fixed assets in quarter ended June 30, 2025. Our Bank has constructed and developed our Registered Office, which was initiated in financial year March 31, 2021 and has carried out the capitalisation basis the stage of completion. Further, the Bank commenced additional fit-outs in the financial year as ended on March 31, 2025 and the fitouts were completed in Q4 FY25. The project was undertaken in multiple stages, as a result only post the completion and pursuant to capitalisation of the final phase can the asset be insured and is expected to be insured in the next insurance cycle of our Bank. The capitalisation completed in the quarter ended June 30, 2025 while the policy was renewed in March, 2025, while we aim to cover these assets in the next renewal policy, we cannot assure you we will be able extend the insurance cover to all our fixed assets.

While we are covered by a range of insurance that we believe is consistent with industry practice in India to cover risks associated with our business, we cannot assure you that the existing coverage will insure our Bank completely against all risks and losses that may arise in the future. We may not have insurance to cover all of the risks associated with our business, as insurance coverage is either unavailable for certain risks or is prohibitively expensive. In addition, even if such losses are insured, we may be compelled to contribute a substantial deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. Moreover, there is no assurance that all insurance claims raised by our Bank will be accepted and eventually sealed in our favour by the insurance companies. In addition, our insurance policies are generally subject to annual renewal, and our ability to renew these policies on similar or otherwise acceptable terms, cannot be assured. If we incur a serious uninsured loss or a loss that significantly exceeds the limits of our insurance policies, it could have a material adverse effect on our business, cash flows, results of operations and financial condition. We hold two directors' and officers' liability insurance policy that provide coverage for risks such as official investigations, inquiries, and securities-related matters. The policies also cover risks associated with certain form of fundraising. While these policies offer a financial comfort against potential liabilities, there is no guarantee that all claims will be fully accepted or covered. Our insurance policies are subject to annual renewal, and any significant loss that exceeds the policy limits could have a material adverse effect on our business and financial condition.

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

As of March 31, 2025, and quarter ended June 30, 2025, all our Banking Outlets were located on leased premises. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 the division between the Micro Banking Lending Branches and General Branches is as set out below.

Particulars	As at June 30,		As at March 31,	
	2025	2024	2025	2024
I. MB Branches				

Number of Branches	768	636	761	612
Percentage of total Branches (%)	69.88	69.43	69.69	68.92
II. GB Branches				
Number of Branches	331	280	331	276
Percentage of total Branches (%)	30.12	30.57	30.31	31.08

All our branches network comprised of leased premises. Consequently, any inability on our part to identify suitable premises for our Banking Outlets, or enter into or renew lease agreements on terms acceptable to us, may have an adverse effect on our operations. Further, in case of non-renewal of our leases or if such agreements are renewed on unfavorable terms and conditions, we may be forced to procure alternative space for our existing Banking Outlets and incur additional costs for such relocation. In addition, certain of our Banking Outlets are located on premises that have been mortgaged by landlords to secure credit facilities obtained from lenders. If the lenders enforce the mortgage on account of any default by the landlords and subsequently, cancel our leasehold arrangements, or refuse to renew them on terms that are commercially acceptable to us, we may be compelled to relocate from such premises. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition, results of operations and cash flows, in respect of such defaulting premises.

Further, some of our lease agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law for admission, which could adversely affect the continuance of our operations and business. We cannot assure you that we will be able to identify space that satisfies the operational, safety and other criteria for our Banking Outlets at terms that are commercially viable or at all.

23. *We may face various risks associated with our large number of branches and widespread network of operation.*

As of March 31, 2025, we had 0.31 crores active borrowers, which were served by our 1,092 branches across 23 states and four union territories in India, with the five states of Uttar Pradesh, Bihar, Maharashtra, NCT of Delhi and Haryana together accounting for ₹ 14,815.50 crore or 75.34% of our Gross Loan Portfolio, as of the same date. As a consequence of our large network, we may be exposed to certain risks, including those relating to, among others:

- difficulties developing and improving our product delivery channels;
- difficulties upgrading, expanding and securing our technology platforms;
- difficulties maintaining high levels of customer satisfaction;
- difficulties arising from operating a larger and more complex organization;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data among various locations;
- difficulties in hiring and training skilled personnel in sufficient numbers to operate the new branches locally, management to supervise such operations from centralized locations;
- high attrition among skilled personnel at the branch level;
- failure to efficiently and optimally allocate management, technology and other resources across our branch network;
- failure to manage third-party service providers in relation to any outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- risk of our employees being the target of violent crimes such as thefts and robberies due to the high volume of cash we handle;
- failure to maintain the level of customer service at all branches; and
- unforeseen legal, regulatory, property, local taxation, labor or other issues.

Further, a significant majority of our customers are located in rural markets, which may have limited infrastructure, particularly for transportation and electricity. At branches in remote markets, we may face difficulties in conducting operations, such as accessing power facilities, transporting people and equipment and implementing technology measures. We may also face increased costs and expenses in conducting our business and operations and implementing security measures. We cannot assure you that such costs will not increase in the future as we further expand our network in rural markets, which may adversely affect our profitability.

Any of the above reasons may result in our failure to manage our business operations in an effective manner, which may adversely affect our brand, reputation, business, financial condition and results of operations.

24. *We depend on the accuracy and completeness of information about borrowers and counterparties for our credit assessment and risk management. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and results of operations.*

In deciding whether or not to extend credit or enter into other transactions with borrowers, we rely on, among others, information furnished to us by or on behalf of borrowers. We may also rely on certain representations from our borrowers as to the accuracy and completeness of that information. To ascertain the creditworthiness of potential borrowers, we may

depend on credit information companies or credit bureaus, and reliance on any misleading information received may affect our judgement of credit worthiness of potential borrowers, which may affect our business and results of operations. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation. In the event that our risk management measures and credit appraisal procedures are not adequate to prevent or deter such activities in all cases, our business and results of operations may be adversely affected.

25. *Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.*

Our results of operations depend to a large extent on the amount of our net interest income as our primary revenue source is interest income. For the quarter ended June 30, 2025 and 2024 and the period ended March 31, 2025 and 2024, our interest income on our loan portfolio amounted to ₹ 756.36 crores, ₹ 866.89 crores, ₹ 3,336.96 crores and ₹ 2,880.06 crores, respectively, representing 74.25%, 80.97%, 76.45%, and 80.48% of our total income, respectively. Net interest income is the difference between the interest we earn from loans (i.e. interest income on loan portfolio and investments) and the interest we pay on interest-bearing liabilities (i.e. finance costs). An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in a decline in our net interest income.

Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

Changes in market interest rates affect the interest rates we charge on our loans differently from the interest rates we pay on our interest-bearing liabilities. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our portfolio loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our loans. Further, such increase in interest rates could affect our ability to raise low cost funds as compared to some of our competitors who may have access to lower cost funds. If our cost of funds and operating expenses increase to a level where compliance with the regulatory framework for small finance banks issued by the RBI becomes challenging, encompassing directives such as the Compendium of Guidelines on Financial Inclusion and Development dated July 6, 2017, Operating Guidelines for Small Finance Banks dated October 6, 2016, Guidelines for Licensing of “Small Finance Banks” in the Private Sector dated November 27, 2014, Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated March 14, 2022, Master Direction - Reserve Bank of India - Priority Sector Lending - Targets and Classification - Small Finance Banks, 2019 dated July 29, 2019, Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025 dated April 1, 2025, Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 dated March 3, 2016, and the Master Direction - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2014, particularly impacting our ability to maintain the prescribed capital adequacy ratio (“CAR”) and meet the liquidity coverage ratio (“LCR”) requirements, it could materially and adversely affect our operating margins, our business, financial performance, results of operations and cash flows.

In accordance with RBI regulations, the interest rates charged by us is governed by our board approved policy on pricing microfinance loans. The rate of interest charged for our income-generating loans for the above activities varies from customer to customer and is based on our risk-based pricing methodology.

In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our loans, it could lead to a reduction in our net interest income and net interest margin. Further, changes in interest rates could affect our treasury income. If we are unable to effectively manage our interest rate risks, it could have an adverse effect on our net interest income and net interest margin, thereby affecting our business, financial condition, results of operations and cash flows.

26. *Some of our secretarial records are not traceable. Further, we made certain periodic filings with delay, required in compliance with SEBI Listing Regulations.*

We have filed all required forms under the Companies Act, 2013 on the MCA portal with the Ministry of Corporate Affairs and the ROC. We have searched our records and are unable to trace any delayed or non-compliance in filing of regulatory forms. While no legal proceedings or regulatory actions have been initiated against our bank in relation to untraceable secretarial and other corporate records as of the date of this Draft Letter of Offer, we cannot assure you that such legal proceedings or regulatory actions related to missing filings and corporate records, if any, will not be initiated in the future. While our bank is in compliance with the SEBI Listing Regulations, certain of our periodic recent filings, such as the statement on redressal of investor grievances and compliance report on corporate governance, were filed with a one day delay in the previous year.

There is an instance of a penalty paid by our Bank for delayed compliances in relation to the SEBI Listing Regulations, such as non-compliance with certain provisions of the SEBI LODR and delay in making disclosures and regulatory filings to the Stock Exchanges. While we have provided the reasons for the delay to the relevant Stock Exchange, we may be subject to further requirements or actions by the Stock Exchanges in accordance with applicable laws. While, we have

provided the reasons of the delay to the relevant Stock Exchange, we may be subject to further requirement or action by the Stock Exchanges, in accordance with applicable laws.

27. *If we are unable to manage our growth effectively or sustain our historical growth rates, our business and reputation could be adversely affected.*

Our business has experienced significant growth and our network of branches and customers in India expanded considerably over the past financial years. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024, our number of branches was 1099, 916, 1092 and 888 branches serving, ₹0.51 crores, 0.47 crores, 0.50 crores and ₹0.45 crores active customers. Such expansion may further constrain our capital and human resources, and make asset quality management more challenging, including through over lending. As we grow our business and move to newer geographies, we may face risks, uncertainties and difficulties such as increased competition, different culture, regulatory regimes, volatile climate conditions, non-state actors influencing borrowers, business practices, customs, behavior and preferences, and our current experience may not be applicable to new markets and businesses. As a result, we may not be able to maintain our historical growth rates, the level of our NPAs or the quality of our portfolio.

We are also focused on offering more diversified products and services as part of our growth strategy, as we believe that our large customer base provides significant opportunities from increased cross-selling and up- selling of products and services, at a cost lower than our competitors. We cannot assure you that any such new products or services will be successful, whether because of our own shortcomings or as a result of circumstances beyond our control, such as general economic conditions or competition from existing or new players in these business verticals or otherwise. We may also be required to comply with additional regulations, incur significant costs to establish the specialized infrastructure at some of our branches and recruit appropriately skilled employees, and face increased competition for such new products and services, which may strain our business and financial condition. Any of these factors may adversely affect our ability to diversify into new offerings, which may have an adverse effect on our business and prospects.

In addition, we will need to continue to enhance and upgrade our financial, accounting, information technology, administrative, risk management and operational infrastructure and internal capabilities in order to manage such growth of our business effectively. However, we may be unable to develop adequate infrastructure, devote sufficient financial resources, or attract or retain talent to manage our growth. We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing control systems. If we are unable to manage our future expansion successfully or to sustain the growth rates we have achieved since our inception, our ability to provide products and services to our customers would be adversely affected, and, as a result, our business, financial condition, results of operations and reputation could be adversely affected.

28. *We require several statutory and regulatory approvals, licenses, registrations and permissions to conduct our business and an inability to obtain or maintain such approvals, licenses, registrations and permissions in a timely manner, or at all, may adversely affect our operations.*

We are required to obtain various statutory and regulatory licenses, registrations, permissions and approvals to conduct our business. These include approvals from the RBI for various aspects of our banking operations, and registrations from other regulatory authorities, such as the IRDAI for acting as a category Corporate Agent (Composite) and PFRDA to transact in pension schemes. We may not, at all points of time, have all approvals required for our business. Our Bank has obtained final approval from RBI to operate a Bharat Bill Payment Operating Unit. We may also need to apply for new licenses and approvals, which may expire from time to time. In the event that we are unable to obtain, renew or maintain other statutory permits and approvals or comply with regulatory requirements, it may result in the interruption of all or some of our operations, imposition of penalties and could materially and adversely affect our business, financial performance and reputation.

Further, our approvals and licenses are subject to numerous conditions, some of which are onerous and may require us to incur substantial expenditure in order to comply with such conditions, and failure to comply with which could adversely affect the validity of such approvals or licenses and result in the interruption of all or some of our operations, which in turn may have a material adverse effect on our business, financial condition, results and cash flow. Additionally, our RBI In-Principle Approval and RBI license 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 our license or may place stringent restrictions on our operations.

In addition, we are required to obtain certain approvals and renew them periodically, as applicable, including shops and establishment licenses, trade licenses, employee state insurance, employee provident fund and tax registrations. Further, several of the licenses and approvals required in relation to our branches are subject to local state or municipal laws. We have obtained a significant number of, but not all, approvals, licenses, registrations and permits that we require from the relevant authorities. For example, some of our branches are located in areas that have recently been required to obtain registrations under shops and establishments legislations, and we are yet to apply for such registrations.

We may not, at all points of time, be able to obtain the approvals and have all approvals required for our business. For instance, in Fiscal 2023, we were unable to obtain the license to issue prepaid payment instruments from the RBI. Further, in relation to our Banking Outlets, certain approvals may have lapsed in their normal course and our Bank has either made

an application to the appropriate authorities for renewal of such registration or is in the process of making such application. We cannot assure you that the approvals, licenses, registrations or permits issued to us will not be suspended or revoked, or that applicable penalties will not be imposed on us in the event of non-compliance with any terms and conditions. We may also incur substantial costs related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

29. *Any failure, inadequacy and security breach in our information technology systems, or any fraud and cyber-attacks targeted at disrupting our services, may adversely affect our business and operations.*

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services, particularly in the rural areas in which we operate. A significant system breakdown, network outage or system failure caused by intentional or unintentional acts would have an adverse effect on our revenue-generating activities and lead to financial loss. As we grow our business, the inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand. The information available to and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our information technology systems and networks. Our information technology systems, software, including software licensed from vendors, and networks may be vulnerable to computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft, for which we could potentially be liable. Our controls may not be adequate to prevent frauds and cyber-attacks targeted at disrupting our services, such as hacking, phishing and theft of sensitive internal data or customer information, which could lead to losses to our customers and us. In addition, our loan management system, a digital service that assists with loan management over the entire loan lifecycle, is operated by a third-party service provider. The controls of such third-party service provider may also be subject to frauds and cyber-attacks, which could in turn lead to losses to our customers and us. The frequency of such cyber threats may increase in the future with the increased digitization of our services. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. Moreover, since we review and retain, in our ordinary course of business, sensitive personal data of our customers for diligence and KYC checks, any security breaches in our systems could give rise to regulatory liability or litigation.

Any failure to effectively maintain or improve or upgrade our information technology and management information systems in a timely and cost-effective manner could adversely affect our competitiveness, financial position and results of operations.

While our Bank has not faced any significant cyber-attack or technology failure in the past, we cannot assure that no such event will occur in the future. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our business, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our business. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.”

30. *Competition from other small finance banks, microfinance institutions, and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Indian microfinance industry.*

We face significant competition from other small finance banks, scheduled commercial banks as well as local moneylenders in rural areas and unorganized, small participants in the market across all our products. As many of our potential customers in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates. Many of the institutions with which we compete may be larger in terms of business volume or may have greater assets, higher geographical penetration and better access to, and lower cost of, funding than we do. In certain areas, they may also have better brand recognition and larger customer bases than us. We anticipate that we may encounter greater competition as we continue expanding our operations in India, and this may result in an adverse effect on our business, financial condition and results of operations.

Traditional commercial banks as well as regional and cooperative banks have well established operations in some of our product categories including Micro Small Medium Enterprises retail loans, Wholesale lending and housing loans and may continue to increase their participation in microfinance, such as by financing the loan programs of self-help groups often in partnership with non-governmental organisations, or through certain state-sponsored social programs. Further, most SFBs focus on low and middle income individuals and micro, small and medium enterprises which is also a key focus product segment for our Bank. Further, some commercial banks also directly compete with for-profit MFIs, including through the business correspondent operating model, for lower income segment customers in certain geographies. In addition, as competition amongst microfinance players increases, borrowers may take more than one loan from different microfinance players, which may adversely affect our asset quality or the asset quality of the industry.

31. Any non-compliance with mandatory anti-money laundering and know your client policies could expose us to additional liability and harm our business and reputation.

In accordance with the legal and regulatory requirements applicable to us, we are required to comply with applicable anti-money laundering (“AML”) and 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 to detect and prevent the use of our business networks for 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.

We have internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance and have taken necessary corrective measures. However, we cannot assure you that we will be able to fully control instances of any potential or attempted conduct of illegal or improper activities by any party and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to which we report. Our business and reputation could suffer if any such party uses or attempts 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.

32. Our contingent liabilities could materially and adversely affect our business, results of operations, cash flows and financial condition.

Our Fiscal 2025 Audited Financial Statements disclosed the following contingent liabilities as at the dates indicated.

Nature of contingent liabilities	As at March 31,		As at June 30,	
	2025	2024	2025	2024
Guarantees issued by banks on behalf of the bank	30.82	26.24	34.21	27.28
Claims against the bank not acknowledged as debts:				
a) Income Tax Demand	0.41	1.26	0.41	0.41
b) TDS Demand	-	0.72	-	-
c) GST Demand	-	-	-	-
Total Contingent Liabilities	89.43	76.67	81.11	107.72
Net Worth	2,974.50	2,973.19	2,738.99	3,119.31
Contingent Liabilities as a % of Net Worth	3.01%	2.58%	2.96%	3.45%

If any of these contingent liabilities materialize or if at any time, we are compelled to pay all or a material proportion of these contingent liabilities, it could have an adverse effect on business, results of operations, cash flows and financial condition. Further, we cannot assure you that we will not incur similar or increased levels of contingent liabilities in the future.

33. We have included certain non-GAAP measures related to our operations and financial performance in this Draft Letter of Offer. Such non-GAAP measures may vary from any standard methodology that is applicable across the financial services industry and may not be comparable with the financial or operational information of similar nomenclature computed and represented by other companies.

This Draft Letter of Offer includes certain non-GAAP measures, including, inter alia, Gross NPA%, Net NPA%, Net Worth, return on total assets, return on equity, AUM, gross loan book, total debts to total assets, etc, which are a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, Indian GAAP, IFRS or US GAAP.

We consider these non-GAAP measures useful in evaluating our business and financial performances. However, these non-GAAP measures are not alternatives to any measure of performance or liquidity or as an indicator of our operating performance or liquidity. They should not be considered in isolation or construed as an alternative to cash flows, profit/(loss) for the year 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 Ind AS, Ind GAAP, IFRS or US GAAP. There are no standard methodologies in the industry for computing such measures, and those non-GAAP measures we included in this Draft Letter of Offer may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

34. We cannot assure payment of dividends on the Equity Shares in the future.

Our Bank has a dividend policy as on the date of this Draft Letter of Offer. While our Bank declared dividends of 5% in the financial year ended March 31, 2024, we cannot assure you our Bank will be able to pay dividends in future. Our ability to pay dividends in the future will depend upon our dividend policy, results of operations, financial condition, cash flows,

working capital requirements, capital expenditure requirements, and other factors considered relevant by our Directors and shareholders.

In addition, our ability to pay dividends may be restricted under certain financing arrangements that we may enter into. Accordingly, there can be no assurance that we will be able to pay dividends on the Equity Shares at any time in the future.

35. *Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.*

We are exposed to the risk of employee fraud or other misconduct. We have access to confidential information and data of our clients and the users of our services. We cannot assure you that the steps taken by us to protect such data will adequately prevent the disclosure of confidential information by an employee and we may not have adequate internal controls and processes to ensure that our employees do not misappropriate or unlawfully distribute such information.

Misconduct by employees could include inventory loss and intentional failures to comply with any regulations applicable to us, to provide accurate information to regulatory authorities, or to report financial information or data accurately or disclose unauthorized activities to us. There can be no assurance that we will be able to identify and deter such misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risk. Although we have had no material incidents of employee misconduct as of financial year ended March 31, 2025 and March 31, 2024, and quarter ended June 30, 2025 and June 30, 2024, if our employees engage in any such future misconduct, we could face criminal penalties, fines, revocation of regulatory approvals and harm to our reputation, any of which could form a material adverse effect on our business, results of operations, cash flows and financial condition. We are also subject to anti-bribery and anti-corruption laws and policies, and any violation by our employees, agents, or third-party vendors could expose us to regulatory scrutiny, penalties, and reputational damage. While we have not faced any such instances to date, we cannot assure you that future non-compliance will not adversely affect our business, results of operations, cash flows and financial condition.

36. *Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which may be beyond our control.*

Any variation in the utilization of the Net Proceeds would be subject to certain compliance requirements. Our Bank intends to utilize the Net Proceeds from the Issue towards augmenting its Tier – 1 capital base to meet its future capital requirements. Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue as described in the section “*Objects of the Offer*” on page 52.

As of the date of this Draft Letter of Offer, our funding requirements are based on management estimates and our current business plans, and are subject to change in light of external circumstances, changes in costs, business initiatives, financial conditions, or strategies. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Offer. Management estimates may differ from values determined by third-party appraisals, which may require us to reschedule or reallocate expenditure, subject to applicable laws, and could have an adverse impact on our business, financial condition, cash flows, and results of operations. We may also have to reconsider our estimates or business plans due to changes in underlying factors, some of which are beyond our control, such as interest rate fluctuations, changes in input costs, and other financial or operational factors. Accordingly, investors in the Equity Shares will be relying on the judgment of our management regarding the application of the Net Proceeds.

Further, we may not be able to undertake variation of the objects of the Issue to utilize any unutilized proceeds of the Issue, if any, or vary the terms of any contract referred to in this Draft Letter of Offer, even if such variation is in the interest of our Bank. This may restrict our ability to respond to changes in our business or financial condition by redeploying the unutilized portion of Net Proceeds or varying contractual terms, which may adversely affect our business and results of operations. In addition, the application of the Net Proceeds in our business may not necessarily lead to an increase in the value of your investment.


37. *We may be unable to adequately obtain, maintain, protect and enforce our intellectual property rights. We may also be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.*

We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights and as on the date of this Draft Letter of Offer, we have obtained registrations for 99 trademarks under the Trademarks Act, 1999. It is often difficult to register, maintain and enforce intellectual property rights in India. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality agreements and license agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach.

While we have not faced any such instances relating to our intellectual property or contractual rights in financial year ended March 31, 2025 and March 31, 2024, and quarter ended June 30, 2025 and June 30, 2024, that led to any material adverse impact on our business and operations, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in India in the future for any or all of the reasons mentioned above. Policing any unauthorized

use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. While we have not faced any such instances of intellectual property-related litigation in financial year ended March 31, 2025 and March 31, 2024, and quarter ended June 30, 2025 and June 30, 2024, that led to any material adverse impact on our business and operations, in the event that we resort to litigation to enforce our intellectual property rights in the future, such litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in such litigation. Any failure to protect or enforce our intellectual property rights could have an adverse effect on our business, financial condition, cash flows and results of operations.

38. *We depend on the recognition of our brand, and failure to use, maintain and enhance awareness of the brand, or to protect our intellectual property rights, may adversely affect our business.*

We have obtained registration of the trademark of our logo  under Class 16 under the provisions of the Trademarks Act, 1999, as amended, which is currently pending. Any unauthorized or inappropriate use of our brand, trademark and domain names by others, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. 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. The absence of any registered trademark could limit our ability to defend against any claims of passing-off or infringement. 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.

In addition, we believe that any damage to our brand or reputation could substantially impair our ability to maintain or grow our business, or have an adverse effect on our business, financial condition and results of operations. If we fail to maintain brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brand under which our services are provided declines, market perception and customer acceptance of our brand may also decline. Any negative news affecting us might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and results of operations may be adversely affected. Further, we may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection pending registry of our trademarks. We cannot assure you that we will be able to obtain registration of all the trademarks applied for in our name, and such failure may materially and adversely affect our business prospects, reputation and goodwill.

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

Our results of operations may be affected by seasonal trends in the Indian economy and geopolitical conditions. In particular, microfinance loans are sensitive to agricultural cycles, with demand increasing during sowing and harvesting seasons. External factors such as monsoons and rural cash flows can also significantly impact loan origination and repayment behaviour. Our JLG Loans focused on the our JLG loans given to the women entrepreneurs are affected by their availability due to several factors like agricultural cycles, harvest season demand of the targeted product/ service and other trends in the rural areas. Our Education Loans also demonstrate seasonal behaviour in line with the academic cycle, peaking around admissions seasons in the first and third quarters of the financial year. Such Education Loans may also be affected by factors including domestic policies or adverse situations and changing immigration and visa policies in the countries in which such students are or have planned their studies, which can lead to a hostile climate and fewer student visas being granted to such students. We are also exposed to seasonal trends in our Construction Equipment Loans and Commercial Vehicle Loans, where demand for such loans is impacted by the monsoon season, which affects construction, mining and other related activities and which may cause such assets to be off-road or idle and hence non-revenue generating. Festive seasons also affect activity at construction sites and therefore affecting the demand for our Developer Finance loans, due to the migratory nature of the labour population at construction sites.

Accordingly, our results of operations and financial condition in one quarter may not accurately reflect the trends for the entire Fiscal and may not be comparable with our results of operations and financial condition for other quarters.

RISKS RELATING TO THE ISSUE

40. *Foreign Investors are subject to restrictions under Indian laws, which may limit our ability to attract foreign investment and the rights of shareholders under Indian law may differ from those in other jurisdictions.*

Under the current foreign exchange regulations in India, transfers of shares between non-residents and residents are generally permitted, subject to compliance with pricing guidelines and reporting requirements set by the RBI. If a transfer does not comply with these guidelines or falls under specific exceptions, prior approval from the RBI will be required. eligible Investors wishing to convert proceeds from the sale of shares into foreign currency and repatriate it will also need a no-objection or tax clearance certificate from the income tax authorities. We cannot guarantee that any necessary approvals from the RBI or other government agencies will be granted, or that they will be obtained on favorable terms. Additionally, the Government of India may impose foreign exchange restrictions in certain emergency situations, such as

significant fluctuations in interest rates or exchange rates, balance of payments difficulties, or disturbances in financial and capital markets.

Our corporate affairs are governed by our Articles of Association and Indian law, which may differ from those in other jurisdictions. Investor' rights under Indian law, including in relation to class actions, may not be as extensive as in other countries, potentially making it more difficult for investors to assert their rights.

41. *There are significant differences between Indian GAAP, Ind AS, and other accounting standards such as IFRS and U.S. GAAP, which may affect investors' assessment of our financial position.*

We have not quantified the impact of Ind AS, U.S. GAAP or IFRS on our financial data, nor have we provided a reconciliation of our financial statements to these standards. As U.S. GAAP and IFRS differ significantly from Indian GAAP and Ind AS the relevance of our financial statements in this document largely depends on the reader's familiarity with Indian accounting practices. Therefore, those not familiar with Indian accounting standards should limit their reliance on the financial information presented.

42. *The Investors may not receive the Rights Equity Shares that they subscribe in this Issue until two days after the Issue Closing Date, which will subject the Investors to market risk.*

The Rights Equity Shares that the successful Investors/ Applicants be Allotted in this Issue may not be credited to their demat account with the depository participants until approximately two days from the Issue Closing Date. The successful Investors/ Applicants can start trading such Rights Equity Shares only after receipt of the listing and trading approval in respect thereof. We cannot assure the successful Investors/ Applicants that the Rights Equity Shares allocated to them will be credited to your demat account, or that trading in such Rights Equity Shares will commence within the specified time period, subjecting you to market risk for such period.

43. *The Rights Entitlement of Eligible Equity Shareholders holding Equity Shares in physical form or whose demat accounts are frozen 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, "[●]") ("**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 which of the Eligible Equity Shareholder whose demat accounts are frozen or where the Equity Shares are lying in the unclaimed/ suspense escrow 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 (c) where credit of the Rights Entitlements have returned/reversed/failed for any reason; or (d) where ownership is currently under dispute, including any court or regulatory proceedings or where legal notices have been issued, if any or (e) 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 / documents as acceptable to our Bank or the Registrar (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 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 74.

44. ***Eligible Equity Shareholders holding Equity Shares in physical form will have no voting rights in respect of Equity Shares until they provide details of their demat account and Equity Shares are transferred to such demat account from the demat suspense account thereafter.***

In accordance with the SEBI ICDR Master Circular, the credit of Rights Entitlement and Allotment of Equity Shares shall be made in dematerialised form only. Accordingly, the Rights Entitlements of the Physical Shareholders shall be credited in a suspense escrow demat account opened by our Bank during the Issue Period. The Physical Shareholders are requested to furnish the details of their demat account to the Registrar no later than two clear Working Days prior to the Issue Closing Date to enable the credit of their Rights Entitlements in their demat accounts at least one day before the Issue Closing Date. The Rights Entitlements of the Physical Shareholders who do not furnish the details of their demat account to the Registrar no later than two clear Working Days prior to the Issue Closing Date, shall lapse. Further, pursuant to a press release dated December 3, 2018 issued by the SEBI, with effect from April 1, 2019, a transfer of listed Equity Shares cannot be processed unless the Equity Shares are held in dematerialized form (except in case of transmission or transposition of Equity Shares). For further information, see “*Terms of the Issue*” on page 74.

Further, in case bank accounts of the aforesaid Eligible Equity Shareholders cannot be identified due to any reason or bounce back from such bank accounts, our Bank may use payment mechanisms such as cheques, demand drafts etc. to remit the proceeds of sale of the Equity Shares to such Eligible Equity Shareholders. If such bank account from which Application Money was received is closed or non- operational, the sale proceeds will be transferred to IEPF in accordance with practice on Equity Shares and as per applicable law.

45. ***Successful Investors/ Applicants (except to the extent of the Specific Investor(s), if any) to this Issue are not allowed to withdraw their Bids after the Issue Closing Date. In case of Promoter renouncement of its Rights Entitlements in favour of Specific Investor(s), Specific Investor(s) are not allowed to withdraw their Bids after submission on the Issue Opening Date, as prescribed.***

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 successful Investors/ Applicants’ 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 operations or financial condition, or other events affecting the successful Investors/ Applicants’ 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. In the event of any such occurrence, the successful Investors/ Applicants (except to the extent of the Specific Investor(s), shall not have the right to withdraw their applications after the Issue Closing Date. In case of Promoter renouncement of its Rights Entitlements in favour of Specific Investor(s), the Specific Investor(s) shall submit its application before 11:00 am on Issue Opening Date, post which such application cannot be withdrawn.

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 Opening Date (in case of the Specific Investor(s) and Closing Date (for all other successful Issue/ Applicants), the successful Investors/ Applicants will be required to purchase Rights Equity Shares at a price that may be higher than the actual market price for the Equity Shares at that time. Should that occur, the successful Investors/ Applicants will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the successful Investors/ Applicants’ ability to sell the Rights Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

46. ***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 – Renunciation and Trading of Rights Entitlement*” on page 87.

47. ***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.***

We will not distribute the Issue Material to the shareholders who have not provided an address in India for service of documents. The Issue Materials 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, the 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 the 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 Materials 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 Materials, 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.

48. *Overseas shareholders may not be able to participate in the Company's future rights offerings or certain other equity issues.*

If our Bank offers or causes to be offered to holders of its Equity Shares rights to subscribe for additional Equity Shares or any right of any other nature, our Bank will have discretion as to the procedure to be followed in making such rights available to overseas holders of the Equity Shares or in disposing of such rights for the benefit of such holders. For instance, our Bank may not offer such rights to the holders of Equity Shares who have a registered address in the United States unless: (i) a registration statement is in effect, if a registration statement under the U.S. Securities Act is required in order for the Company to offer such rights to holders and sell the securities represented by such rights; or (ii) the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the U.S. Securities Act. Our Bank has no obligation to prepare or file any registration statement. Accordingly, shareholders who have a registered address in the United States or other foreign jurisdiction, with similar restrictions may be unable to participate in future rights offerings and may experience a dilution in their holdings as a result.

49. *Successful Investors/ Applicants will be subject to market risks until our Rights Equity Shares credited to the Successful Investors/ Applicant's demat account are listed and permitted to trade.*

Successful Investors/ Applicants can start trading the Rights Equity Shares Allotted to them only after they have been credited to a Successful Investors/ Applicant's demat account, are listed and permitted to trade. Since our Equity Shares are currently traded on the Stock Exchanges, successful Investors/ Applicants 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 such Equity Shares will commence in a timely manner.

50. *Any future issuance of Equity Shares by our Bank or sales of our Equity Shares by any of our Bank's significant shareholders including our Promoter may adversely affect the trading price of our Equity Shares.*

Any future issuance of Equity Shares by our Bank could dilute the shareholding of the existing Shareholders and the successful Investors/ Applicants. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders including our Promoter may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. We cannot assure that we will not issue further Equity Shares or that the Shareholders will not dispose of, pledge, or otherwise encumber the Equity Shares held by them. In addition, any perception by the market that such issuances or sales might occur could also affect the trading price of our Equity Shares.

51. *The Rights Equity Shares may experience price and volume fluctuations.*

The market price of the Rights Equity Shares can be volatile as a result of several factors beyond our control, including volatility in the Indian and global securities markets, our results of operations, the performance of our competitors, developments in the Indian finance and lending sector, changing perceptions in the market about investments in this sector in India, investor perceptions of our future performance, adverse media reports about us or our sector, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalization and deregulation policies, and significant developments in India's fiscal regulations. In addition, the stock exchanges may experience significant price and volume fluctuations, which may have a material adverse effect on the market price of the Rights Equity Shares.

General or industry specific market conditions or stock performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also affect the price of the Rights Equity Shares. In particular, the stock market as a whole recently experienced extreme price and volume fluctuations that have affected the market price of many companies in ways that may have been unrelated to the companies' operating performances. For these reasons, investors should not rely on recent trends to predict future share prices, results of operations or cash flow and financial condition.

52. *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 Rights Equity Shares, but also on the quoted price of the Rights Equity Shares, amongst others. Factors affecting the volatility of the price of the Rights 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 Rights 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 Rights Equity Shares on the floor of the Stock Exchanges, the trading of Rights Equity Shares may not track the trading of Equity Shares.

53. *Rights of shareholders under Indian law may differ or may be more limited than under the laws of other jurisdictions.*

The Companies Act and rules made thereunder, the rules and regulations issued by SEBI and other regulatory authorities, the Memorandum of Association, and the Articles of Association govern the corporate affairs of our Bank. Indian 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 company in another jurisdiction. In accordance with the provisions of the Companies Act the voting rights of an equity shareholder in a company shall be in proportion to the share of a person in the paid-up equity share capital of that company.

54. *You may be subject to Indian taxes arising out of capital gains on the sale of the Rights Equity Shares.*

Under the current Indian tax laws and regulations, unless specifically exempted, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Additionally, 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 equity shares are sold. Any capital gain realized on the sale of listed equity shares on the stock exchanges held for more than 12 months immediately preceding the date of transfer will be subject to long term capital gains tax in India. Such long-term capital gains exceeding ₹1,25,000 arising from the sale of listed equity shares on the stock exchange are subject to tax at the rate of 12.50% (plus applicable surcharge and cess). This beneficial provision is, inter alia, subject to payment of STT. Further, any capital gains realised on the sale of listed equity shares of an Indian company, held for more than 12 months, which are sold using any platform other than a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India at the rate of 12.50% (plus applicable surcharge and cess).

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 at the rate of 20.00% (plus applicable surcharge and cess), subject to STT being paid at the time of sale of such shares. Otherwise, such gains will be taxed at the applicable rates. Capital gains arising from the sale of the Rights 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 and the seller is entitled to avail benefits thereunder, subject to certain conditions.

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 upon the sale of the Rights Equity Shares. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning, investing or trading in the Rights Equity Shares.

55. *Investors may be restricted in their ability to exercise pre-emptive rights under Indian law and thereby may suffer future dilution of their ownership position.*

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

SECTION III: INTRODUCTION

THE ISSUE

The Issue has been authorized by way of resolution passed by our Board on October 1, 2025, pursuant to Section 62(1)(a) and other applicable provisions of the Companies Act, 2013. 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 [●].

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 the section entitled “*Terms of the Issue*” beginning on page 74.

Rights Equity Shares being offered by our Bank	Up to [●]* Rights Equity Shares of face value of ₹ 10 each (fully paid-up)
Rights Entitlement for the Rights Equity Shares	[●] ([●]) Rights Equity Share for every [●] ([●]) Equity Shares held on the Record Date
Record Date	[●]
Face Value per Equity Share	₹10 each
Issue Price	₹ [●] per Rights Equity Share (including a premium of ₹ [●] per Rights Equity Share)
Issue Size	₹ 950* crore
Equity Shares issued prior to the Issue	110,16,09,900 Equity Shares. For details, see “ <i>Capital Structure</i> ” beginning on page 50
Equity Shares subscribed, paid-up and outstanding prior to the Issue	110,16,09,900 Equity Shares. For details, see “ <i>Capital Structure</i> ” beginning on page 50
Equity Shares outstanding after the Issue	[●] Equity Shares
Security Codes for the Equity Shares	ISIN for Equity Shares: INE735W01017 BSE: 543942 NSE: UTKARSHBNK
ISIN for Rights Entitlements	[●]
Terms of the Issue	For further information, see “ <i>Terms of the Issue</i> ” beginning on page 74
Use of Issue Proceeds	For further information, see “ <i>Objects of the Issue</i> ” beginning on page 52

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

For details in relation to fractional entitlements, see “*Terms of the Issue – Basis for this Issue and Terms of this Issue - Fractional Entitlements*” on page 90.

Terms of Payment

(in ₹)			
Due Date	Face Value	Premium	Total amount payable per Rights Equity Share (including premium)
On Application (i.e., along with the Application Form)	10	[●]	[●]

GENERAL INFORMATION

Utkarsh CoreInvest Limited, our Promoter was granted the RBI In-Principle Approval to establish an SFB on October 7, 2015. Our Bank was incorporated as 'Utkarsh Small Finance Bank Limited' on April 30, 2016 at Varanasi, Uttar Pradesh, India as a public limited company under the Companies Act, 2013 and was granted a certificate of incorporation by the Registrar of Companies, Central Registration Centre. Our Bank was thereafter granted the RBI Licence to carry on business as an SFB on November 25, 2016. Subsequently, our Promoter transferred its Business Undertaking comprising its lending and financing business to our Bank in accordance with the terms of the business transfer agreement dated January 21, 2017. Our Bank commenced its business operations on January 23, 2017. Our Bank was included in the second schedule to the RBI Act pursuant to a notification bearing no. DBR. NBD. (SFB-UMFL). No.2689/16.13.216/2017-2018 dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III -Section 4) dated November 7, 2017. The Board passed a resolution dated September 20, 2024 approving reverse merger of Utkarsh CoreInvest Limited with the Bank to fulfil the regulatory requirement, provided under the Reserve Bank of India Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023, requiring dilution of the Promoter shareholding to 26 % within 15 years from the date of commencement of banking business.

Registered and Corporate Office

Utkarsh Tower, NH - 31 (Airport Road),
Sehmalpur, Kazi Sarai, Harhua,
Varanasi 221 105,
Uttar Pradesh, India

Corporate Identity Number: L65992UP2016PLC082804

Registration Number: 082804

Address of the RoC

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

Registrar of Companies, Uttar Pradesh at Kanpur

37/17, Westcott Building,
The Mall
Kanpur 208 001
Uttar Pradesh, India

Company Secretary and Compliance Officer

Muthiah Ganapathy is the Company Secretary and Compliance Officer of our Bank. His details are as follows:

Muthiah Ganapathy

Rupa Sapphire, Plot No.12,
Sector 18, 22nd Floor,
Sion - Panvel Expressway, Sanpada,
Navi Mumbai - 400 705,
Maharashtra, India
Tel: +919702244762
E-mail: muthiah.ganapathy@utkarsh.bank

Legal Counsel to our Bank as to Indian Law

CMS IndusLaw

1502B, 15th Floor Tower - 1C, One World Centre,
Senapati Bapat Marg, Lower Parel
Mumbai 400 013
Maharashtra, India
Tel: +91 22 4920 7200
Website: <https://induslaw.com/>
E-mail: mumbai@induslaw.com

Joint Statutory Auditors of our Bank

M/s M.M. Nissim & Co. LLP, Chartered Accountants

Barodawala Mansion, B Wing,
3rd Floor, 81, Dr. Annie Besant Road,
Worli, Mumbai - 400018
Tel: +91 22 6987 9999

E-mail: skkhemani@mmnissim.com

Peer Review Certificate Number: 019819

Firm Registration Number: 107122W/W100672

M/s KKC & Associates LLP, Chartered Accountants

Level 19, Sunshine Tower, Senapati Bapat Marg,

Elphinstone Road, Mumbai 400013, India

Tel: +91 22 6143 7327

E-mail: vinit@kkcllp.in

Peer Review Certificate Number: 016960

Firm Registration Number: 105146W/W100621

Previous Joint Statutory Auditors of our Bank

Deloitte Haskins & Sells

19th Floor, Shapath - V, S. G. Highway

Ahmedabad 380 015,

Gujarat, India.

Tel: +91 79 6682 7300

E-mail: sgk@deloitte.com

Peer Review Certificate Number: 012965

Firm Registration Number: 117365W

Kirtane & Pandit LLP

H-16, Saraswat Colony,

Sitladevi Temple Road

Mahim West,

Mumbai 400 016

Maharashtra, India.

Tel: +91 22 2444 4119

E-mail: kpcamumbai@kirtanepandit.com

Peer Review Certificate Number: 014680

Firm Registration Number: 105215W/W100057

Advisor to the Issue

DAM Capital Advisors Limited

Address: Altimus 2202, Level 22,

Pandurang Budhkar Marg, Worli,

Mumbai, India.- 400018

Tel: 022-4202 2500

Email Id: utkarshsfb@damcapital.in

Website: www.damcapital.in

SEBI Registration No: MB/INM000011336

Registrar to the Issue

Kfin Technologies Limited

Address: Selenium Building, Tower-B,

Plot No 31 & 32, Financial District,

Nanakramguda, Serilingampally,

Hyderabad, Rangareddy,

Telangana, India - 500 032.

Tel: +91 91774 01071

Email: murali.m@kfintech.com

Investor Grievances

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, see “*Terms of the Issue*” beginning on page 74.

Expert

Our Bank has received written consent dated September 19, 2025, from JHS & Associates LLP, Chartered Accountants, holding a valid peer review certificate from ICAI, to include their name in this Draft Letter of Offer, and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 in respect of the statement of possible special tax benefits available to our Bank and its shareholders dated October 1, 2025.

Banker to the Issue

Kotak Mahindra Bank Limited

Intellion Square, 501,
5th Floor, A Wing, Infinity IT Park,
Gen. A.K. Vaidya Marg,
Malad East,
Mumbai 400 097
Maharashtra, India
Tel: 022-69410754

E-mail: cmsipo@kotak.com

Website: www.kotak.com

Contact Person: Mr. Sumit Panchal

SEBI Registration No.: INBI00000927

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 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.

Registrar and Share Transfer Agents

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

Credit Rating

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

Debenture Trustee

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

Monitoring Agency

In accordance with the proviso to Regulation 82 of the SEBI ICDR Regulations, our Bank is exempted from the requirement to appoint a credit rating agency to monitor the utilization of the Gross Proceeds.

Appraising Entity

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

Book Building Process

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

Minimum Subscription

The object of the Issue is augmentation of its Tier I capital. Further, our Promoter has confirmed that it will (i) not subscribe to the full extent of their Rights Entitlements in the Issue, and (ii) it will renounce its Rights Entitlements in favour of the Specific Investor(s). Further, the unsubscribed portion of the Issue may be allotted to any Specific Investor(s) recognised by the Company.

The acquisition of Rights Equity Shares by a Promoter in this Issue shall be eligible for exemption from open offer requirements in terms of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations, and the Issue shall not result in a change of control of the management of our Company in accordance with provisions of the SEBI Takeover Regulations. Our Company is in compliance with Regulation 38 of the SEBI LODR Regulations and will continue to comply with the minimum public shareholding requirements under applicable law, pursuant to this Issue.

Any participation by our Promoter, over and above their Rights Entitlements, shall not result in a breach of the minimum public shareholding requirements prescribed under applicable law.

Underwriting

This Issue is not underwritten.

Filing

The Draft Letter of Offer will be filed with the Stock Exchanges and the Letter of Offer with Securities and Exchange Board of India and the Stock Exchanges as per the provisions of the SEBI ICDR Regulations.

CAPITAL STRUCTURE

The share capital of our Bank as at the date of this Draft Letter of Offer and the details of the Rights Equity Shares proposed to be issued in the Issue, and the issued, subscribed and paid-up share capital after the Issue [●] is as set forth below:

(In ₹, except share data, or unless stated otherwise)		
Particulars	Aggregate value at Face Value	Aggregate value at Issue Price
A AUTHORISED SHARE CAPITAL		
1,80,00,00,000 Equity Shares of ₹ 10 each	18,00,00,00,000	[●]
20,00,00,000 Preference Shares of ₹ 10 each	2,00,00,00,000	[●]
B ISSUED SHARE CAPITAL BEFORE THE ISSUE		
110,16,09,900 Equity Shares	11,01,60,99,000	[●]
C SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE		
110,16,09,900 Equity Shares	11,01,60,99,000	[●]
D PRESENT ISSUE IN TERMS OF THIS DRAFT LETTER OF OFFER		
Up to [●] Rights Equity Shares ⁽¹⁾	[●]	[●]
E ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE⁽¹⁾⁽²⁾		
Issued share capital		
[●] Equity Shares ⁽³⁾	Up to [●]	Up to [●]
Subscribed and paid-up share capital		
[●] Rights Equity Shares of ₹10 each ⁽⁴⁾	[●]	[●]
SECURITIES PREMIUM ACCOUNT		(in ₹ crore)
Before the Issue (As of June 30, 2025)		560.93
After the Issue ⁽²⁾		[●]

Notes:

- (1) The Issue has been authorised by our Board pursuant to a resolution dated October 1, 2025. The terms of the Issue including the Record Date and Rights Entitlement ratio, have been approved by the Board pursuant to a resolution dated [●].
- (2) Assuming full subscription in the Issue. Subject to finalisation of Basis of Allotment.
- (3) Assuming full conversion of outstanding ESOPs.
- (4) Assuming full subscription in the Issue. Subject to finalisation of Basis of Allotment and deduction of Issue related expenses.

Notes to the Capital Structure

- Shareholding pattern of our Bank as per the last filing with the Stock Exchanges in compliance with the provisions of the SEBI LODR Regulations.
 - The shareholding pattern of our Bank as on June 30, 2025, can be accessed on the website of BSE at <https://www.bseindia.com/stock-share-price/utkarsh-small-finance-bank-ltd/utkarshbnk/543942/qtrid/126.00/shareholding-pattern/Jun-2025/> and NSE at https://www.nseindia.com/get-quotes/equity?symbol=UTKARSHBNK_.
 - The statement showing holding of Equity Shares of persons belonging to the category “Promoter and Promoter Group” including the details of lock-in, pledge of and encumbrance thereon, as on June 30, 2025, can be accessed on the website of BSE at <https://www.bseindia.com/stock-share-price/utkarsh-small-finance-bank-ltd/utkarshbnk/543942/qtrid/126.00/shareholding-pattern/Jun-2025/> and NSE at <https://www.nseindia.com/get-quotes/equity?symbol=UTKARSHBNK>.
 - The statement showing holding of Equity Shares of persons belonging to the category “Public” including Equity Shareholders holding more than 1% of the total number of Equity Shares as on June 30, 2025, as well as details of shares which remain unclaimed for public can be accessed on the website of BSE at <https://www.bseindia.com/stock-share-price/utkarsh-small-finance-bank-ltd/utkarshbnk/543942/qtrid/126.00/shareholding-pattern/Jun-2025/> and NSE at <https://www.nseindia.com/companies-listing/corporate-filings-shareholding-pattern?symbol=UTKARSHBNK&tabIndex=equity>.
- No Equity Shares have been acquired by our Promoter in the last one year immediately preceding the date of filing of this Draft Letter of Offer with the Designated Stock Exchange.

3. Our Bank shall ensure that any transaction in the securities by our Promoter and members of the Promoter Group during the period between the date of filing of this Draft Letter of Offer and date of closure of the Issue shall be reported to the Stock Exchanges, within 24 hours of such transactions.
4. At any given time, there shall be only one denomination of the Equity Shares of our Bank.
5. 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 this Draft Letter of Offer.
6. Except as disclosed below, there are no outstanding options or convertible securities, including any outstanding warrants or rights to convert debentures, loans or other instruments convertible into our Equity Shares as on the date of this Draft Letter of Offer.

USFBL Employee Stock Option Plan 2020 (“ESOP Plan 2020”)

Pursuant to the resolutions passed by our Board on November 9, 2020 (extension of meeting held on November 6, 2020) and our Shareholders on December 28, 2020, our Bank adopted the ESOP Plan 2020, which was last amended by our Bank pursuant to resolutions passed by our Board on July 15, 2022 and our Shareholders on July 19, 2022.

The details as to grants, exercise and lapse of stock options under ESOP Plan 2020, as on June 30, 2025, are as follows:

Particulars	ESOP Plan 2020
Total number of stock options granted	6,86,80,191
Stock options vested but not exercised	1,19,69,214
Stock options exercised	61,06,222
Stock options forfeited/lapsed	1,49,03,295
Money realized by exercise of options (in ₹)	16,25,70,508.08
Total number of options outstanding	47,66,70,674

Note: As per ESOP Plan 2020 approved by the shareholders, in case of rights issues or bonus issues or the Equity Shares of our Bank are split up reducing the face value per Equity Share, then our Bank shall, on the recommendations of the Nomination and Remuneration Committee make a fair and reasonable adjustment to the number of outstanding options or to the exercise price.

USFBL Employee Stock Option 2024 Scheme 1 (“ESOP Scheme 1”)

As per ESOP Scheme 1 approved by the shareholders, in case of rights issues or bonus issues or the Equity Shares of our Bank are split up reducing the face value per Equity Share, then our Bank shall, on the recommendations of the Nomination and Remuneration Committee make a fair and reasonable adjustment to the number of outstanding options or to the exercise price. There are no outstanding employee stock options under ESOP Scheme 2024, as on June 30, 2025.

5. The ex-rights price of the Equity Shares as per regulation 10(4)(b) of the SEBI Takeover Regulations is ₹ [●] per Equity Share.
6. All Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of this Draft Letter of Offer.
7. Details of the Equity Shareholders holding more than 1% of the paid-up and subscribed share capital of the Bank

The table below sets forth details of Equity Shareholders holding more than 1% of the paid-up and subscribed share capital of our Bank, as of June 30, 2025:

Sr. No	Name of the Equity Shareholders	Number of Equity Shares held*	Percentage of Equity Shares held (%)
1.	Utkarsh CoreInvest Limited	75,92,72,222	68.92
2.	Olympus ACF PTE Limited	3,42,01,634	3.10

**The Equity Shares held under distinct folio numbers by Shareholders holding the same PAN are considered as Equity Shares held by a single Shareholder.*

OBJECTS OF THE ISSUE

The Issue comprises of up to [●] Rights Equity Shares of face value of ₹ 10 each for a cash price at ₹ [●] per Rights Equity Share (including a premium of ₹ [●] per Rights Equity Share) aggregating up to ₹ 950 crore. For further details, see “*Summary of the Draft Letter of Offer*” and “*The Issue*” on pages 16 and 45, respectively.

Our Bank intends to utilize the Net Proceeds from the Issue towards augmenting its Tier – 1 capital base to meet its future capital requirements (referred to hereinafter as the “**Objects**”). Further, the proceeds from the Issue will also be used towards meeting the expenses in relation to the Issue.

The main objects and objects incidental and ancillary to the main objects set out in our Memorandum of Association enable our Bank: (i) to undertake our existing business activities and other activities set out therein; (ii) to undertake the activities proposed to be funded from the Net Proceeds; (iii) the activities towards which the loans proposed to be repaid/ prepaid in full or in part from the Net Proceeds were utilized.

Issue Proceeds

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

(in ₹ crore)	
Particulars	Estimated amount
Gross proceeds from the Issue*	950
(Less) Issue related expenses**	[●]
Net Proceeds**	[●]

*Assuming full subscription in the Issue, subject to the finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement Ratio.

**To be finalized upon determination of the Issue Price and updated in the Letter of Offer. Estimated and subject to change. For further details, see “– Estimated Issue Expenses” on page 53.

Requirements of funds and utilization of Net Proceeds

The Net Proceeds are proposed to be utilized in accordance with the details provided in the following table:

(in ₹ crore)	
Particulars	Estimated amount
Augmenting our Tier – 1 capital base	[●]
Net Proceeds [#]	[●]

[#] Assuming full subscription in the Issue. Subject to finalisation of Basis of Allotment.

Pursuant to a resolution passed by our Board of Directors dated October 1, 2025, our Bank has approved the utilization of the Net Proceeds for the Objects, in accordance with the schedule of deployment and implementation. For further details, see “*Material Contracts and Documents for Inspection*” on page 102.

Proposed schedule of implementation and deployment of Net Proceeds

The Net Proceeds are proposed to be used in accordance with the details provided in the following table:

(in ₹ crore)		
Particulars	Amount proposed to be funded from the Net Proceeds	Estimated schedule of deployment of Net Proceeds Fiscal 2026
Augmenting Tier I capital “by provision of the long-term capital and resources for meeting funding requirements for our Company’s business activities”	[●]	[●]
Net Proceeds⁽¹⁾⁽²⁾	[●]	[●]

(1) Assuming full subscription in the Issue and subject to the finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement Ratio.

(2) Assuming full subscription in the Issue. Subject to finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement ratio.

The funding requirements and deployment of the Net Proceeds as described herein are based on of various factors, our current business plan, management estimates, current circumstances of our business and other commercial and technical factors. However, such fund requirements and deployment of funds have not been appraised by any bank or financial institution. See “*Risk Factors - Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which may be beyond our control*” on page 39. We may have to revise our funding requirements and deployment of the Net Proceeds from time to time on account of various factors, such as financial and market conditions, business and strategy, regulatory related delays, competitive environment and interest or exchange rate fluctuations, incremental preoperative expenses, taxes and duties, interest and finance charges, working capital margin, regulatory costs, and other external factors such as changes in the business environment or regulatory climate which may not be within the control of our management. This may entail rescheduling the proposed utilization of the Net Proceeds and changing the allocation of funds from its planned allocation at the discretion of our management, subject to compliance with applicable laws.

Subject to applicable laws, in case of a shortfall in raising requisite capital from the Net Proceeds or an increase in the total estimated cost of the Objects, business considerations may require us to explore a range of options including utilizing our internal accruals and seeking additional debt from existing and future lenders. We believe that such alternate arrangements would be available to fund any such shortfalls. Further, in case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purpose for which funds are being raised in the Issue in accordance with the applicable laws including the SEBI ICDR Regulations. In the event that the estimated utilization of the Net Proceeds in a scheduled Financial Year is not completely met, due to the reasons stated above, the same shall be utilized in the next Fiscal Year, as may be determined by our Bank in accordance with applicable laws.

Means of finance

The funding requirements for the Objects detailed above are proposed to be funded from the Net Proceeds. Since our Bank is not proposing to fund any specific project from the Net Proceeds, the requirement under Regulation 62(1)(c) of the SEBI ICDR Regulations to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance for such projects proposed to be funded from the Net Proceeds, excluding the amount to be raised through the Issue or existing identifiable internal accruals is not applicable.

Details of the Objects

The details in relation to the Objects of the Issue are set forth below:

1. Augmentation of capital

As a SFB in India and, registered with RBI, we are subject to regulations relating to the capital adequacy, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our portfolio and of the risk adjusted value of off-balance sheet items, as applicable. As per the capital adequacy norms issued by the RBI <https://www.rbi.org.in/commonman/English/Scripts/Notification.aspx?Id=2282>, we are required to have a regulatory minimum CRAR of 15% of the risk weighted assets of the Bank on a continuous basis, subject to any higher percentage as may be prescribed by RBI from time to time, and the Tier - I capital is required to be at least 7.5% of the risk weighted asset. As on June 30, 2025 the Bank's CRAR was 19.64% (Tier I capital of 16.71 %). For details see "*Risk Factors – We have incurred losses in the last quarter ended June 30, 2025 and our profit after tax has significantly declined in the financial year ended March 31, 2025 due to increases in our NPAs. We cannot assure that we will be able to maintain profitability in the future and will not incur further losses*" on page 19.

Our Bank proposes to utilise the Net Proceeds towards augmenting its Tier – 1 capital base to meet its future capital requirements. Further, as we continue to grow our loan portfolio and asset base, we will require additional capital in order to continue to meet applicable capital adequacy ratios with respect to our business. In the coming quarters, our Bank plans to significantly grow its loan advances which would require Tier 1 capital to comply with the applicable capital adequacy regulations. With the primary capital raise planned through the Issue, the management of our Bank believes that it would have adequate capital without any further need of fresh capital in the short to medium term.

Accordingly, we intend to utilise up to ₹ [●] from the Net Proceeds to augment our capital base to meet our future capital requirements, which are expected to arise out of growth of our business and assets, including but not limited to onward lending as part of our business activities, ensuring compliance with applicable regulatory requirements, payment of operating expenditure and funding growth opportunities.

Estimated Issue Expenses

The total expenses of the Issue are estimated to be approximately ₹ [●] crore. The break-up of the estimated Issue expenses is as follows:

Activity	Estimated amount	(in ₹ crores)	
		Percentage of the total estimated Issue Expenses	Percentage of the total Issue Size
		(%)	(%)
Brokerage, selling commission and upload fees	[●]	[●]	[●]
Fees payable to the Registrar to the Issue	[●]	[●]	[●]
Fees payable to the legal advisor and other professional service providers [^]	[●]	[●]	[●]
Advertising, marketing expenses and shareholder outreach expenses	[●]	[●]	[●]
Fees payable to regulators, including Stock Exchanges, SEBI, depositories and other statutory fee	[●]	[●]	[●]
Printing and stationery, distribution, postage, etc.	[●]	[●]	[●]
Other expenses (including miscellaneous expenses and stamp duty)	[●]	[●]	[●]
Total estimated Issue Expenses*	[●]	[●]	[●]

Notes:

** Subject to finalisation of Basis of Allotment. All issue related expenses will be paid out of the Issue Proceeds received at the time of receipt of the Application Money. ^ Includes fees payable to the legal counsels, independent chartered accountant. Amount will be finalized at the time of filing of the Letter of Offer and determination of Issue Price and other details.*

Interim use of the Net Proceeds

Our Bank shall deposit the Net Proceeds, pending utilization of the Net Proceeds for the purposes described above, by depositing the same with scheduled commercial banks included in the second schedule of Reserve Bank of India Act, 1934.

Appraising entity

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

Bridge financing facilities

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

Monitoring of utilization of funds

Our Bank is exempted from appointment of credit rating agency to monitor the utilization of the Gross Proceeds in terms of the proviso to Regulation 82 of the SEBI ICDR Regulations.

Strategic or Financial Partners

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

Other Confirmations

Neither our Promoter, nor our Directors have any interest in the Objects on the Issue.

As on the date of this Draft Letter of Offer, there are no pending material approvals required from governmental or regulatory authorities, by our Bank pertaining to the Objects of the Issue.

STATEMENT OF SPECIAL TAX BENEFITS

Date: October 01, 2025

Ref No -

To,

The Board of Directors,
Utkarsh Small Finance Bank Limited
Utkarsh Tower, NH – 31 (Airport Road)
Sehmalpur, Kazi Sarai
Varanasi 221105, Uttar Pradesh

Sub: Statement of possible special Tax Benefits available to Utkarsh Small Finance Bank Limited (the 'Bank'), and the shareholders of the Bank in connection with the proposed rights issue of equity shares of face value of Rs. 10 each ("the Issue")

Dear Sirs,

1. We, JHS & Associates LLP, Chartered Accountants are independent chartered accountants and have received a requested by the Bank to issue a report on the special tax benefits available to the Bank and shareholders of the Bank for inclusion in the draft letter of offer and letter of offer (collectively referred to as "**Issue Documents**") prepared in connection with the proposed rights issue of equity shares of Bank.
2. This statement is issued in accordance with the terms of our Engagement Letter dated August 22, 2025 with the Bank in the context of the Issue in accordance with Chapter III of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "**SEBI ICDR Regulations**") and applicable provisions of the Companies Act, 2013, as amended (the "**Companies Act**").
3. We enclose herewith the statement in the **Annexure**, which states the current position of possible tax benefits under the Indian direct and indirect tax laws and the provisions of the Income-tax Act, 1961 ("IT Act") , as amended by the Finance Act 2025, i.e. applicable for the Financial Year 2025-26 relevant to the Assessment Year 2026-27, Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, State Goods and Services Tax Act as passed by respective State Governments from where the Bank operates and applicable to the Bank, Customs Act, 1962, the Customs Tariff Act, 1975 and Foreign Trade Policy 2023 (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 2026-27 relevant to the Financial Year 2025-26 for inclusion in the Issue Documents for the Issue, presently in force in India as on the signing date as well as any tax benefit, available to the Bank. Several of these benefits are dependent on the Bank, its shareholders as the case may be, fulfilling the conditions prescribed under the relevant provisions of the Taxation Laws. Hence, the ability of the Bank, its shareholders to derive the special tax benefits is dependent upon their fulfilling such conditions. Further, certain tax benefits may be optional, and it would be at the discretion of the Bank or its shareholders to exercise the option by fulfilling the conditions prescribed under the relevant Taxation Laws which based on business imperatives, the Bank and its shareholders faces in the future, the Bank and its shareholders may or may not choose to fulfill. As on date, the Bank does not have subsidiaries

4. The benefits discussed in the enclosed **Annexure A** cover only special tax benefits available to the Bank and its shareholders and are not exhaustive and also do not cover any general tax benefits available to the Bank. Further, any benefits available under any other laws within or outside India have not been examined and covered by this statement.
5. The benefits discussed in the enclosed **Annexure A** are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. Neither are we suggesting nor advising the investor to invest in the issue based on this statement.

Management's Responsibilities

6. The preparation of the **Annexure A** stating the possible special tax benefits available to Bank, or its shareholders in India as per the provisions of the IT Act and Indirect Tax Regulations as presently in force is the responsibility of the management of the Bank including the maintenance of all accounting and other relevant supporting records and documents.
7. The preparation of the accompanying statements, being accurate, complete, and free from misstatement is the responsibility of the management of the Bank including the preparation and maintenance of all accounting and other relevant supporting records and documents.
8. The Management is also responsible for ensuring that the Bank complies with the relevant requirements of the SEBI ICDR Regulations and the Companies Act in connection with the Issue and provides all relevant information that is complete, accurate and timely instructions or information relevant to the engagement.

Our Responsibilities

In this regard, we have performed the following procedures:

9. Obtained representations from the management on the special tax benefits available to the Bank and its shareholders under direct and indirect tax laws.
10. Checked the income tax returns and tax audit reports for assessment year to verify the representations made by the management.
11. We have conducted our examination in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information", issued by the Institute of Chartered Accountants of India ("ICAI"). SRS 4400 is generally adopted to perform agreed upon procedures regarding financial information; however, this standard can also be used as a guide to perform agreed upon procedures regarding non-financial information
12. The benefits discussed in the enclosed **Annexure A** cover only special benefits available to the Bank and the shareholders and are not exhaustive to cover any general tax benefits available to the Bank and the shareholders. Further, the preparation of the **Annexure A** and its contents is the responsibility of management of the Bank. We are informed that **Annexure A** is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and changing tax laws, each investor is advised to consult with his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue by the Bank. Neither are we suggesting nor are we advising the investor to invest in the Issue based on this statement.

13. We do not express any opinion or provide any assurance as to whether:
 - (a) the Bank or its shareholders will continue to obtain these benefits in the future;
 - (b) or the conditions prescribed for availing the benefits have been/would be met with; and
 - (c) the revenue authorities/courts will concur with the views expressed herein.
14. The contents of the enclosed Statement are based on information, explanations, and representations obtained from the Bank and its shareholders, on the basis of our understanding of the business activities and operations of the Bank.
15. We hereby give consent to include this Statement of tax benefits in the Draft Letter of Offer, Letter of Offer, and any other material used in connection with the Issue. We also consent to being referenced as "Experts" as defined under section 2(38) of the Companies Act, read with section 26(5) of the Companies Act, to the extent of the certification provided hereunder and included in the Draft Letter of Offer and Letter of Offer of the Bank or in any other related documents in connection with the issue.
16. This Certificate is issued for the sole purpose of the Issue and can be used, in full or part, for inclusion in the Draft Letter of Offer and Letter of Offer and any other material used in connection with the Issue, for the submission of this certificate as may be necessary, to any regulatory / statutory authority, recognized stock exchanges; any other authority as may be required. This Certificate may be relied on by the Bank, and the legal advisor in relation to the Issue.
17. We hereby undertake to promptly notify the Bank and its legal counsel in writing of any changes to the information set forth above, up to the date on which the Equity Shares issued pursuant to the Issue commence trading on the stock exchanges, provided such information has not originated from the Bank. In the absence of written notification from us, it shall be deemed that there have been no changes to the matters addressed in this certificate.

Restriction of Use

18. This report is issued for the sole purpose of the Issue and not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior written consent, other than the purpose stated above. We, however, hereby, consent to this statement being used in the Offer Documents and in any other material used in connection with the Issue and submission of this statement to the Securities and Exchange Board of India, the stock exchanges where the equity shares of the Bank are listed, Registrar of Companies, Varanasi situated in Uttar Pradesh in connection with the Issue, as the case may be. This report should not be used for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

Conclusion

19. In our opinion, the Statement prepared by the Bank presents, in all material respects, the special tax benefits to the Bank, and its shareholders, as in accordance with the IT Act, and Indirect ac Regulations as at the date of our report.

Yours faithfully.

For,

JHS & Associates LLP

Chartered Accountants

Firm Registration Number: 133288W/W100099

CA. Jamal Ashraf Chatriwala

Partner

Membership Number: 100101

Place: Mumbai

Date: October 1, 2025

UDIN:- 25100101BMHCDDL3602

Encl: As above

CC:

Legal advisor to the Issue

CMS IndusLaw

#1502B, 15th Floor Tower - 1C

One World Centre,

Senapati Bapat Marg, Lower Parel

Mumbai – 400013

Maharashtra, India

Annexure A

ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL INCOME-TAX BENEFITS AVAILABLE TO UTKARSH SMALL FINANCE BANK ("BANK") AND ITS SHAREHOLDERS UNDER THE APPLICABLE INCOME-TAX LAWS IN INDIA.

Outlined below are the possible special tax benefits available to the Bank and its shareholders under the direct tax laws in force in India. These benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive these special tax benefits depends on fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfil.

1. SPECIAL TAX BENEFITS UNDER THE INCOME TAX ACT, 1961 ("IT Act") IN THE HANDS OF THE BANK AND THE SHAREHOLDERS OF THE BANK

i) Lower corporate tax rate under section 115BAA

As per section 115BAA of the IT Act as inserted vide the Taxation Laws (Amendment) Act, 2019 with effect from FY 2019- 20 relevant to AY 2020-21, a domestic company has an option to pay income tax in respect of its total income at a concessional tax rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided the company does not avail of specified exemptions/incentives, and complies with the other conditions specified in section 115BAA of the IT Act.

Further, the company availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB of the IT Act.

However, such company will not be eligible to avail specified exemptions / incentives under the IT Act and will also need to comply with the other conditions specified in section 115BAA of the IT Act. Also, if a company opts for section 115BAA of the IT Act, the tax credit (under section 115JAA of the IT 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.

The option needs to be exercised in the prescribed manner qua a particular AY on or before the due date of filing the income tax return for such AY. The option once exercised shall apply to subsequent AYs and cannot be subsequently withdrawn for the same or any other AY. Further, if the conditions mentioned in section 115BAA of the IT Act are not satisfied in any AY, the option exercised shall become invalid in respect of such AY and subsequent AYs, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

The Bank has opted to be governed by the provisions of section 115BAA of the IT Act with effect from AY 2020-21.

ii) Deduction from Gross Total Income

The Bank is eligible for the following deductions from its Gross Total Income, even though it has opted for the concessional tax rate under section 115BAA of the IT Act.

a. Deduction under section 80JJAA of the IT Act - Deduction in respect of employment of new employees

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

The Bank has availed the benefits under the said section and are eligible for deduction under section 80JJAA subject to fulfilment of conditions specified under section 80JJAA of the IT Act even under the concessional regime under section 115BAA of the IT Act.

b. Deduction for Bad and doubtful debts

The Bank, being a small finance bank, is entitled to deduction of provision made for bad and doubtful debts subject to prescribed limit/ conditions under section 36(1)(viia) of the IT Act. The said deduction is restricted to an amount of 8.5% of the gross total income (excluding such deduction) and 10% of the aggregate average advances made by the rural branches of the Bank. Actual bad debts under section 36(1)(vii) incurred subsequently, shall be reduced to the extent of deduction already allowed under section 36(1) (viia).

Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the IT 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 IT Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

In terms of section 43D of the IT Act, and subject to the conditions specified therein interest income of a bank and certain other specified financial institutions on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.

c. Deduction under section 36(1)(viii) of the IT Act

The Bank being a Small Finance Bank, is eligible for a deduction of 20% of profits derived from eligible business before computing deduction under section 36(1)(viii) or an amount transferred to the special reserve, whichever is lower, in accordance with section 36(1)(viii) of the IT Act. Where the aggregate amounts transferred to such special reserve from time to time, exceeds twice the amount of the paid-up share capital and general reserves, the Bank shall not get a deduction for transfer of such excess amount

d. Deduction under 80M of the IT Act - Deduction in respect of inter-corporate dividends

Dividend is taxable in the hands of the shareholder, hence, the Bank shall be required to deduct tax at source at applicable rates specified under the IT Act, subject to Double Taxation Avoidance Agreement, in case of shareholders who are eligible to claim benefit under Double Taxation Avoidance Agreement.

As per the provisions of section 80M of the IT Act, a resident corporate shareholder can claim a deduction of an amount equal to dividends received from another domestic company or a foreign company or a business trust. Such deduction shall be claimed from gross total income of the resident corporate shareholder and shall not exceed the amount of dividend distributed by it on or before the due date. The “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139 of the IT Act.

B. Special tax benefits available to the shareholders under IT Act

Dividend income earned by the shareholders would be taxable in their hands at the applicable rates. However, in case of domestic corporate shareholders, deduction under section 80M of the IT Act would be available on fulfilling the conditions (as discussed above). Further, in case of shareholders who are individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, whether incorporated or not and every artificial juridical person, surcharge would be restricted to 15%, if the income exceeds INR 1 crore. However, if the income is between INR 50 lakhs to INR 1 crore, surcharge at the rate of 10% shall apply. The shareholders would be eligible to claim the credit of such tax in their return of income.

As per section 111A of the IT Act, short term capital gains arising from the transfer of an equity share or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange and chargeable to Securities Transaction Tax (“STT”) on or after July 23, 2024 shall be taxed at 20% (plus applicable surcharge and cess) subject to fulfilment of prescribed conditions

under the IT Act. The condition of STT shall not apply to a transfer undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in foreign currency.

Further, as per section 112A of the IT Act, long-term capital gains exceeding INR 1,25,000 arising from the transfer of equity shares, or a unit of an equity-oriented fund or a unit of a business trust in a company transacted through a recognized stock exchange on or after July 23, 2024 on which STT has been paid on acquisition (except where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust) and on transfer, shall be chargeable to tax at the rate of 12.5% (plus applicable surcharge and cess) without applying the benefit under the first and second provisos to section 48 of the IT Act. The condition of STT shall not apply to a transfer undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is received or receivable in foreign currency.

The non-resident shareholders can offer the income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any, subject to eligibility and furnishing of requisite documents such as tax residency certificate, electronically filed Form 10F, No Permanent Establishment Certificate, etc (as may be applicable) Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident. Shareholders being Individual and HUF can opt to be taxed as per the tax rates mentioned under section 115BAC of the IT Act.

2. STATEMENT OF POSSIBLE INDIRECT TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS

The Central Goods and Services Tax Act, 2017, the Integrated Goods and Services Tax Act, 2017, the Union Territory Goods and Services Tax Act, 2017, respective State Goods and Services Tax Act, 2017, the Customs Act, 1962 and the Customs Tariff Act, 1975 (collectively referred to as "Indirect tax")

A. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE BANK

The Bank has been registered as a small finance bank with the Reserve Bank of India.

The main source of income for the Bank is Interest on loans, which is exempt from levy of GST as per the relevant exemption notifications issued under Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Tax Act, 2017.

The Bank has exercised the option under section 17(4) of the Central Goods and Services Tax Act, 2017 and accordingly avails 50% of the eligible input tax credit and utilizes the said availed input tax credit in compliance with the provisions of GST law.

Apart from the above, there is no special Indirect tax benefits available to the Bank under the Indirect Tax Regulations in India.

B. SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

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

Our views expressed herein in this Statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the proposed issue under the Companies Act, 2013 and Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

Yours faithfully,

For and on behalf of Utkarsh Small Finance Bank Limited

NOTES:

1. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The Subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
2. The above statement covers only the above-mentioned special tax laws benefits and does not cover any general direct tax benefits or benefit under any other law.
3. This statement does not cover analysis of Chapter X-A of the IT Act, dealing with General Anti-Avoidance Rules and provisions of Multilateral Instruments.
4. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

SECTION IV: ABOUT OUR BANK

OUR BUSINESS

Unless otherwise stated, references in this section to the “Bank” or “our Bank” means “Utkarsh Small Finance Bank”, and “we”, “our” or “us” (including in the context of any financial information) is a reference to our Bank, as applicable.

To obtain a complete understanding of our Bank and business, prospective investors should read this section in conjunction with “Risk Factors” and “Financial Information” on pages 19 and 68, respectively as well as financial and other information contained in this Draft Letter of Offer as a whole. Additionally, please refer to “Definitions and Abbreviations” on page 1 for definition of certain terms used in this section.

Some of the information in the following section, especially information with respect to our business plans and strategies, consists of certain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those expressed in, or implied by, these forward-looking statements. You should read the section “Forward-Looking Statements” on page 14 for a discussion of the risks and uncertainties related to those statements and the section “Risk Factors” and “Financial Statements” on pages 19 and 67 respectively, for a discussion of certain risks that may affect our business, financial condition, or results of operations

Overview

We are a SFB with a Gross Loan Portfolio of ₹ 19,665.59 crores and ₹ 19,224.04 crores as on March 31, 2025 and June 30, 2025. Our Promoter, Utkarsh CoreInvest Limited, commenced its operations as a NBFC in Fiscal 2010 and was focused on providing microfinance to unserved and underserved segments and, particularly in the states of Uttar Pradesh and Bihar. We have our headquarters located in Varanasi, Uttar Pradesh and initially we expanded our SFB operations strategically in states where we have been able to leverage the prior microfinance experience of Utkarsh CoreInvest Limited. Following that we have expanded our operations and as on March 31, 2025, we have 1,092 and as on June 30, 2025 we have 1,099 outlets with a presence in 23 states and four union territories. Our quarter- wise increase in the number of branches for the two immediately preceding financial years

Particulars	Quarter ended,								
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025
Number of General Banking Branches opened	6	12	6	1	4	20	23	8	0
Number of Micro Banking Branches opened	15	8	3	7	24	31	38	56	7
Total Number of Branches Opened	21	20	9	8	28	51	61	64	7

On October 7, 2015, Utkarsh CoreInvest Limited received the RBI In-Principle Approval to establish an SFB, following which it incorporated Utkarsh Small Finance Bank Limited as a wholly-owned subsidiary on April 30, 2016. Subsequent to us obtaining the RBI License on November 25, 2016, to establish and carry-on business as an SFB, Utkarsh CoreInvest Limited transferred its business of providing microfinance, as a going concern to our Bank, which commenced its operations from January 23, 2017. Our Promoter, Utkarsh CoreInvest Limited, is an NBFC-CIC-NDSI and is supported by several institutional investors, including British International Investment PLC, RBL Bank Limited, International Finance Corporation, and SIDBI. We were included in the second schedule to the RBI Act as a scheduled commercial bank pursuant to a notification dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017. Subsequently, owing to the expansion of portfolio within the services of the Bank, we converted some of the microfinance branches to banking outlets in 2019.

As of March 31, 2025, and quarter ended June 30, 2025, all our Banking Outlets were located on leased premises. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 the division between the Micro Banking Lending Branches and General Banking Branches is as set out below.

Particulars	As at March 31,		As at June 30,	
	2025	2024	2025	2024
I. MB Branches				
Number of Branches	761	612	768	636
Percentage of total Branches (%)	69.69	68.92	69.88	69.43
II. GB Branches				
Number of Branches	331	276	331	280
Percentage of total Branches (%)	30.31	31.08	30.12	30.57

Our branches focusing on the MB loans are primarily located in rural and semi-urban areas and focus on MB loans and advancing financial inclusion. As of June 30, 2025, 27% of our Banking Outlets were located in Unbanked Rural Centres (“URCs”) as against the RBI regulatory requirement that mandates at least 25% of branches be located in URCs. In contrast, our branches focusing on the GB loans are concentrated in metropolitan and urban centers, offering a broader range of services, including deposit mobilization and lending products such as MSME (retail assets) loans, housing loans, and loans for commercial vehicles & construction

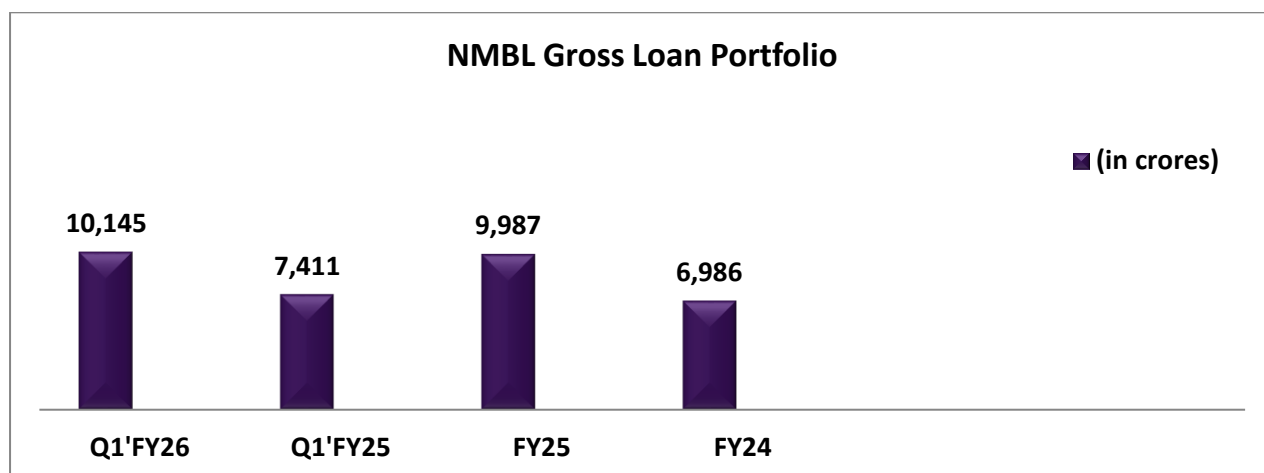
equipment. As of March 31, 2025 and June 30, 2025, we had 19,779 and 19,871 employees, respectively, representing year-over-year increases of approximately 23.00% and 14.87% compared to 16,081 and 17,299 employees as of March 31 and June 30, 2024.

We have a significant presence in the rural and semi-urban areas, and as of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024, we had 0.51 crore, 0.47 crore, 0.50 crore and 0.45 crore customers (both deposit and credit) majorly located in rural and semi-urban areas primarily in the states of Bihar and Uttar Pradesh. To further strengthen our presence in newer geographies in addition to existing states where we operate by entering into arrangements with business correspondents (“BCs”) and direct selling agents (“DSAs”). The BCs model was introduced in financial year ended March 31, 2018 to expand its reach into untapped geographies and diversify its loan portfolio. Under this model, BC partners operate as an extended arm of the bank—acquiring, managing, and servicing customers while adhering to the bank’s internal governance policies and procedures. The Bank leverages BC partnerships across multiple products, including JLG loans, small business loans, personal loans. As of March 31, 2025, BC partners collectively manage a loan book of ₹ 1,093.69 crores, attributing to 5.56% of Gross Loan Portfolio. Depending on the market conditions, the Bank may increase or decrease business sourcing from BCs/DSAs keeping the profitability under consideration.

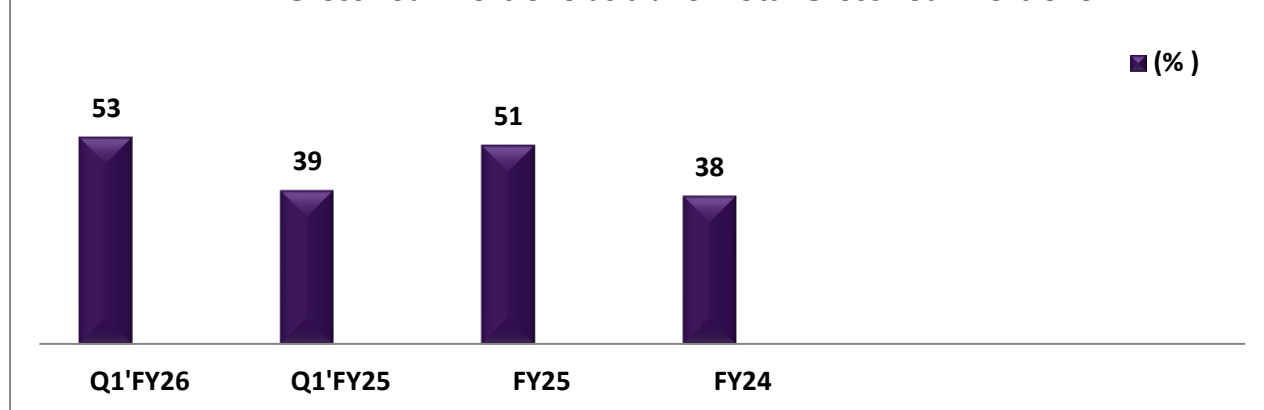
Product Portfolio

Given the legacy of Utkarsh CoreInvest Limited as a non-banking finance company-microfinance institutions (“NBFC-MFI”), microfinance remains a focused business segment for our Bank. While the largest product of our loan portfolio originates from JLG loans, our Bank has diversified to provide a broad range of financial products and services that address the specific requirements of our customer segments while assessing factors including income profile and the type of security available. Our asset products include (i) micro-banking loans that include joint liability group loans, and individual loans; (ii) retail loans that includes unsecured loans, such as business loans and personal loans, and secured loans, such as loans against property (“LAP”) (iii) wholesale lending that includes short term and long-term loan facilities to SMEs, mid and large corporates and institutional clients; (iv) housing loans with a focus on affordable housing; (v) commercial vehicle / construction equipment loans; (vi) gold loans that was launched in Fiscal 2022; (vii) credit card; (viii) UPI services; and (ix) banker to the issue registration with SEBI. In addition, we also provide non-credit offerings comprising ATM-cum-debit cards, bill payment system and distribute third party point of sales terminals, mutual funds and insurance products. Our services also include the digital banking solutions, internet banking, mobile banking, Bharat connect bill payments, Aadhar enabled payment system, and E-Nach and UPI-based transactions.

Our Bank has been expanding its Non-Micro Banking Lending (“NMBL”) (primarily secured lending) over the past few years; and as on March 31, 2025, the NMBL Gross Loan Portfolio comprised 50.78% of our Bank’s Gross Loan Portfolio. Our Bank’s NMBL Gross Loan Portfolio has been growing; as on March 31, 2024 and March 31, 2025, June 30, 2024 and June 30, 2025, our Bank’s NMBL Gross Loan Portfolio was of ₹6,986.42 crore, ₹9,986.57 crore, ₹7,410.98 crore and ₹ 10,144.59 crore, constituting to 38.18%, 50.78%, 39.42% and 52.77% of our Bank’s total Gross Loan Portfolio, respectively. In the financial year ended March 31, 2025, our Bank’s NMBL portfolio increased by a 42.94% on a year on year basis.



NMBL Gross Loan Portfolio as a % of Total Gross Loan Portfolio



Our NMBL portfolio includes the following key product portfolios:

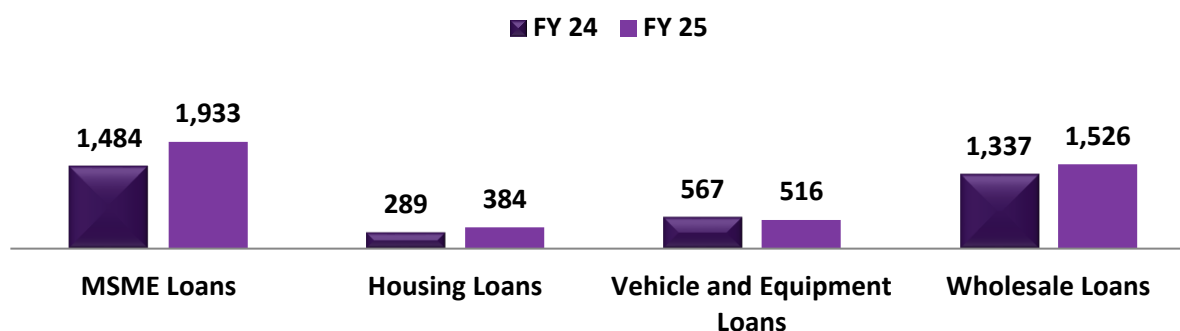
- (i) **MSME Loans (Retail Assets):** The secured and unsecured loans extended to individuals and non individual entities which are MSMEs. The MSMEs may be engaged in the manufacturing sector and services sector. During the quarter ended June-30, 2025 the disbursement yield of this NMBL product category is 13.69%.
- (ii) **Housing Loans:** Our Bank provides housing loans to both salaried and self-employed individuals across formal, informal, and semiformal income groups. The loans may be availed to purchase, construct or develop a housing property. During the quarter ended June-30, 2025 the disbursement yield of this NMBL product category is 11.15%.
- (iii) **Vehicle and Equipment Loans:** Our Bank offers loans to purchase vehicles and equipments for commercial purposes. These are secured against the respective assets and customarily the borrowers include bus service providers and goods carriers. During the quarter ended June-30, 2025 the disbursement yield of this NMBL product category is 12.77%.
- (iv) **Wholesale Lending:** Our Bank offers short term and long-term facilities to SMEs, small and medium corporates and other institutional clients. The loans are customarily availed for on-lending, working capital and business expansion for the corporate borrowers. During the quarter ended June-30, 2025 the disbursement yield of this NMBL product category is 10.86%.
- (v) **Business Correspondents:** Our Bank also extends loans through our partnerships with BC partners to widen its geographical presence. The Bank leverages BC partnerships across multiple products, including JLG loans, small business loans, personal loans. During the quarter ended June-30, 2025 the disbursement yield of this NMBL product category is 24.60%.

Our Bank is diversifying its assets and focusing on the NMBL products, the disbursements for the aforementioned NMBL products as on March 31, 2024, March 31, 2025, June 30, 2024 and June 30, 2025 were as follows:

Category of Loan Product	Particulars of the Disbursements as on			
	As at March 31,		As at June 30,	
	2025	2024	2025	2024
MSME Loans	1,933.27	1,483.81	326.67	293.73
Housing Loans	384.09	289.08	63.22	67.90
Vehicle and Equipment Loans	516.45	567.05	76.33	124.82
Wholesale Loans	1,525.54	1,337.06	292.01	291.50
Lending through BC	889.55	642.35	188.80	169.45

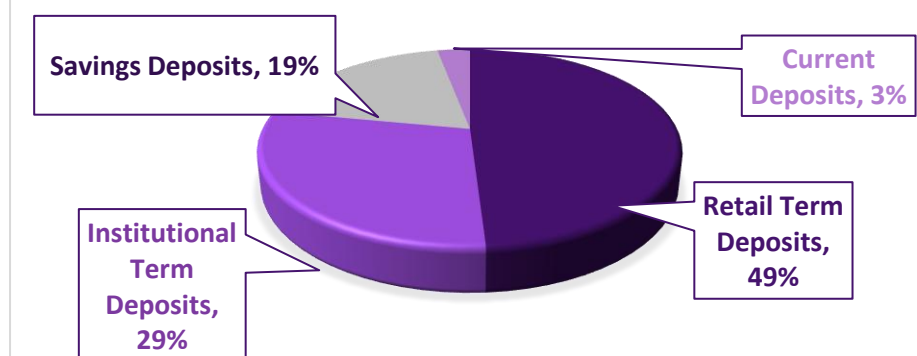
The increase in the disbursements for the aforementioned product portfolios at the end of the financial year ended March 31, 2025 and March 31, 2024 is set out in the chart below:

Disbursements for NMBL Loan Products



On the liabilities side, we offer savings accounts, current accounts and a variety of term deposit products including retail term deposits, institutional deposits and recurring deposit accounts. As of June 30, 2025 and March 31, 2025, our retail term deposits were ₹11,674.57 and ₹10,635.01 crore, institutional term deposits were ₹5,585.50 and ₹6,231.54 crore, current deposits were ₹445.59 and ₹644.27 crore, and savings deposits were ₹3,783.77 and ₹4,054.89 crore, constituting to 54.33% and 49.31%, 25.99% and 28.90%, 2.07% and 2.99%, 17.61% and 18.80% of our total deposits, respectively.

Deposit Composition as on March 31, 2025



We are also focusing on enhancing deposits by leveraging our deposits from existing customers. Our deposits have grown significantly in the last financial year, our deposits as on June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 was ₹ 21,489.43 crores, ₹ 18,162.60 crores, ₹ 21,565.70 crores and ₹ 17,472.60 crores. Our total number of deposit customers, that include microbanking customers to whom we also offer 'joint liability group' ("JLG") loans, were 0.39 crores and 0.31 crores, 0.38 crores, and 0.28 crores as of, June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024, respectively. Our retail term deposits as of June 30, 2025 and June 30, 2024, March 31, 2025 and March 31, 2024 comprised 54.33%, 48.06%, 49.31% and 45.61% of our total deposits, respectively, while CASA as a percentage of overall deposits as of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 was 19.68%, 19.01%, 21.79% and 20.50%, respectively. We have been focusing on growing a stable and sustainable CASA base and our CASA as of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 was ₹ 4,229.36 crores, ₹ 3,453.07 crores ₹ 4,699.16 crores and ₹ 3,582.31 crores.

Our Bank leverages the use of technology to provide transactional ease through internet and mobile banking. To facilitate onboarding of customers, handheld devices have been provided to employees. Count of customers onboarded through use of handheld devices is as shown below:

Particulars	As on March 31,		As on June 30,	
	2025	2024	2025	2024
Lifetime users till date	24,089	19,130	25,179	20,297
Active users as on date	5,890	3,715	6,774	4,099
Accounts onboarded till date	28,31,661	21,33,707	29,09,915	23,76,589

We are led by our Managing Director and chief executive officer, Mr. Govind Singh, who has over 25 years of experience in the banking and financial services sector. Our Board comprises of individuals having diverse experience across industries and our Independent Directors provide strategic guidance to help improve and grow our operations. Our senior management team has significant experience in the banking and financial services industry.

Our core strengths lies in a strong understanding of the microfinance segment and a significant presence in rural and semi-urban areas, underpenetrated markets supported by a highly scalable banking infrastructure. We aim to expand responsibly by deepening out presence in high-potential markets, especially in semiurban and rural India. We will continue investing in digital capabilities,

customer experience and risk management to build a tech-enabled, resilient organisation. We have an extensive physical network of Banking Outlets, which allows us to service existing customers and attract new ones through community relationships and expand the products and services offered to the existing customers. We maintain a focus on robust risk management and cost-efficient operations, with a risk framework that identifies, monitors, and manages credit, market, and operational risks. Our framework includes a cybersecurity policy, a cyber crisis management plan, and information security policies, all of which are approved by the board. To ensure real-time monitoring and protection of our assets, we have a security operations centre that operates 24/7.

Particulars	Quarter ended June 30,		Financial year ended March 31,	
	2025	2024	2025	2024
Banking Outlets (in No.)	1,099	916	1,092	888
Gross Loan Portfolio (₹ in crore)	19,224.04	18,798.07	19,665.59	18,299.28
Gross Loan Portfolio Y-o-Y Growth (%)	2.27%	30.60%	7.47%	31.11%
Secured Advances as % of Gross Loan Portfolio	44.65%	35.20%	43.42%	34.34%
Total Deposits (₹ in crore)	21,489.43	18,162.60	21,565.70	17,472.60
Total Deposits Y-o-Y Growth (%)	18.32%	30.04%	23.43%	27.44%
CASA Ratio ¹ (%)	19.68%	19.01%	21.79%	20.50%
CASA + RTD (as % of Total Deposits) (%)	74.01%	67.07%	71.10%	66.11%
CAPITAL				
Capital + Reserves i.e. Net Worth (₹ in crore)	2,738.99	3,119.31	2,974.50	2,973.19
Total Capital Ratio (CRAR) (%)	19.64%	23.18%	20.93%	22.57%
Tier 1 Capital Ratio (%)	16.71%	20.39%	17.88%	20.95%
Cost of Deposits (%)	7.99%	8.01%	8.16%	7.72%
Cost of Funds ² (%)	8.10%	8.03%	8.21%	7.80%
ASSET QUALITY				
Gross NPA (%)	11.42%	2.78%	9.43%	2.51%
SMA %	2.38%	1.45%	2.26%	0.97%
SMA %	1.76%	1.11%	1.77%	0.96%
Provision Coverage Ratio ³ (excl. Technical Write-offs) (%)	59.15%	55.51%	51.18%	63.33%
Net NPA (%)	5.00%	0.26%	4.84%	0.03%
PROFITABILITY				
Net Profit (₹ in crore)	(239.48)	137.40	23.70	497.63
Yield on Advances ⁴ (%)	15.65%	19.39%	17.85%	19.01%
Net Interest Margin ⁵ (%)	5.93%	9.38%	7.98%	9.44%
Credit Cost Ratio ⁶ (%)	8.49%	2.68%	5.16%	2.20%
Operating Expenses to Total Average Assets (%)	6.45%	6.09%	6.26%	6.34%
Cost to Income Ratio ⁷ (%)	83.02%	54.08%	61.61%	56.38%
Return on Total Average Assets ⁸ (%)	(3.44)%	2.28%	0.09%	2.45%
Return on Average Equity (%)	(33.79)%	18.12%	0.79%	19.54%
OTHERS				
Basic EPS ⁹	(2.17)	1.25	0.22	4.79
Net Asset Value per Equity Share	24.86	28.35	27.00	27.04

Notes:

*The aforementioned ratios are calculated on the basis of the monthly average balances.

(1) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits;

(2) Cost of Funds is interest expended divided by Total Average Debt & Deposits

(3) Excluding Floating Provision;

(4) Yield on Advances is interest on advance divided by average balance of Gross Loan Portfolio;

(5) Net Interest Margin is the difference of Interest Earned and Interest expended divided by the Total Average Interest Earning Assets;

(6) Credit Cost divided by Average Balance of Gross Loan Portfolio;

(7) Cost to income ratio is calculated as ratio of operating expenses divided by Net operating income (Net Operating Income is the sum of Net interest income and other income);

(8) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets;

(9) Not annualized for Quarter.

Our Bank's provisioning and write-off policy is more stringent than norms prescribed by the RBI. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 our gross NPAs were ₹ 2,196.22 crores, ₹ 475.63 crores, ₹ 1,854.38 crores and ₹ 417.58 crores, respectively, and accounted for 11.42%, 2.78%, 9.43 % and 2.51% of our Gross Advances, respectively. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 our net NPAs were ₹ 897.12 crores, ₹ 42.83 crores, ₹ 905.27 crores and ₹ 4.49 crores, and accounted for 5.00%, 0.26%, 4.84% and 0.03% of our Net Advances, respectively.

Our certificate of deposits programme and subordinated non-convertible tier II bonds are rated by credit rating agencies; our certificate of deposit programme has a rating of "ICRA A1+" by ICRA and non-convertible tier II bonds have a rating of "CARE A; (Stable)" from CARE and "ICRA A (Negative)" from ICRA as of August 13, 2025.

We are well above the regulatory capital requirements, as of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 we had a CRAR of 19.64 % (Tier I capital of 16.71 %), 23.18% (Tier I capital of 20.39%), 20.93 % (Tier I capital of 17.88 %) and 22.57 % (Tier I capital of 20.95 %), respectively. Our bank is ISO 27001:2013 certified for its Information Security Management System. This certification reflects our commitment to strong governance around information security and data privacy. We also have Cyber Risk Insurance coverage in place as a fallback against the risks of cyber incidents. Additionally, we have been recognized

with consecutive awards from the Indian Banks' Association for our excellence in cyber risk management over the past two years. In the financial year ended March 31, 2025, we were also recognised as the "Most Trusted BFSI Brands" and "Most Preferred Workplace 2023-24 (BFSI Edition)" by Team Marksmen Daily. We were also recognized for our "Best Customer Experience Strategy" by India Customer Excellence (CX) Summit & Awards 2023 and for "Best Customer Experience at the 18th Annual Summit and Awards" by Assocham. Our teams were also celebrated, with the "Best Technology Talent (Runner Up)" award at the 19th Annual Banking Technology Conference, Expo & Citations 2023 and the "Credit Modelling and Risk Team of The Year Award" at The India Credit Risk Summit & Awards 2024.

Moving forward, we intend to continue diversifying our retail asset portfolio by expanding beyond JLG loans to include individual and micro-enterprise loans. We plan to strengthen our liabilities franchise by focusing on building our CASA and retail deposit base through a combination of new Banking Outlets, particularly in top-tier cities, and enhanced digital offerings. We also aim to increase our fee income by capitalizing on cross-selling opportunities through third-party product distribution, such as mutual funds and insurance. We are focusing on improving operational efficiency by leveraging our existing investments in infrastructure, manpower, and technology to drive better margins through optimal utilization. Technology remains a key enabler, and we plan to continue investing in digital channels like internet and mobile banking to improve customer experience and operational efficiency.

Asset Quality

In financial year ended March 31, 2025, our asset quality was affected by changes in the regulatory landscape, in addition to the repayment stress, particularly in micro-banking across several states. As a result, our gross non-performing assets ("NPA") increased to 11.42% as of June 30, 2025 from 2.78% as of June 30, 2024 and 9.43% as of March 31, 2025, from 2.51% as of March 31, 2024. Similarly, our net NPA rose to 5.00%, as of June 30, 2025 from 0.26%, as of June 30, 2024 and 4.84%, as of March 31, 2025 from 0.03%, as of March 31, 2024. We strengthened our collections team by adding more manpower and implemented the EBIX collection application to better track our efforts and manage delinquencies across our lending portfolio. Additionally, we were carrying a floating asset provision of ₹189.96 crore, which we fully utilized during the year with approval from the Reserve Bank of India ("RBI") to adjust our provisions for NPA. On an overall basis, our provision coverage ratio significantly decreased, as on June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 our provision coverage ratio was 59.15%, 90.99%, 51.18% and 98.92 %. We remain committed to broadening our risk mitigation and increasing the proportion of non-micro banking and secured loans through a strategic shift towards individual loans and higher-yield products. Our Bank identified around 11 lakh pre-qualified existing JLG customers, out of a total of 26 lakh customers, who are eligible for graduation to MBBL.

Capital Adequacy Ratios

Under the SFB Operating Guidelines, we are required to maintain a minimum capital adequacy of 15% of credit risk weighted assets only, to be computed as per the Basel II norms prescribed by RBI, including a minimum Tier I capital of 7.5%, and the Tier II capital should be limited to a maximum of 100% of total Tier I capital. However, under the SFB Operating Guidelines, we are not required to maintain any capital conservation buffer or any counter-cyclical capital buffer.

As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 our CRAR was 19.64%, 23.18%, 20.93% and 22.57%, respectively. As of June 30, 2025, June 30, 2024, March 31, 2025 and March 31, 2024 our Tier I capital ratio was 16.71%, 20.39 %, 17.88 % and 20.95%, respectively.

Other Products, Services, and Distribution

We offer a range of products and services, including a partnership with ICICI Securities Limited for '3-in-1' accounts for retail customers, combining demat, online trading, and savings accounts. We also hold a corporate agency license from IRDAI to distribute third-party insurance products from partners like HDFC Ergo, Kotak Mahindra, and Future Generali on a non-risk sharing basis. Additionally, we distribute life insurance and mutual fund schemes.

Our services also include:

- A money transfer service for inward remittances through a sub-agent arrangement with Ebix Money Transfer Private Limited;
- An integrated bill payment system for utilities, school fees, and insurance;
- Distribution and facilitation of accounts under government schemes like the Atal Pension Yojana; and
- Collections framework, which includes our in-house system with a team of around 1,000 field officers, we have implemented the EBIX collection application for better tracking of our collection efforts and to manage delinquencies across our lending portfolio. Our Bank currently has around 1,000 agents (including third party agents) which is estimated to expand to 1,500 agents.

Our operations are supported by a diverse network of distribution channels, including Banking Outlets, ATMs, micro-ATMs, and digital platforms like internet and mobile banking. As of March 31, 2025, we operated 1,092 Banking Outlets across 23 states and four union territories, with a network of 18 Business Correspondents and 343 Direct Selling Agents. This network includes both Micro-Banking ("MB") Outlets majorly in rural and semi-urban areas and General Banking ("GB") Outlets majorly in,urban, and metro locations.

Digital and Physical Network

As of June 30, 2025 our Bank operates a network of 362 ATMs and 777 micro-ATMs. These ATMs offer standard services like cash withdrawal, balance inquiries, and PIN changes. We offer various types of Rupay and Mastercard debit cards for use at our ATMs, other bank ATMs, and for point-of-sale and e-commerce transactions. In the year 2024, we launched several new services, such as secured and unsecured credit cards in partnership with fintech companies, a fully digital personal loan platform, and aadhar-based video KYC for secure and seamless account opening. We also extended our digital footprint by introducing new offerings such as WhatsApp banking, cardless ATM withdrawals, and enhanced UPI features. Furthermore, we have forged new strategic partnerships, including a tie-up with the Life Insurance Corporation of India (“LIC”) for current accounts and also empanelled as a SPARSH service centre for defense pensioners. We also plan to continue our digital roadmap in the financial year ended March 31, 2026 with targeted projects like QR-based payments and a mobile-based loan origination system. We are aiming to diversify our presence in digital networks by integrating QR-based payments within the Utkarsh Mitra app. In our commitment to keeping pace with the dynamic digital landscape of microfinancing and small finance banking, we are in the process of a major core banking replacement project. We are transitioning to the modern Infosys Finacle Core Banking platform, which is part of our strategy to modernize our technology stack. The other system upgradation tools include introduction of digital applications like Hunter and Sherlock to flag adverse borrower histories, multiple loan applications, and potential fraud as an early warning systems and automation of compliance and regulatory reporting for efficient fraud and risk management. These applications aim to develop a loan origination system, an early warning system, and solutions for anti-money laundering and asset-liability management.

To improve efficiency, our Bank also incorporated technologies like remote process automation, low-code or no-code platforms, and the selective use of artificial intelligence for internal operations.

Our digital platforms, which we are modernizing through a major core banking replacement project, transitioning to the Infosys Finacle Core Banking platform, provide a secure and robust way for customers to manage their accounts, transfer funds, pay bills, and apply for loans. Building on our commitment to technological advancement, we have a new core banking system in progress to further strengthen our operations. We have enhanced our services with the launch of secured and unsecured credit cards, as well as a fully digital personal loan platform. In order to make banking more accessible, we have implemented a tablet-based account opening system for frontline staff to digitally onboard customers directly from their location, which now includes aadhar-based e-KYC, e-signatures, and biometric and facial recognition. Our UPI application offers secure digital payments which has a potential to be scaled to other services, and we were the first small finance bank to launch ‘UPI-lite’ for low-value transactions. In addition to our SMS alert facility, we have also launched WhatsApp banking to provide customers with account information and transactional services, helping to alert them to potential unauthorized access. Other digital initiatives of our Bank include introduction of a cloud based application to scale our micro services.

Operational and Financial Management

Our loan pricing framework is determined by the asset liability management committee, which approves interest rates for loans and deposits based on factors such as RBI guidelines, market conditions, our cost of funds, and credit risk. Our collection process is designed to be in compliance with RBI guidelines, utilizing various methods such as NACH and standing instructions, as well as cash collections when needed. The collection department uses SMS alerts and pre/post-calling to manage delinquent accounts. Our treasury team manages our funds, liquidity positions, and investments in various securities, ensuring we meet statutory reserve requirements. Our corporate structure includes dedicated departments for compliance, finance, accounts, company secretarial, and risk management. Our corporate structure includes dedicated departments for compliance, finance, accounts, company secretarial, and risk management. The compliance function, which is independent, provides training and guidance to ensure that all departments follow regulatory guidelines. As of June 30, 2025, we had 19,871 employees. We focus on recruiting employees locally and have a well-defined HR structure that includes online systems for performance management and real-time access to key HR services. We also carry out Corporate Social Responsibility (“CSR”) activities through the Utkarsh Welfare Foundation, focusing on education, financial literacy, and health initiatives.

OUR MANAGEMENT

Board of Directors

The composition of the Board is governed and in conformity with by the provisions of the Companies Act, 2013, the rules prescribed thereunder, the provisions of the Banking Regulation Act, the SEBI LODR Regulations and the Articles of Association. In accordance with the Articles of Association, unless otherwise determined by our Bank in general meeting, our Bank shall not have less than three Directors and not more than fifteen 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 AGM. A retiring Director is eligible for re-election. Further, pursuant to the Companies Act, 2013 read with the Banking Regulation Act the Independent Directors may be appointed for a maximum of eight consecutive years. Any re-appointment 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.

As on the date of this Draft Letter of Offer, our Bank has eight Directors, comprising of two Executive Director, six Non-Executive Directors and five Independent Directors, inclusive of two-woman Independent Directors. The Chairperson is an Independent Director.

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

Name, Address, Designation, Occupation, Term, Period of Directorship, DIN, Date of Birth and Age	Other Directorships
<p>Pramod Kumar Dubey</p> <p><i>Address:</i> 108 Emerald Building, Vasant Oasis, Makwana Road, Marol Naka, Marol, Andheri East, Mumbai- 400059, Maharashtra, India</p> <p><i>Designation:</i> Whole Time Director</p> <p><i>Occupation:</i> Service</p> <p><i>Period of Directorship:</i> September 20, 2024 to September 20, 2027</p> <p><i>DIN:</i> 10174154</p> <p><i>Date of Birth:</i> July 15, 1972</p> <p><i>Age:</i> 53 years</p>	<p><u>Indian Companies</u> NIL</p> <p><u>Foreign Companies</u> NIL</p>
<p>Govind Singh</p> <p><i>Address:</i> Progressive Highness-Flat No. 503, 504, Plot No. 5, 6, Sector 16A, Navi Mumbai, Thane- 400705 Maharashtra, India</p> <p><i>Designation:</i> Managing Director and CEO</p> <p><i>Occupation:</i> Service</p> <p><i>Period of Directorship:</i> May 31, 2018 to September 20, 2027</p> <p><i>DIN:</i> 02470880</p> <p><i>Date of Birth:</i> May 15, 1965</p> <p><i>Age:</i> 60 years</p>	<p><u>Indian Companies</u> Utkarsh Welfare Foundation</p> <p><u>Foreign Companies</u> NIL</p>
<p>Muralidharan Rajamani</p> <p><i>Address:</i> Flat No. A-101, Sabari Aashiana TISS Complex Annexe, Deonar Farm Road, Deonar, Mumbai- 400088, Maharashtra, India.</p> <p><i>Designation:</i> Non-Executive Non-Independent Director</p> <p><i>Occupation:</i> Professional</p>	<p><u>Indian Companies</u></p> <ul style="list-style-type: none"> FedBank Financial Services Limited; PGIM India Asset Management Private Limited. <p><u>Foreign Companies</u> NIL</p>

Name, Address, Designation, Occupation, Term, Period of Directorship, DIN, Date of Birth and Age	Other Directorships
<p>Period of Directorship: March 2, 2021 to March 1, 2026</p> <p>DIN: 01690363</p> <p>Date of Birth: May 31, 1961</p> <p>Age: 64 years</p>	
<p>Kalpana Prakash Pandey</p> <p>Address: 1025/1026, A Wing, Building Number 10, Kohinoor City, Kirod Road, Off LBS Marg, Kurla (West), Mumbai-400070, Maharashtra, India</p> <p>Designation: Independent Director</p> <p>Occupation: Professional</p> <p>Period of Directorship: April 29, 2020 to April 29, 2028</p> <p>DIN: 06715713</p> <p>Date of Birth: June 30, 1968</p> <p>Age: 57 years</p>	<p><u>Indian Companies</u></p> <p>NIL</p> <p><u>Foreign Companies</u></p> <p>NIL</p>
<p>Parveen Kumar Gupta</p> <p>Address: Flat No. 702, C Wing, Amaltas CHS, Juhu Versova Link Road, Andheri West, Mumbai- 400053 Maharashtra, India</p> <p>Designation: Independent Director</p> <p>Occupation: Professional</p> <p>Period of Directorship: September 1, 2021 to August 31, 2026</p> <p>DIN: 02895343</p> <p>Date of Birth: March 13, 1960</p> <p>Age: 65 years</p>	<p><u>Indian Companies</u></p> <ul style="list-style-type: none"> • Future Generali India Insurance Company Limited; • India Shelter Finance Corporation Limited; • Bank of India Investment Managers Private Limited; • Protium Finance Limited; • National Securities Depository Limited; • Midland Microfin Limited. <p><u>Foreign Companies</u></p> <p>NIL</p>
<p>Ajay Kumar Kapur</p> <p>Address: Flat No 104, Pacific Apartments, Plot No 39 Sect 10, Dwarka- 110075, New Delhi, India</p> <p>Designation: Independent Director</p> <p>Occupation: Professional</p> <p>Period of Directorship: March 2, 2021 to March 1, 2026</p> <p>DIN: 00108420</p> <p>Date of Birth: October 25, 1959</p> <p>Age: 65 years</p>	<p><u>Indian Companies</u></p> <ul style="list-style-type: none"> • NabFins Limited; <p><u>Foreign Companies</u></p> <p>NIL</p>
<p>Dr. Kshatrapati Shivaji</p> <p>Address: Cedar 3202, Tower 4, Runwal Green, Link Road, Mulund (West), Near Fortis hospital, Mumbai - 400078</p>	<p><u>Indian Companies</u></p> <ul style="list-style-type: none"> • Wealth Company Asset Management Holdings Private Limited

Name, Address, Designation, Occupation, Term, Period of Directorship, DIN, Date of Birth and Age	Other Directorships
<p>Designation: Chairperson and Independent Director</p> <p>Occupation: Professional</p> <p>Period of Directorship: July 1, 2025 to June 30, 2030</p> <p>DIN: 01185381</p> <p>Date of Birth: March 12, 1961</p> <p>Age: 64 years</p>	<p><u>Foreign Companies</u> NIL</p>
<p>Gauri Rushabh Shah</p> <p>Address: 5/3 Indian Mercantile Mansion, Madam Cama Road, Museum, Colaba, Mumbai - 400039, Maharashtra, India.</p> <p>Designation: Independent Director</p> <p>Occupation: Professional</p> <p>Period of Directorship: June 1, 2025 to May 31, 2030</p> <p>DIN: 06625227</p> <p>Date of Birth: November 6, 1973</p> <p>Age: 52 years</p>	<p><u>Indian Companies</u></p> <ul style="list-style-type: none"> Grant Thornton LLP <p><u>Foreign Companies</u> NIL</p>

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Sr. No.	Particulars	Website link
1.	Fiscal 2025 Audited Financial Statements	https://www.utkarsh.bank/uploads/pdf/OutcomeofBM03052025.pdf
		https://www.utkarsh.bank/uploads/template_forty_pdf/Annual-Report_FY-2024-25.pdf
2.	Quarter ended June 30, 2025 Unaudited Financial Statements	https://www.utkarsh.bank/uploads/pdf/Outcome_of_Board_Meeting_Q1_FY_2025_26.pdf

FINANCIAL INFORMATION

Extract of the Fiscal 2025 Audited Financial Statements, the unaudited limited reviewed financial statements for the quarter ended June 30, 2025, prepared in accordance with applicable accounting standards (with a comparative prior full year period and the quarter ended June 30, 2024), disclosed to the Stock Exchanges:

Particulars	Quarter ended June 30,		Financial year ended March 31,	
	2025	2024	2025	2024
Total income from operations ⁽¹⁾	1,018.65	1,070.57	4,364.76	3,578.76
Net profit/loss before tax	(318.87)	186.24	27.65	659.39
Net profit/loss after tax	(239.48)	137.40	23.70	497.63
Equity share capital	1,101.61	1,100.14	1,101.61	1,099.46
Reserves and surplus	1,637.38	2,019.17	1,872.89	1,873.73
Net worth ⁽²⁾	2,738.99	3,119.31	2,974.50	2,973.19
Basic Earnings per share ^{(3) (4)}	(2.17)	1.25	0.22	4.79
Diluted Earnings per share ^{(4) (5)}	(2.17)	1.24	0.22	4.75
Return on net worth (%) ⁽⁶⁾	(33.79%)	18.12%	0.79%	19.54%
Net Asset Value per Share ⁽⁷⁾	24.86	28.35	27.00	27.04

Notes:

1. Total income from operation includes to Revenue from Operations and Other Income.
2. Networth includes Equity share capital and Reserves and surplus .
3. Basic EPS: -Net Profit for the year attributable to owners of the Bank/ weighted average number of Equity Shares outstanding during the year.
4. Ratios are not annualised for quarters.
5. Diluted EPS: - Net Profit for the year attributable to owners of the Bank /weighted average number of Equity Shares outstanding during the year as adjusted for effective of dilutive equity shares. Financial statements for financial year ended March 31, 2025 of the Bank are available at: <https://www.utkarsh.bank/uploads/pdf/OutcomeofBM03052025.pdf>
6. Return on Net Worth (RoNW) is calculated by dividing the net profit after tax by the average net worth.
7. Net Asset Value per Share is calculated by dividing the net worth by the number of paid-up shares.

Detailed rationale for the Issue Price

The Issue Price will be determined by the Bank on the basis of qualitative and quantitative factors as described below:

Qualitative factors

Some of the qualitative factors which form the basis for computing the Issue Price are set forth below

- Sound understanding of microfinance segment and presence in rural and semi- urban areas;
- Growing deposits with focus on retail deposits;
- Diversified distribution network with significant cross selling opportunities;
- Focus on risk management and effective operations; and
- Leadership complementing our strengths.

Quantitative factors

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

1. Basic and diluted earnings per Equity Share (“EPS”) (face value of each Equity Share is ₹10):

Fiscal	Basic EPS ⁽¹⁾	Diluted EPS ⁽²⁾
June 30, 2025 ⁽³⁾	(2.17)	(2.17)
June 30, 2024 ⁽³⁾	1.25	1.24
March 31, 2025	0.22	0.22
March 31, 2024	4.79	4.75

Notes:

- (1) Basic EPS: -Net Profit for the year attributable to owners of the Bank/ weighted average number of Equity Shares outstanding during the year.
- (2) Diluted EPS: - Net Profit for the year attributable to owners of the Bank/weighted average number of Equity Shares outstanding during the year as adjusted for effective of dilutive equity shares.
- (3) Ratios are not annualised for quarters.

2. Return on Net Worth (“RoNW”)

Fiscal	RoNW (%)
June 30, 2025	(33.79)%
June 30, 2024	18.12%
March 31, 2025	0.79%
March 31, 2024	19.54%

3. Net Asset Value (“NAV”) per Equity Shares

		(in ₹)
Fiscal		NAV
June 30, 2025		24.86
June 30, 2024		28.35
March 31, 2025		27.00
March 31, 2024		27.04

4. Certain performance indicators of our Bank

(₹ in crores except per share data or unless otherwise stated)				
Particulars	Quarter ended June 30,		Financial year ended March 31,	
	2025	2024	2025	2024
Operations				
Banking outlets (in number)	1,099	916	1,092	888
Gross loan portfolio	19,224.04	18,798.07	19,665.59	18,299.28
Gross loan portfolio year on year growth (%)	2.27%	30.60%	7.47%	31.11%
Secured advances as % of gross loan portfolio	44.65%	35.20%	43.42%	34.34%
Total deposits	21,489.43	18,162.60	21,565.70	17,472.60
Total deposits year on year growth (%)	18.32%	30.04%	23.43%	27.44%
Casa ratio (%) ¹	19.68%	19.01%	21.79%	20.50%
CASA + RTD (as % of total deposits)	74.01%	67.07%	71.10%	66.11%
Capital				
Capital + reserves i.e. net worth (₹ in crore)	2,738.99	3,119.31	2,974.50	2,973.19
Total capital ratio (CRAR) (%)	19.64%	23.18%	20.93%	22.57%
Tier 1 capital ratio (%)	16.71%	20.39%	17.88%	20.95%
Cost of deposits (%)	7.99%	8.01%	8.16%	7.72%
Cost of funds (%) ²	8.10%	8.03%	8.21%	7.80%
Asset Quality				
Gross NPA (%)	11.42%	2.78%	9.43%	2.51%
SMA1 %	2.38%	1.45%	2.26%	0.97%
SMA 2%	1.76%	1.11%	1.77%	0.96%
Provision coverage ratio ³ (excl. technical write-offs) (%)	59.15%	55.51%	51.18%	63.33%
Net NPA (%)	5.00%	0.26%	4.84%	0.03%
Profitability				
Net Profit (₹ in crore)	(239.48)	137.40	23.70	497.63
Yield on Advances ⁴ (%)	15.65%	19.39%	17.85%	19.01%
Net interest margin ⁵ (%)	5.93%	9.38%	7.98%	9.44%
Credit cost ratio ⁶ (%)	8.49%	2.68%	5.16%	2.20%
Operating Expenses to total Average Assets (%)	6.45%	6.09%	6.26%	6.34%
Cost to income ratio ⁷ (%)	83.02%	54.08%	61.61%	56.38%
Return on total average assets ⁸ (%)	(3.44)%	2.28%	0.09%	2.45%
Return on average equity (%)	(33.79)%	18.12%	0.79%	19.54%
Others				
Basic EPS ⁹	(2.17)	1.25	0.22	4.79
Net asset value per equity share	24.86	28.35	27.00	27.04

Notes:

*The aforementioned ratios are calculated on the basis of the monthly average balances.

(1) CASA Ratio is the ratio of the sum of Demand Deposits and Savings Bank Deposits to total deposits;

(2) Cost of Funds is interest expended divided by Total Average Debt & Deposits

(3) Excluding Floating Provision;

(4) Yield on Advances is interest on advance divided by average balance of Gross Loan Portfolio;

(5) Net Interest Margin is the difference of Interest Earned and Interest expended divided by the Total Average Interest Earning Assets;

(6) Credit Cost divided by Average Balance of Gross Loan Portfolio;

(7) Cost to income ratio is calculated as ratio of operating expenses divided by Net operating income (Net Operating Income is the sum of Net interest income and other income);

(8) Return on Total Average Assets is the ratio of the Net profit for the year to the Total Average Assets;

(9) Not annualized for Quarter.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a resolution of our Board of Directors passed at its meeting held on October 1, 2025 pursuant to Section 62(1)(a) and other applicable provisions of the Companies Act.

This Draft Letter of Offer has been approved by our Board of Directors pursuant to its resolution dated October 1, 2025. 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 the Board of Directors at its meeting held on [●].

The Board of Directors, in its meeting held on [●], has resolved to issue the Rights Equity Shares to the Eligible Equity Shareholders, at ₹[●] per Rights Equity Share (including a premium of ₹[●] per Rights Equity Share) aggregating up to ₹ 950 crore* and the Rights Entitlement as [●] ([●]) Rights Equity Share for every [●] ([●]) fully paid-up Equity Shares, held as on the Record Date. The Issue Price has been arrived at by our Bank prior to determination of the Record Date

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

Our Bank has received in-principle approvals from NSE and BSE in accordance with Regulation 28(1) of the SEBI LODR Regulations for listing of the Rights Equity Shares to be Allotted in this Issue pursuant to their letters dated [●] and [●], respectively. Our Bank will also make applications to NSE and BSE to obtain their trading approvals for the Rights Entitlements as required under the SEBI ICDR Master Circular.

Our Bank has been allotted the ISIN: [●] for the Rights Entitlements to be credited to the respective demat accounts of Allottees. For details, see “*Terms of the Issue*” beginning on page 74.

Prohibition by SEBI or Other Governmental Authorities

Our Bank, our Promoter and our Directors have not been debarred from accessing capital markets. Further, our Bank, our Promoter and our Directors 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 Promoter and 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 associated with the securities market in any manner. Further, there is no outstanding action initiated by SEBI against any of our Directors, who have been associated with the securities market.

None of our Directors are declared as fugitive economic offenders under Section 12 of the Fugitive Economic Offenders Act, 2018. Since our Promoter is a corporate entity, the Fugitive Economic Offenders Act, 2018 is not applicable to them.

The Equity Shares of our Bank have not been suspended from trading as a disciplinary measure imposed by SEBI or any other regulatory authority during the last three years.

Prohibition by RBI

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

Eligibility for the Issue

Our Bank is a listed company and has been incorporated under the Companies Act, 2013. Our Equity Shares are presently listed on the Stock Exchanges. Our Bank is eligible to offer Rights 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 of 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 NSE and BSE and has received their in-principle approvals through their letters dated [●] and [●] for listing of the Rights Equity Shares to be Allotted pursuant to this Issue. NSE is the Designated Stock Exchange for the Issue.

CAUTION

Our Bank 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 Draft Letter of Offer.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Draft Letter of Offer. You must not rely on any unauthorized information or representations. This Draft 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 Draft Letter of Offer is current only as of its date.

Our Bank accepts no responsibility or liability for advising any Applicant on whether such Applicant is eligible to acquire any Rights Equity Shares.

Disclaimer with respect to jurisdiction

This Draft 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, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue is NSE.

Disclaimer Clause of NSE

As required, a copy of this Draft Letter of Offer has been submitted to NSE. The disclaimer clause as intimated by the NSE to us, post scrutiny of this Draft Letter of Offer is as under:

“[●].”

Disclaimer Clause of the BSE

As required, a copy of this Draft Letter of Offer has been submitted to BSE. The disclaimer clause as intimated by BSE to our Bank, post scrutiny of this Draft Letter of Offer is as under:

“[●]”

Disclaimer clause of the RBI, the IRDAI and of any other regulatory authority (if applicable)

Our Bank was included in the second schedule to the RBI Act as a scheduled commercial bank pursuant to a notification dated October 4, 2017 issued by the RBI and published in the Gazette of India (Part III - Section 4) dated November 7, 2017. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Bank or for the correctness of any of the statements or representations made or opinions expressed by the Bank and for repayment of deposits /discharge of liabilities by the Bank.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND THE RIGHTS EQUITY SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS EQUITY SHARES ARE ONLY BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” AS DEFINED IN AND IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT TO ELIGIBLE EQUITY SHAREHOLDERS LOCATED IN JURISDICTIONS WHERE SUCH OFFER AND SALE IS PERMITTED UNDER THE LAWS OF SUCH JURISDICTIONS. THE OFFERING TO WHICH THIS DRAFT LETTER OF OFFER RELATES IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN OFFERING OF ANY RIGHTS ENTITLEMENTS OR RIGHTS EQUITY SHARES FOR SALE IN THE UNITED STATES OR AS A SOLICITATION THEREIN OF AN OFFER TO BUY ANY OF THE SAID SECURITIES. ACCORDINGLY, YOU SHOULD NOT FORWARD OR TRANSMIT THIS DRAFT LETTER OF OFFER INTO THE UNITED STATES AT ANY TIME.

Neither our Bank, nor any person acting on behalf of our Bank, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Bank, or any person acting on behalf of our Bank, has reason to believe is, in the United States when the buy order is made. No Application Form should be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer under this Draft Letter of Offer or where any action would be required to be taken to permit the Issue. Our Bank is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Draft Letter of Offer and Application Form only to Eligible Equity Shareholders who have provided an Indian address to our Bank. Any person who purchases or sells Rights Entitlements or makes an application for Rights Equity Shares will be deemed to have represented, warranted and agreed, by accepting the delivery of this Draft Letter of Offer, that it is not and that at the time of subscribing for the Rights Equity Shares or the purchase or sale of Rights Entitlements, it will not be, in the United States and is authorized to purchase or sell the Rights Entitlement and subscribe to the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Bank, 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 any other jurisdiction 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 this Issue; or (iii) where either a registered Indian address is not provided; or (iv) 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.

Filing

This Draft Letter of Offer is being filed with the Stock Exchanges as per the provisions of the SEBI ICDR Regulations.

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 LODR 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 circular bearing reference number SEBI/HO/OIAE/CIR/P/2023/156 dated September 20, 2023 and any other circulars issued in this regard. 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 and Share Transfer Agent. All investor grievances received by us have been handled by the Registrar and Share Transfer Agent in consultation with our Company Secretary and Compliance Officer.

The investor complaints received by our Bank are generally disposed of within 21 days from the date of receipt of the complaint. As on June 30, 2025, our Bank has redressed all complaints received from investors.

Investors may contact the Registrar or our Company Secretary/ 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" beginning on page 74.

The contact details of Registrar to the Issue and our Company Secretary and Compliance Officer are as follows:

Registrar to the Issue

KFin Technologies Limited

Address: Selenium Tower B,
Plot Nos. 31 and 32 Financial District
Nanakramguda, Serilingampally Mandal,
Hyderabad - 500032,
Telangana, India
Tel: +91 9177401071

E-mail: murali.m@kfintech.com

Website: www.kfintech.com

Investor grievance ID: inward.ris@kfintech.com

Contact person: M.Murali Krishna

SEBI Registration No. INR000000221

Company Secretary and Compliance Officer

Muthiah Ganapathy

Rupa Sapphire, Plot No.12,
Sector 18, 22nd Floor,
Sion - Panvel Expressway, Sanpada,
Navi Mumbai - 400 705,
Maharashtra, India
Tel: +919702244762
E-mail: muthiah.ganapathy@utkarsh.bank

Other Confirmations

Our Bank, in accordance with Regulation 79 of the SEBI ICDR Regulations, shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise, to any person for making an Application, and shall not make any payment, whether direct or indirect, whether in the nature of discounts, commission, allowance or otherwise, to any person for making an Application.

SECTION VI: 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 Draft Letter of Offer, the Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Bank is not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft 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 Draft Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI ICDR Master Circular, Rights Issue Circular, Investors proposing to apply in this Issue can apply only through ASBA.

Investors are requested to note that Application in this Issue can only be made through ASBA or any other mode which may be notified by SEBI.

Please note that our Bank has opened a separate demat suspense escrow account (namely, “[●]”) (“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”); or (c) of the Eligible Equity Shareholder whose demat accounts are frozen or where the Equity Shares are lying in the unclaimed / suspense escrow 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) where credit of the Rights Entitlements have returned/reversed/failed for any reason; or (e) where ownership is currently under dispute, including any court or regulatory proceedings or where legal notices have been issued, if any or (f) such other cases where our Bank is unable to credit Rights Entitlements for any other reasons or (g) 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 / documents as acceptable to our Bank or the Registrar (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 [●], 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.

Overview

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in this Draft Letter of Offer, the Letter of Offer, the Rights Entitlement Letter, the Application Form, along with the Memorandum of Association and the Articles of Association of our Bank, the provisions of the Companies Act, 2013, the FEMA, the FEMA NDI Rules, the SEBI ICDR Regulations, the SEBI LODR Regulations, the SEBI ICDR Master Circular, Rights Issue Circular and the guidelines, notifications, circulars and regulations issued by SEBI, 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.

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 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 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 Materials shall constitute an offer, invitation or solicitation for participation in the Issue in accordance with the terms of the Issue Materials. 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, the 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 to any filing or registration requirement (other than in India). If the 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 99.

The Issue material 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, the 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 valid e-mail address, then 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 Draft Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided their Indian address and who have made a request in this regard.

Investors can access the Draft Letter of Offer, Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe to the Rights Equity Shares under applicable laws) on the websites of:

- (i) our Bank at www.utkarsh.bank;
- (ii) the Registrar at <https://rights.kfintech.com/>;
- (iii) the Stock Exchanges at www.bseindia.com and www.nseindia.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 on Record Date) and PAN. The link for the same shall also be available on the website of our Bank at <https://www.utkarsh.bank/investors>.

Please note that neither our Bank nor the Registrar shall be responsible for not sending the physical copies of Issue materials, including the Letter of Offer, the Rights Entitlement Letter and the Application Form or delay in the receipt of the Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to non-availability 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.

The distribution of the Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter and the issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. No action has been, or will be, taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer is being filed with Stock Exchanges and the Letter of Offer will be filed with the Stock Exchanges. Accordingly, Rights Equity Shares may not be offered or sold, directly or indirectly, and the Issue Materials may not be distributed, in any jurisdiction, except in accordance with and as permitted under the legal requirements applicable in such jurisdiction. Receipt of the Issue Materials will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, such Issue Materials must be treated as sent for information only and should not be acted upon for making an Application and should not be copied or re-distributed.

Accordingly, persons receiving a copy of the Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Rights Equity Shares or the Rights Entitlements, distribute or send this Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter or the Application Form 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 to any filing or registration requirement (other than in India). If this Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or

nominee, they must not seek to make an Application or acquire the Rights Entitlements referred to in the Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter or the Application Form. Any person who purchases or renounces the Rights Entitlements or makes an application to acquire the Rights Equity Shares offered in the Issue will be deemed to have declared, represented and warranted that such person is outside the United States and is eligible to subscribe and authorized to purchase or sell the Rights Entitlements or acquire the 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 to make any filing or registration (other than in India).

This Draft 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 and in case such Eligible Equity Shareholders have not provided their valid e-mail address, then the Application Form, the Rights Entitlement Letter and other Issue Materials will be physically dispatched, on a reasonable effort basis, 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 making 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.

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 that 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 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, see “– Grounds for Technical Rejection” on page 83. Our Bank, 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, see “– Making of an Application by eligible Investor on Plain Paper under ASBA process” on page 78.

- ***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 in the Issue.

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; or
- (vi) in case of Promoter renouncement of their Rights Entitlements can be made in favour of Specific Investor(s).

- ***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 authorizing 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 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.

Our Bank, their directors, their employees, affiliates 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 dematerialized 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 and September 17, 2021.

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 submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.
- (c) Do not send your physical Application to the Registrar, the Bankers to the Issue (assuming that such Bankers to the Issue are not SCSB's), 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 only.
- (d) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.
- (e) Do not submit Application Form using third party ASBA account.
- (f) Avoiding applying on the Issue Closing Date due to risk of delay/restriction in making any physical Application.
- (g) Do not submit Multiple Application Forms.

- ***Application by Specific Investor(s), if any and applicable***

In case of renunciation of Rights Entitlement to Specific Investor(s) by our Promoter

Our Promoter shall renounce its Rights Entitlements to the Specific Investor(s) through an off market transfer which shall be completed upon activation of ISIN of the Rights Entitlements.. The time limit for renouncing of RE by our Promoter and credit of RE to Specific Investor(s) shall be initiated such that the Specific Investor is able to apply before 11:00 am on Issue Opening Date. The Application by such Specific Investor(s) shall be made on the Issue Opening Date before 11:00 a.m. (Indian Standard Time) and no withdrawal of such Application by the Specific Investor(s) shall be permitted.

In this regard, our Promoter has confirmed that it will (i) not subscribe to the full extent of its Rights Entitlements in the Issue, provided such participation shall not result in a breach of the minimum public shareholding requirement, and (ii) it will renounce its Rights Entitlements in favour of Specific Investor(s).

The acquisition of Rights Equity Shares by our Promoter, if any, shall be eligible for exemption from open offer requirements, subject to our Bank meeting the pricing criteria and other conditions, if any in terms of Regulation 10(4)(a) and 10(4)(b) of the SEBI Takeover Regulations, and the Issue shall not result in a change of control of the management of our Bank in accordance with provisions of the SEBI Takeover Regulations.

In case of allotment of any undersubscribed portion of the Rights Issue to Specific Investor

Our Bank may allot any undersubscribed portion (if any) of the Rights Issue to one of more Specific Investor(s) and the names of such Specific Investor(s) shall be disclosed by our Bank in the public advertisement at least two days prior to the Issue Opening Date in accordance with Regulation 84(1)(f) of SEBI ICDR Regulations. The Application by such Specific Investor(s) shall be made along with their Application Money before the finalisation of Basis of Allotment for undersubscribed portion of the Rights Issue in co-ordination with our Bank and Registrar in accordance with Regulation 77(B)(4) of SEBI ICDR Regulations.

- ***Making of an Application by eligible Investor on Plain Paper under ASBA process***

An eligible Investor who is eligible to apply under the ASBA process may make an application to subscribe to this Issue on plain paper in terms of Regulation 78 of SEBI ICDR Regulations 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 Investor 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, or the Stock Exchanges. An eligible Investor 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 Investor who has not provided an Indian address.

Please note that in terms of Regulation 78 of SEBI ICDR Regulations, the eligible Investors who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilize the Application Form for any purpose including renunciation even if it is received subsequently.

The Application on plain paper, duly signed by the eligible Investors 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 Utkarsh Small Finance Bank Limited;
2. Name and address of the eligible Investors 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 Investors who hold Equity Shares in physical form as on 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 Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to this Issue;
5. Number of Equity Shares held as on 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 Application amount paid at the rate of ₹ [●] 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 Investors 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 Investors (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB); and
16. All such eligible Investors shall be deemed to have made the representations, warranties and agreements set forth in “*Restrictions on Purchases and Resales - Representations, Warranties and Agreements by Purchasers*” on page 99, and shall include the following:

“I/ We understand that neither the Rights Entitlements nor the Rights Equity Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. I/ we understand the Rights Equity Shares referred to in this application are being offered and sold in offshore transactions outside the United States in compliance with Regulation S under the U.S. Securities Act (“Regulation S”) to Eligible Equity Shareholders located in jurisdictions where such offer and sale of the Rights Equity Shares is permitted under laws of such jurisdictions. I/ we understand that the Issue is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlements for sale in the United States, or as a solicitation therein of an offer to buy any of the said Rights Equity Shares or Rights Entitlements in the United States. I/ we confirm that I am/ we are (a) not in the United States and eligible to subscribe for the Rights Equity Shares under applicable

securities laws, (b) complying with laws of jurisdictions applicable to such person in connection with the Issue, and (c) understand that neither the Bank, nor the Registrar, or any other person acting on behalf of the Bank will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Bank, the Registrar, or any other person acting on behalf of the Bank have reason to believe is in the United States or is outside of India and ineligible to participate in this Issue under the securities laws of their jurisdiction.

I/ We will not offer, sell or otherwise transfer any of the Rights Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation. I/ We satisfy, and each account for which I/ we are acting satisfies, (a) all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of my/our residence, and (b) is eligible to subscribe and is subscribing for the Rights Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

I/we hereby make the representations, warranties, acknowledgments and agreements set forth in the section of the Draft Letter of Offer titled "Restrictions on Purchases and Resales" on page 99.

I/ We understand and agree that the Rights Entitlements and Rights Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

I/ We acknowledge that the Bank, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements. "

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account 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, 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, 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***

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 on 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/or whose demat account details are not available with our Bank or the Registrar, shall be credited in the Demat Suspense Account.

Eligible Equity Shareholders, who hold Equity Shares in physical form as on 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 to send form ISR1, ISR2 (in case signature does not match with RTA record), ISR-4, Client master copy, Copy of Self attested PAN, Original cancelled cheque to RTA above documents should reach with RTA no later than two Clear Working Days prior to the Issue Closing Date;
- (b) The Registrar 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; and
- (c) The remaining procedure for Application shall be same as set out in the section entitled "*– Making of an Application by eligible Investor on Plain Paper under ASBA process*" on page 78.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date will not be allowed to renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialized Rights Entitlements are transferred from the Demat Suspense 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 the section entitled “– Basis of Allotment” on page 93.

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 unless regulatory approvals are submitted.

Intention and extent of participation by our Promoter with respect to (i) its Rights Entitlement; and (ii) its intention to renounce their Rights Entitlement, to Specific Investor(s).

Our Promoter has confirmed that it will (i) not subscribe to the full extent of its Rights Entitlements in the Issue, and (ii) it will renounce their Rights Entitlements in favour of Specific Investor(s).

Allotment of the under-subscribed portion of the Issue

Our Bank may allot any undersubscribed portion (if any) of the Rights Issue to one of more Specific Investor(s) and the names of such Specific Investor(s) shall be disclosed by our Bank in the public advertisement at least two days prior to the Issue Opening Date. The Application by such Specific Investor(s) shall be made along with their Application Money before the finalisation of Basis of Allotment for undersubscribed portion of the Rights Issue in co-ordination with our Bank and Registrar.

Additional general instructions for Investors in relation to making of an Application

- (a) Please read the Draft 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 regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Draft Letter of Offer, the 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 the section titled “*Making of an Application by eligible Investor on Plain Paper under ASBA process*” on page 78.
- (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.
- (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 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, 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, 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 on 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 does 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 in this Issue as an incorporated non-resident must do so in accordance with the FDI Policy and the FEMA NDI Rules, as amended.
- (t) Ensure that your PAN is linked with Aadhaar and you are in compliance with CBDT notification dated February 13, 2020 and press release dated June 25, 2021 and September 17, 2021.

- ***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, Registrar, Bankers to the Issue, 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 the 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) appears to our Bank or its agents to have been executed in, electronically transmitted from or dispatched from the United States or other 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.
- (t) RE not available in DPID on Issue Closing Date.

- ***Multiple Applications***

In case where multiple Applications are made using same demat account in respect of the same set of 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 dematerialized 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, see “– *Procedure for Applications by Mutual Funds*” on page 85.

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 through ASBA, such Applications may be treated as multiple applications and are liable to be rejected or all the balance shares other than Rights Entitlement will be considered as additional shares applied for, other than multiple applications submitted by our Promoter to meet the minimum subscription requirements applicable to this Issue as described in the section entitled “*Summary of the Draft Letter of Offer – Intention and extent of participation by our Promoter and Promoter Group with respect to (i) their Rights Entitlement and (ii) its intention to renounce Rights Entitlement to Specific Investor(s)*” on page 16.

- ***Procedure for Applications by certain categories of Investors***

Procedure for Applications by FPIs

In terms of applicable FEMA NDI 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. 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 purchase Rights Entitlement and 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.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA NDI Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA NDI 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.

Further, in accordance with Press Note 3 of 2020, the FDI Policy has been amended to state that all investments by entities incorporated in 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 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 [●], 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 the 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 the section entitled “- Basis of Allotment” on page 93.

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 applying through ASBA facility may withdraw their Application post the Issue Closing Date. In case of Specific Investor(s) in favour of whom the Promoter has renounced their Rights Entitlement and the Specific Investor(s) have made an application for subscribing such renounced the Rights Entitlement, then no withdrawal of such application will be allowed.

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 or a committee thereof 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 two Working 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.

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 paid-up and subscribed 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 on 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 on Record Date) and PAN. The link for the same shall also be available on the website of our Bank (*i.e.*, <https://www.utkarsh.bank/investors>).

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 dematerialized form. A separate ISIN for the Rights Entitlements has also been generated which is ISIN: [●]. 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 are credited the Rights Entitlements are required to make an Application to apply for Rights Equity Shares offered under the Issue for subscribing to the Rights Equity Shares offered under the Issue.

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 no 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. 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 by sending ISR1, ISR-2 (in case signature not matched with RTA record), ISR-4 with copy of PAN, original cancelled cheque (name of 1st shareholder should be printed on it), Copy of CML (client master) to RTA in original. 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 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. 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 and (ii) a demat suspense escrow account (namely, “[●]”) opened by our Bank, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the Investor Education and Protection Fund Authority; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed 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 (c) Equity Shares held by Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Bank or Registrar; or (d) credit of the Rights Entitlements returned/reversed/failed; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) non-institutional equity shareholders in the United States.

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 NDI 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 NDI 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.

- ***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

₹ [●] per Rights Equity Share (including premium of ₹ [●] per Rights Equity Share) shall be payable as under:

(in ₹)			
Due Date	Face Value (₹)	Premium (₹)	Total (₹)
On Application*	10	[●]	[●]

Our Bank accepts 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, Rights Issue 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: [●] 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 dematerialized form only. The market lot for trading of Rights Entitlements is 1 (one) Rights Entitlements.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, *i.e.*, from [●] to [●] (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: [●] 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 stock-broker 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.

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: [●] 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 dematerialized form only. The market lot for trading of Rights Entitlements is one Rights Entitlements.

The Off Market Renunciation shall take place during the Renunciation Period for Off Market Renunciation, *i.e.*, from [●] to [●] (both days inclusive). Our Promoter shall renounce its Rights Entitlements to the Specific Investor(s) through an off market transfer which shall be completed upon activation of ISIN of the Rights Entitlements.

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: [●], 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 the ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorizing 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 Draft Letter of Offer and the Draft 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 finalization 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 NDI 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, see "*The Issue*" beginning on page 45.

Fractional Entitlements

The Rights Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of [●] ([●]) Equity Share for every [●] ([●]) 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 [●]([●]) Equity Shares or not in the multiple of [●], 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 Equity Share each if they apply for additional Equity Shares over and above their Rights Entitlement, if any.

Further, the Eligible Equity Shareholders holding less than [●] ([●]) Equity Shares as on Record Date 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 Draft Letter of Offer, the 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 LODR 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 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 [●] dated [●] and from the NSE through letter bearing reference number [●] dated [●] for listing of the Rights Equity Shares to be Allotted in this Issue. 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: 543942) and NSE (Symbol: UTKARSHBNK) under the ISIN: INE735W01017. 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 as 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 fifteen 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 Promoter

For details of the intent and extent of subscription by our Promoter, see *Summary of the Draft Letter of Offer – Intention and extent of participation by our Promoter and Promoter Group with respect to (i) their Rights Entitlement and (ii) its intention to renounce Rights Entitlement to Specific Investor(s)*” on page 16.

Rights of Holders of Equity Shares of our Bank

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 Draft 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 Equity Shares of our Bank shall be tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one 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 Equity Shares offered in this Issue.

Nomination

Nomination facility is available in respect of the 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 Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one 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

Our Bank will send through email and speed post, the Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material 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 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 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 their Indian address and who have made a request in this regard.

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 Hindi language daily newspaper with wide circulation (Hindi being the regional language of Varanasi, where our Registered Office is situated).

This Draft Letter of Offer, the 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 NDI Rules, RBI has given general permission to Indian companies to issue rights equity shares to non-resident equity shareholders including additional rights equity shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, (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. The permissions available under (i) and (ii) above are not available to investors who have been allotted such shares as Overseas Corporate Bodies. 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 our Bank will not be responsible for any such allotments made by relying on such approvals.

The Draft Letter of Offer, 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 the 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, and the Stock Exchanges. Further, Application Forms will be made available at Registered and Corporate 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. The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar to the Issue and our Bank by submitting their respective copies of self-attested proof of address, passport, etc. at einward.ris@kfintech.com.

ALLOTMENT OF THE RIGHTS EQUITY SHARES IN DEMATERIALIZED FORM

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, SEE “ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS” ON PAGE 93.

VIII. ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	[•]
ISSUE OPENING DATE	[•]
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	[•]
DATE OF CLOSURE OF OFF MARKET TRANSFER OF RIGHTS ENTITLEMENTS	[•]
ISSUE CLOSING DATE*	[•]
FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	[•]
DATE OF ALLOTMENT (ON OR ABOUT)	[•]
DATE OF CREDIT (ON OR ABOUT)	[•]
DATE OF LISTING (ON OR ABOUT)	[•]

*Our Board or the Capital Structuring & Fund Raise 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.

#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.

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 no later than two clear Working Days prior to the Issue Closing Date, i.e., [●], 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., [●].

IX. BASIS OF ALLOTMENT

Subject to the provisions contained in the 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 including to the Specific Investor(s) making an application under Regulation 84(1)(f)(i) of the SEBI ICDR Regulations.
- (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 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 having due regard to the number of Rights Entitlement held by them as on Issue Closing Date and in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.
- (e) Allotment to any Specific Investor(s) disclosed by our Bank in terms of the SEBI ICDR Regulations before opening of the Issue, provided that there is an unsubscribed portion i.e. a surplus available after making full Allotment under (a), (b), (c) and (d) above.

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.

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; along with crediting the Allotted Rights Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in 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 two Working Days from the Issue Closing Date. In case of failure to do so, our Bank and our Directors who are "officers in default" shall pay interest at such other rate as specified under applicable law from the expiry of such two Working Days' period.

The Rights Entitlements will be credited in the dematerialized 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 refunded/unblocked. The unblocking of ASBA funds / refund of monies shall be completed 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.

Payment Terms

₹ [●] per Rights Equity Share (including premium of ₹ [●] per Rights Equity Share) shall be payable as under:

(in ₹)			
Due Date	Face Value (₹)	Premium (₹)	Total (₹)
On Application	10	[●]	

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 on 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 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 no later than two Working Days from the Issue Closing Date or such other timeline in accordance with applicable laws.

- ***Receipt of the Rights Equity Shares in Dematerialized Form***

PLEASE NOTE THAT THE RIGHTS EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED 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 dematerialized (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 dematerialized form, instead of holding the Equity Shares in the form of physical certificates:

- (a) Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and the Registrar to the Issue; and
- (b) Tripartite agreement dated February 14, 2017 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 DEMATERIALIZED 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 dematerialized form and would be directly credited to the beneficiary account as given in the Application Form after verification. 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, on their registered email address or 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 ₹10,00,000 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 ₹0.10 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 ₹50,00,000 crore or with both.

XIV. UTILISATION OF ISSUE 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 Issue 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 time limit specified 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 Investor within two Working 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. No further issue of equity shares and convertible securities shall be made till the securities offered through the Letter of Offer are listed or till the application monies are refunded on account of non-listing, under subscription,

etc., other than any issuance of Equity Shares upon exercise of options under the ESOS Schemes as disclosed in accordance with Regulation 97 of SEBI ICDR Regulations.

7. Adequate arrangements shall be made to collect all ASBA Applications.
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 the Letter of Offer carefully before taking any action. The instructions contained in the Application Form, and the Rights Entitlement Letter are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise, the Application is liable to be rejected.
2. All enquiries in connection with the Draft Letter of Offer, Letter of Offer, the Rights Entitlement Letter or Application Form must be addressed (quoting the registered folio number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on 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 "Utkarsh Small Finance Bank Limited - Rights Issue" on the envelope and postmarked in India) to the Registrar at the following address:

KFin Technologies Limited

Address: Selenium Tower B, Plot Nos. 31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal, Hyderabad - 500032,
Telangana, India

Tel: +91 40 6716 2222

E-mail: utkarsh.rights@kfintech.com

Website: www.kfintech.com

Investor grievance ID: einward.ris@kfintech.com

Contact person: M.Murali Krishna

SEBI Registration No. INR000000221

CIN: L72400MH2017PLC444072.

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>) Further, helpline number provided by the Registrar for guidance on the Application process and resolution of difficulties is 18003094001.
4. 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: <https://rights.kfintech.com> ;
 - (c) Updation of demat account details by Eligible Equity Shareholders holding shares in physical form: <https://rights.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 fifteen days. However, our Board or the Capital Structuring & Fund Raise 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.

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, of the Government of India, 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. The RBI and the concerned ministries/ departments are responsible for granting approval for foreign investment.

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The FDI Policy consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Policy will be valid until the DPIIT issues an updated circular.

The Government 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 FEMA NDI 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 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. 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 FDI Policy and the FEMA NDI 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 NDI Rules. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 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 or fund in India.

Please also note that pursuant to Circular no. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("**OCBs**") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for the issue as an incorporated non-resident must do so in accordance with the FDI Policy and FEMA NDI 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.

Further, in terms of the FEMA NDI 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. Further, the aggregate limit of all FPIs investments is up to the sectoral cap applicable to the sector in which our Bank operates. For details see "*Risk Factors – We are subject to laws and regulations governing the financial services industry and our operations in India and changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.*" on page 29.

The above information is given for the benefit of the Applicants / Investors. Our Bank is not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft 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 Draft Letter of Offer

RESTRICTIONS ON PURCHASES AND REALES

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 Draft Letter of Offer or any other Issue Material in any jurisdiction where action for such purpose is required, except that this Draft Letter of Offer will be filed with the Stock Exchanges.

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 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, the 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 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.

The Rights Entitlement and the Rights Equity Shares may not be offered or sold, directly or indirectly, and the 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.

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, renunciation, sale, resale, pledge or other transfer of the Rights Entitlements or the Rights Equity Shares.

The Draft 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.

No offer in the United States

The Rights Entitlements and the Rights Equity Shares have not been, and will not be, registered under the U.S Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Rights Equity Shares are only being offered and sold outside the United States in “offshore transactions” as defined in and in reliance on Regulation S under the U.S. Securities Act to Eligible Equity Shareholders located in jurisdictions where such offer and sale is permitted under the laws of such jurisdictions. The offering to which this Draft Letter of offer or the Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Rights Entitlements or Rights Equity Shares for sale in the United States or as a solicitation therein of an offer to buy any of the said securities. Accordingly, you should not forward or transmit this Draft Letter of offer or the Letter into the United States at any time.

Representations, Warranties and Agreements by Purchasers

The Rights Entitlements and the Rights Equity Shares offered outside the United States are being offered in “offshore transactions” in reliance on Regulation S.

In addition to the applicable representations, warranties and agreements set forth above, each purchaser outside the United States by accepting the delivery of the 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 (i) is aware that the Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the U.S. Securities Act and are being distributed and offered outside the United States in reliance on Regulation S, (ii) is, and the persons, if any, for whose account it is acquiring such Rights Entitlements and/or the Rights Equity Shares

are, outside the United States and eligible to subscribe for Rights Entitlements and Rights Equity Shares in compliance with applicable securities laws, and (iii) is acquiring the Rights Entitlements and/or the Rights Equity Shares in an offshore transaction meeting the requirements of Regulation S.

2. No offer or sale of the Rights Entitlements or the Rights Equity Shares to the purchaser is the result of any “directed selling efforts” in the United States (as such term is defined in Regulation S under the U.S. Securities Act).
3. 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, and the sale of the Rights Equity Shares to it will not require any filing or registration by, or qualification of, our Bank 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.
4. 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 the jurisdiction of its residence, 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 our jurisdiction of residence.
5. 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.
6. If any Rights Entitlements were bought by the purchaser or otherwise transferred to the purchaser by a third party (other than our Bank), the purchaser was in India at the time of such purchase or transfer.
7. 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.
8. 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 the 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.
9. The purchaser (or any account for which it is acting) is an Eligible Equity Shareholder and has received an invitation from our Bank, addressed to it and inviting it to participate in this Issue.
10. 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 our Bank to facilitate the sale or resale of the Rights Entitlements or the Rights Equity Shares pursuant to the Issue.
11. Prior to making any investment decision to exercise the Rights Entitlements and renounce and/or subscribe for the Rights Equity Shares, the Investor (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 the 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); (iv) 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, (including any research reports) (other than, with respect to our Bank and any information contained in the 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.
12. Without limiting the generality of the foregoing, (i) the purchaser acknowledges that the Equity Shares are listed on BSE Limited and the 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 the 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) our Bank, 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.

13. The purchaser acknowledges that 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 Draft Letter of Offer and the Letter of Offer and the Exchange Information (collectively, the “Information”), has been prepared solely by our Bank.
14. The purchaser will not hold our Bank responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Bank to it.
15. 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 the Letter of Offer and the Application Form. The purchaser understands that none of our Bank, the Registrar, 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, 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.
16. 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.
17. 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.
18. 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 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.
19. 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.
20. 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.
21. 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.
22. The purchaser shall hold our Bank 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 the Letter of Offer. The indemnity set forth in this paragraph shall survive the resale of the Rights Equity Shares.
23. The purchaser acknowledges that our Bank, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

SECTION VII: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered into or are to be entered into by our Bank (not being contracts entered into in the ordinary course of business carried on by our Bank or contracts entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material, and also the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office between 10 a.m. and 5 p.m. on all working days and will also be available on the website of our Bank from the date of the Letter of Offer until the Issue Closing Date.

A. Material Contracts for the Issue

1. Registrar Agreement dated October 1, 2025, between our Bank and the Registrar to the Issue.
2. Banker to the Issue Agreement dated October 1, 2025, between our Bank, Registrar 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 April 30, 2016 of our Bank.
3. RBI letter dated November 16, 2017, pursuant to which RBI intimated our Bank of its inclusion in the second schedule to the RBI Act.
4. Resolution of our Board of Directors dated March 16, 2024, approving the amalgamation of our Bank with Utkarsh CoreInvest Limited.
5. Observation Letter dated July 4, 2025 issued by the BSE for the amalgamation proposal of Utkarsh CoreInvest Limited and our Bank.
6. Observation Letter dated July 7, 2025 issued by the NSE for the amalgamation proposal of Utkarsh CoreInvest Limited and our Bank.
7. No Object Certificate dated January 2, 2025 provided by the RBI approving the amalgamation of Utkarsh CoreInvest Limited and our Bank.
8. Consent letters each dated September 29, 2025 from the Joint Statutory Auditors of our Bank, being M/s M. M. Nissim & Co LLP, Chartered Accountants and M/s KKC & Associates LLP, Chartered Accountants, to include their name in this Draft Letter of Offer, and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 in respect of the certificates issued by them in their capacity as an Independent Chartered Accountant to our Bank.
9. Consent letter dated September 19, 2025, from JHS & Associates LLP, Independent Chartered Accountants, to include their name in this Draft Letter of Offer, and as an “expert” as defined under Section 2(38) of the Companies Act, 2013 in respect of the certificates issued by them in their capacity as an Independent Chartered Accountant to our Bank.
10. Statement of possible special tax benefits available to our Bank and its shareholders dated October 1, 2025, from the Independent Chartered Accountant included in this Draft Letter of Offer.
11. Certificate from our Promoter, Utkarsh CoreInvest Limited dated October 1, 2025
12. The Fiscal 2025 Audited Financial Statements and the audit report dated May 3, 2025 of the Previous Joint Statutory Auditor.
13. Resolution of our Board of Directors dated October 1, 2025 approving this Issue and other related matters.
14. Resolution of our Board of Directors dated [●] in relation to the terms of the Issue including the Record Date, Issue Price and Rights Entitlement ratio
15. Resolution of our Board of Directors dated October 1, 2025, approving and adopting the Draft Letter of Offer and Letter of Offer.
16. Annual Reports of our Bank for the Financial Years 2025, 2024, 2023, 2022, 2021 and 2020.
17. In-principle listing approvals dated [●] and [●] issued by BSE and NSE for listing of the Rights Equity Shares to be Allotted in this Issue, respectively.

18. Tripartite agreement dated February 17, 2017 amongst our Bank, NSDL and the Registrar to the Issue.
19. Tripartite agreement dated February 14, 2017 amongst our Bank, CDSL and the Registrar to the Issue.

Any of the contracts or documents mentioned in this Draft 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.

There are no other agreements/arrangements entered into by our Bank or clauses/covenants applicable to our Bank which are material, not in the ordinary course of business and which are required to be disclosed, or the non-disclosure of which may have a bearing on the investment decision of prospective investors in the Offer.

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-

Kshatrapati Shivaji

Part Time Chairman and Independent director

Date: October 1, 2025

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-
Govind Singh
Managing Director & CEO
Date: October 1, 2025
Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-

Pramod Kumar Dubey

Whole Time Director

Date: October 1, 2025

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-

Parveen Kumar Gupta

Independent Director

Date: October 1, 2025

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-

Ajay Kumar Kapur
Independent Director

Date: October 1, 2025

Place: Seattle, USA

DECLARATION

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I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-
Kalpana Prakash Pandey
Independent Director
Date: October 1, 2025
Place: Mumbai

DECLARATION

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I further certify that all disclosures made in this Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-

Gauri Rushabh Shah

Independent Director

Date: October, 2025

Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF OUR BANK

Sd/-
Muralidharan Rajamani
Non-Executive Director
Date: October 1, 2025
Place: Mumbai

DECLARATION

I hereby certify that no statement made in this Draft 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 Draft Letter of Offer are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

Sd/-

Sarju Simaria

Chief Financial Officer

Date: October 1, 2025

Place: Mumbai